Space Coast Diversification in Aviation and Defense: Florida's Aerospace Edge

Tony Burkart

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The Florida Most People Know ...
... what most people don’t know

Florida is an economic Super State

4th LARGEST ECONOMY AMONG U.S. STATES

19+ million RESIDENTS

THE 21st LARGEST ECONOMY IN THE WORLD
High-Tech Super State

#1 State for Innovation
(Fast Company)

Aviation & Aerospace
#2 for Aviation/Aerospace Businesses
Strengths: aircraft components and assembly, MRO, cargo operations

Information Technology
#3 for High-Tech Businesses
Strengths: photonics/optics, modeling/simulation, microelectronics, communications, software

Defense & Homeland Security
#3 for Defense Systems Manufacturing Businesses
Strengths: missiles/weapons, cybersecurity, disaster preparedness/response, training

Life Sciences
#2 for Medical Device Manufacturing Businesses
#3 for Pharmaceutical Manufacturing Businesses
Strengths: medical devices, pharmaceuticals, biotech R&D, healthcare
If Florida were a stock ...
Major Recent Project Wins

- **Northrop Grumman**: 2,800+ jobs
- **Embraer**: 1,000 jobs
- **Pratt & Whitney**: 230 jobs
- **Lockheed Martin**: 200 jobs
- **Harris**: 6,000+ jobs
Talent is driving Florida decisions
For the Second Year in a row, Price Waterhouse Coopers ranks Florida as the most attractive place for aviation.
Key Differentiator: Reshoring

- PWC now ranks the United States as the most attractive country for aviation manufacturing.
- Making Florida the most attractive place in the world for aviation and aerospace businesses.
Top 10 Manufacturing State

#9 for manufacturing establishments

18,000+ companies

311,000 workers

3rd Lowest private sector unionization rate
Aviation Aerospace Giant

2,000+ companies
87,000+ workers
#2 State in Aviation, Aerospace, and Space Establishments
Embraer plans to begin assembling its new midsize Legacy 450 and 500 business jets at its Melbourne, FL campus.
Jacksonville and Melbourne, Florida
United States and Florida bolstered by the proportion of Aerospace Industry

• The location of major OEM’s like Northrop Grumman, Embraer, and Harris Corporation position the Space Coast well for future supplier growth.

• Winning these major projects is critical to the continued diversification of the Space Coast economy. State and local support are key to these wins.
Florida advantages mirror those of the US as a whole

• Florida has a very high concentration of suppliers and OEM’s alike, this helps us to overcome some disadvantages in taxes and operating costs.

• State and local government can help to mitigate these costs when major projects are considering the region.
International Super State

$158 billion
Total Merchandise Trade

6th
In FDI Employment

6th
For Manufacturing Exports

5 million
Foreign Language Speakers

1 in 5
U.S. Exporters Located in Florida

Circles represent approximate flight times from Florida in one-hour increments.
Super State Advantages — *at competitive costs*

Comparative Costs for Aerospace and Aviation Companies in Florida vs. Other Markets

<table>
<thead>
<tr>
<th></th>
<th>Florida</th>
<th>Alabama</th>
<th>Arizona</th>
<th>California</th>
<th>Georgia</th>
<th>Ohio</th>
<th>South Carolina</th>
<th>Texas</th>
<th>Washington</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Personal Income Tax Rate</strong></td>
<td>None</td>
<td>5%</td>
<td>4.54%</td>
<td>13.3%</td>
<td>6%</td>
<td>5.93%</td>
<td>7%</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td><strong>(Highest Rate)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Corporate Income Tax or</strong></td>
<td>5.5%</td>
<td>6.5%</td>
<td>6.968%</td>
<td>8.84%</td>
<td>6%</td>
<td>0.26%</td>
<td>5%</td>
<td>1%</td>
<td>0.13% - 3.3%</td>
</tr>
<tr>
<td><strong>Gross Receipts Tax Rate</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>State Business Tax Climate</strong></td>
<td>5</td>
<td>21</td>
<td>25</td>
<td>48</td>
<td>34</td>
<td>39</td>
<td>36</td>
<td>9</td>
<td>6</td>
</tr>
<tr>
<td><strong>Ranking</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td><strong>Aviation Average Annual Wage</strong></td>
<td>$55,043</td>
<td>$48,805</td>
<td>$63,221</td>
<td>$57,669</td>
<td>$64,690</td>
<td>$68,800</td>
<td>$49,781</td>
<td>$66,476</td>
<td>$65,119</td>
</tr>
<tr>
<td><strong>Aerospace Average Annual Wage</strong></td>
<td>$78,344</td>
<td>$78,402</td>
<td>$95,738</td>
<td>$101,192</td>
<td>$79,647</td>
<td>$87,530</td>
<td>$76,887</td>
<td>$90,247</td>
<td>$97,040</td>
</tr>
</tbody>
</table>
### Super State Advantages – at competitive costs

#### Electric Bill Comparison – EEI

Rates effective July 2013  
Monthly Large Commercial Bill – 1,000 kW, 400,000 kWh, 55% load factor

<table>
<thead>
<tr>
<th>State</th>
<th>Bill Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama Power Company</td>
<td>$29,796</td>
</tr>
<tr>
<td>Texas</td>
<td>$30,036</td>
</tr>
<tr>
<td><strong>FLORIDA POWER &amp; LIGHT COMPANY</strong></td>
<td>$31,160</td>
</tr>
<tr>
<td>North Carolina</td>
<td>$31,668</td>
</tr>
<tr>
<td>South Carolina</td>
<td>$32,938</td>
</tr>
<tr>
<td>Entergy Louisiana, Inc.</td>
<td>$32,974</td>
</tr>
<tr>
<td>Mississippi Power Company</td>
<td>$35,848</td>
</tr>
<tr>
<td>South Carolina Electric &amp; Gas Company</td>
<td>$36,833</td>
</tr>
<tr>
<td><strong>NATIONAL AVERAGE</strong></td>
<td>$38,935</td>
</tr>
<tr>
<td>Georgia Power Company</td>
<td>$41,205</td>
</tr>
<tr>
<td>New York</td>
<td>$45,719</td>
</tr>
<tr>
<td>California</td>
<td>$60,082</td>
</tr>
</tbody>
</table>

*FPL’s large commercial bill is 20% below the national average*

Bill comparisons as reported in the Edison Electric Institute (EEI) Typical Bills and Average Rates Report for Summer 2013. Averages are only for those companies that reported their rates to EEI, and therefore may not be all-inclusive. “Florida IOU’s” as reported by EEI is the average of typical electric bills for Florida Power & Light Company, Gulf Power Company, Duke Energy Florida and Tampa Electric Company. Of the EEI utilities surveyed, the comparison shows the national average, selected state averages, and the FL IOUs.
Cost isn’t everything...

• As OEM’s try to whittle down their ever growing backlogs, they are putting more and more pressure on their suppliers to deliver high quality parts on time and on budget.
• To keep up, suppliers need highly trained workers that are extremely productive and skilled.
Why the Space Coast is different

• In many of the country’s growing aerospace regions, students are not seeing the opportunities that the aerospace industry presents.

• Brevard County students, have seen the opportunities since the early 1950’s. The Kennedy Space Center is a symbol of opportunity. Creating a culture that embraces the industry is fundamental to its growth.
Growth Opportunities

• Commercial Space: as the government decreases funding for space programs, it is incumbent on us to embrace the commercial industry’s growth. State and local funding is critical to bridging the gaps in federal funding.

• Defense: Cost has increasingly become the single biggest driver for DOD contracts. Consolidations and acquisitions have become the new growth strategy.

• Aviation: Florida’s business aviation and MRO clusters continue to grow. An abundance of suppliers, low operating costs, and proximity to customers is driving these companies.
What We Can Do to Help

- Commercial Space: Mitigate infrastructure costs. Many of the infrastructure assets can be considered public infrastructure, helping to make Florida and Brevard County more competitive in the long haul.
- Defense: Synergize Florida’s military presence and create avenues to transition veterans to the private sector.
- Aviation: Available hangar space in Florida is scarce, as it is around the country. Investing in government owned aviation infrastructure seems expensive in the near term, but helps to ensure our long term success.
The Future Is Bright

• There is tremendous growth opportunity in each of these business areas, but it is important for us to diversify in order to protect ourselves from shocks like the cancellation of the shuttle program or sequestration.
Thank You!

Tony Burkart
Director, Business Development
Aviation, Aerospace, Homeland Security and Defense
Enterprise Florida, Inc.