

*Special report*

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## Gulf Coast aerospace corridor grows with tanker contract



*Northrop Grumman image/Tcp illustration*

*With one major federal aerospace program to the west and a new one to the east, South Mississippi may be sitting in the catbird seat...*

**I**t's hard to picture an economic development deal more significant. The Air Force Friday chose Northrop Grumman Corp. and the European Aeronautic Defence and Space Co. for the \$40 billion contract to build 179 aerial tankers.

It will mean 1,500 jobs assembling the KC-45A at Brookley Industrial Complex in Mobile, Ala. But that's only the start. EADS also plans to build Airbus cargo planes in Mobile now that it's won the award.

While the immediate beneficiary is Mobile, the project's impact will spread

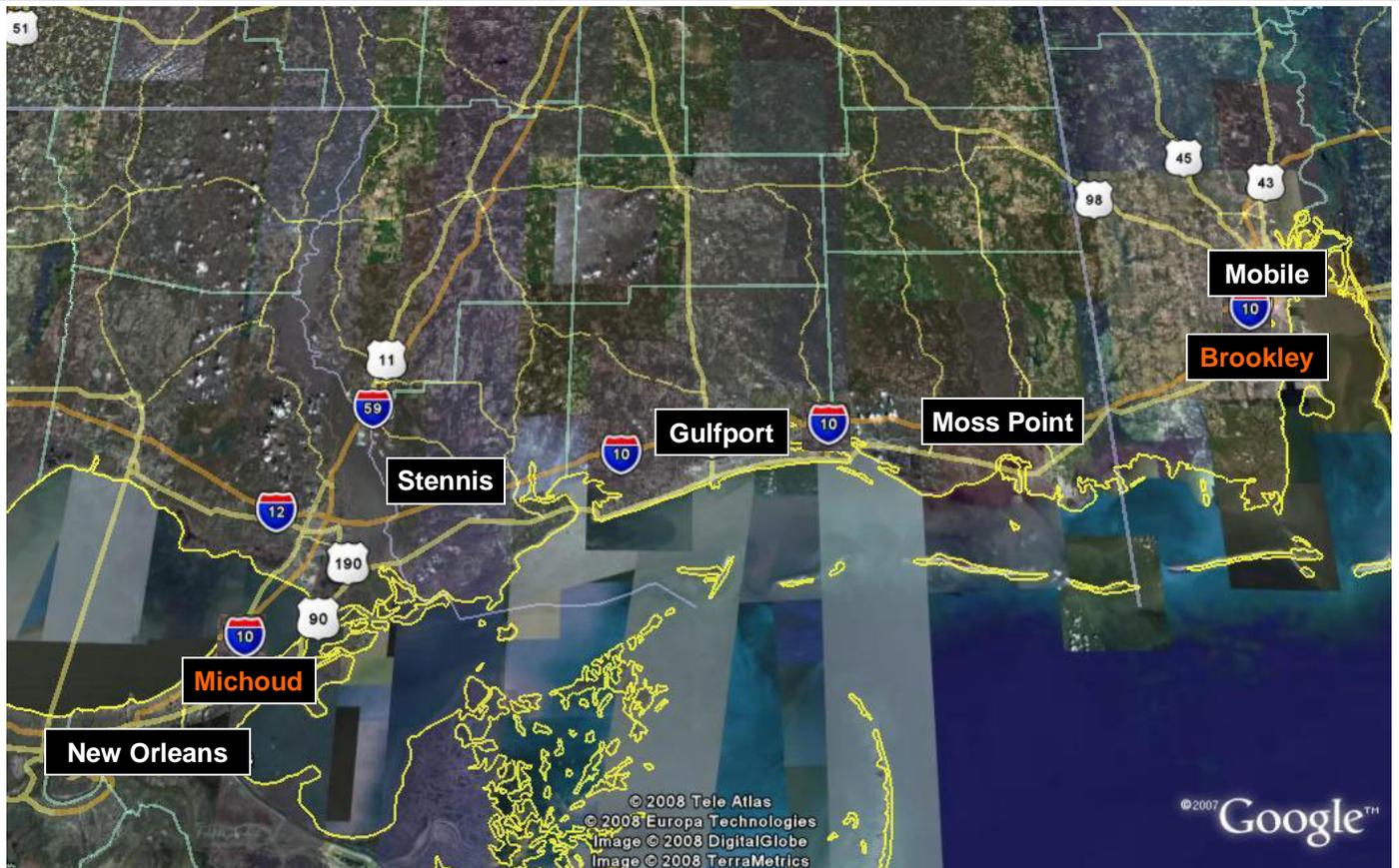
into other parts of Alabama, Mississippi and Florida. Northrop and EADS now have 17,000 workers in Alabama, Florida and Mississippi, and the contract will add another 7,200 to that total.

But what has not escaped economic development officials is that a production facility the size of an aircraft plant will have future benefits hard to assess. Not only will the project be a magnet for Northrop Grumman and EADS' worldwide network of suppliers, but it could lead to another aircraft manufacturers coming to the Gulf Coast – much as other automakers followed Mercedes to Alabama.

Leroy Barnidge, a vice president supporting tanker programs at Northrop Grumman in Melbourne, Fla., has said the greater Mobile region could join Toulouse, France, and Seattle, Wash., as the world's third major aviation center. (*Alliance Insight, Q3 2007*).

When viewed through the prism of the broader Gulf Coast aerospace corridor, what becomes apparent is that two significant, long-range programs have landed in the Gulf Coast in the past year. Both will have implications for years to come.

The first was NASA's decision to use the Michoud Assembly Facility in New Orleans as a key production site for the next generation of spacecraft. That project is expected to attract key contractors involved in the space program. Now, just 125 miles to the east in Mo-



*Top image*

South Mississippi could benefit from a NASA program at Michoud and Air Force program at Brookley.

Mobile, another project is also going to attract key contractors.

“And look who’s smack dab in the middle,” said Jack Zink, executive director of the Hancock County Port & Harbor Commission, of the two projects. “There are opportunities that are before us that we have yet to even recognize.”

How these two projects will feed off of each other is anybody’s guess. But what is clear is that South Mississippi, positioned between the two multibillion-dollar, long-term programs, should be able to benefit from each.

“It’s going to be up to us collectively (South Mississippi) to continue to focus not just on the what’s right here before us, but what still lies ahead and build that vision,” said Zink, whose county includes Stennis International Airport – a finalist for the EADS project. It’s likely that site will now be on the radar of other aircraft manufacturers.

“This is a defining project in the evolution of the Gulf Coast I-10 Aerospace Corridor,” said George Freeland, execu-

tive director of the Jackson County Economic Development Foundation.

### The project

The announcement Friday was the latest chapter in a program that goes back to 2002, when the Air Force negotiated a deal with Boeing for a hundred 767 tankers to replace the aging KC-135s. That deal came under fire in Congress and the deal fell through in 2004 when it was learned that the Air Force’s second-ranking acquisition official had negotiated an executive-level job with Boeing’s chief financial officer. Both were fired and landed in prison, and Boeing’s chairman resigned. The Air Force restarted the tanker program in 2005.

Boeing proposed the twin-engine 767 jetliner, while EADS entered the competition with the KC-30, a modified A-330 Airbus. Boeing, which has been supplying Air Force tankers for 50 years, was the favorite. Among other things, it was the early beneficiary of a

“buy American” mindset when the contest appeared to pit an American icon against a European upstart. That argument lost much of its punch when Los Angeles-based Northrop Grumman joined the EADS team.

The competing planes had one significant difference – the Northrop/EADS offering was larger and could be used as a troop and cargo carrier. Boeing argued that it went beyond what the Air Force wanted.

Air Force Secretary Michael Wynne made the formal announcement Friday that the contract for 179 tankers worth \$40 billion over about a dozen years would go to Northrop Grumman. It’s one of the largest military contracts ever awarded, and the first of three awards worth up to \$100 billion over 30 years to replace as many as 600 tankers.

### The underdog

It is perhaps no exaggeration to say the Northrop Grumman win was no less surprising than Mercedes-Benz’

decision in 1993 to pick Alabama over other states. When the German company picked novice Alabama, some pointed to the sizeable incentives they claimed would prove too high a price to land the plant. Years later, it's clear the project delivered more than promised. Alabama is now the state to beat in the auto field.

The lessons of Mercedes-Benz are not lost on economic development officials: Win a big enough production facility that requires a large supplier base and it could alter the future. While it's a given that it will attract suppliers, it could go beyond that by paving the way for additional U.S. and foreign aerospace and related facilities.

Economic development officials in South Mississippi are well aware that they not only stand to attract suppliers, but they also have in Hancock County near John C. Stennis Space Center a site that was a finalist for both the EADS program and Boeing's 787 facility. What makes it even more likely that the EADS plant will spark a growth spurt is that the Gulf Coast aerospace infrastructure is not starting with a clean slate. The I-10 corridor between South Louisiana and Northwest Florida already has a considerable aerospace footprint that has been growing over the past few years.

"This announcement is part of the vision we have had for the I-10 aerospace corridor, and as we are beginning to see it take-off, we will see it thrive for many years to come," said Larry Barnett, director of the Harrison County Development Commission. His county is at the center of all the activity, and an intermodal and financial hot-spot.

**The emerging corridor**

A roughly 300-mile region between New Orleans and Fort Walton Beach, Fla., has a long history of activity in the aerospace field. New Orleans has NASA's Michoud Assembly Facility, Mississippi has the John C. Stennis Space Center, Mobile the aviation-

At a glance				
State	Current jobs	Payroll	Dollars from KC-30	Total impact on state**
Mississippi	11,000*	\$574M	\$12M	\$800M
Florida	4,700	\$343M	\$100M	\$500M
Alabama	1,300	\$107M	\$280M	\$1B

\*Northrop and EADS; \*\* Northrop, KC-30 supplier team

Source: Northrop Grumman

focused Brookley Industrial Complex and northwest Florida has Pensacola Naval Air Station, Whiting Field and Eglin Air Force Base. Aerospace activities include military pilot training, weapons development, propulsion system testing, satellite and rocket construction and unmanned aircraft production.

During the 2006 opening of Northrop Grumman's Unmanned Systems Center in Moss Point, Miss., CEO Ron Sugar said he saw the emergence of an aerospace corridor along the Gulf Coast. At another event, a Rolls-Royce official said he saw an interesting convergence of activities along the Gulf

Coast. The facility for a long time had one task - building the fuel tanks for the Space Shuttle program. But now it's destined to have multiple tasks done at the facility.

Norma Grace, vice chancellor for technology and economic development at the University of New Orleans, has said that NASA's decision on Michoud planted a seed and "we can barely anticipate what might come out of it." (*Alliance Insight, Q1 2008*).

But she has some ideas. Grace and others think Michoud and the associated activities at Stennis Space Center will attract aerospace contractors and

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Jack Zink, Hancock County Port & Harbor Commission

subcontractors. And she thinks NASA's push to establish "towns" in space could bring as yet unimagined activities to the Gulf Coast related to establishing permanent colonies in space.

"We view the corridor between Stennis Space Center and Michoud as ripe for development,"

Coast.

Mississippi State University President Robert Foglesong, whose campus is located in Starkville in north Mississippi, has said the Gulf Coast I-10 corridor could become a "gorilla" of the nation's air and space activities (*Alliance Insight, Q1 2007*). He has said one of the priorities was to establish a bigger presence in South Mississippi. Over the past few months MSU has explored establishing an engineering outreach in Biloxi..

The aerospace activity has picked up in recent years.

**Activity up**

In New Orleans, Michoud is being remade as a hub for NASA's Constella-

tion program. He thinks the NASA program at Michoud will be a catalyst.

Sheila Cloud, NASA's transition director for Michoud, thinks it's reasonable to picture a future for the greater Gulf Coast region that could mimic Huntsville, the north Alabama city that leveraged the presence of NASA and the Army missile experts to create one of the most technology-oriented economies in the nation.

A key to that was an early decision by Huntsville leaders to turn 3,000 acres into a research park. Today, Cummings Research Park is the second largest research park in the nation and fourth largest in the world. Cloud sees no rea-

**MISSISSIPPI GULF COAST ALLIANCE  
FOR ECONOMIC DEVELOPMENT**

P.O. Box 1341  
Gulfport, MS 39502

Phone: 228.865.5653  
Email: mploughm@southernco.com



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son why that couldn't happen in the Gulf Coast. And NASA is actively involved in making that happen.

Cloud said NASA is looking at turning under-utilized acreage around the Michoud Assembly facility into the core of a research park similar to Cummings.

The focus would be advanced manufacturing, which makes perfectly good sense, considering that in January 2007, Northrop Grumman announced it was teaming up with UNO's National Center for Advanced Manufacturing to develop and test new ways to produce large composite structures for future space transportation systems.

Over the past couple of years, other events have helped increase the size of the aerospace footprint in the Gulf Coast, including EADS opening a large engineering center at the Brookley, and Eglin Air Force base moving forward on plans to create a 100-acre science and technology park just outside the base.

The activity is significant enough that in January 2007 aerospace companies

with operations in South Mississippi gathered in Moss Point to brainstorm about the emerging corridor in South Mississippi and the broader region.

Hosted by the Mississippi Gulf Coast Alliance for Economic Development, the meeting included representatives from Stennis Space Center, MSU, Northrop Grumman, Rolls-Royce, Pratt & Whitney, BAE Systems and others.

While the ramifications of the Air Force decision will be felt for years, it is just as clear that it's hard to get a handle on precisely what will transpire. But the thinking is, the Gulf Coast region is undergoing a paradigm shift.

"What's going to happen is the whole Gulf Coast has the opportunity now to support and grow economically with Tier 1 and Tier 2 suppliers that are going to be required at Michoud and Brookley," said Zink.

Ultimately, the increase in activity in the Gulf Coast will have the additional value of making more people familiar with what the region has to offer. Barnett, for example, sees benefits to Har-

ison County's strategy to be a Tier 1 tourist and convention destination.

"While we have long possessed the physical and human capital necessary to support a broad range of aerospace operations, the region will now assume its role as an internationally recognized destination for new aerospace investment," said Freeland.

"As leaders in the economic development community, it is incumbent upon us to fully leverage and capitalize on the KC-30 announcement for the further development of South Mississippi's growing aerospace industry," he said.

Northrop Grumman's Barnidge has said the Gulf Coast region has a lot going for it, far more than aerospace. It also has a huge shipbuilding infrastructure and related activities that provide a degree of synergism that bodes well for the future. He said in the Q3 2007 issue of *Alliance Insight* that if it all comes together, it could convert the Gulf Coast an economic "empire."

- David Tortorano