

## President Trump's tariffs may help this major Space Coast industry

Wayne T. Price, Florida Today Aug. 10, 2018



*(Photo: Bruce Smith, AP)*

Met briefly last week with John Boyd of The Boyd Co. Inc., a New Jersey-based location consultancy focusing on the aerospace industry.

He was on the Space Coast to meet with an aerospace client — whom he wouldn't name — and to look at an industrial site in the area for another client — again, unnamed. Maybe some exciting news on the way, he teased.

Boyd also dropped off his latest report ranking the U.S. areas where it's most costly for aerospace businesses. Out of 30 areas, Brevard ranked No. 4 for having the lowest operating costs. Boyd's report measured labor, land costs, utility expenses and other financial variables.

**The lowest-cost areas, according to the Boyd report, aerospace were:**

- Birmingham, Alabama, No. 1
- Salt Lake City, Utah, No. 2
- Charleston, South Carolina, No. 3

**Most expensive were:**

- Boston, Massachusetts
- San Jose, California
- Los Angeles, Long Beach, California

So how does this square with trade and tariffs and the future of aerospace companies?

In March, the Aerospace Industries Association said it was “deeply concerned” about import tariffs on steel and aluminum because it would “raise costs and disrupt the supply chain, putting U.S. global competitiveness at risk.

"There is also a significant threat for retaliation from other countries towards American-made products," the association said.



*John Boyd of The Boyd Co. Inc., a New Jersey-based location consultant which focuses on the aerospace industry.*

Seems a decent concern. You can study trade wars over the decades and find they're usually pretty costly for businesses and consumers. That's not a political comment, just an observation from a guy whose relatives were free-trade Midwestern farmers and somehow they learned to love the idea of crop subsidies, err "farm income stabilization."

Boyd's position is that tariffs on aluminum, a key material in manufacturing aircraft, driving up costs substantially is a "bit overstated." And anyway, watch for manufacturers to use carbon fiber more. Each year the cost of carbon fiber grows more competitive with steel and aluminum.

"That's a game changer and it's not talked about enough," Boyd said of carbon fiber's growing use. "And the aerospace industry — also the automotive industry — is growing less reliant on aluminum."

And if aluminum does cost the manufacturers more in the short term well, that will help make places like Brevard (and Birmingham, Salt Lake City, Charleston and Charlotte) much more attractive places to do business.



*An Embraer assembly technician at work on the tail cone of a Phenom 300 in the Phenom Final Assembly Facility at the Embraer Executive Jets in Melbourne. (Photo: TIM SHORTT/FLORIDA TODAY)*

Boyd's firm analyzed the cost impact of retaliatory tariff measures by China on Boeing's production of 737s and saw a 2 percent increase in production costs.

"Which could be offset by shifting operations away from high-cost rent in Washington state to the Space Coast or South Carolina or to the Winston, North Carolina triad region which also is making a big push for these operations."

How long does Boyd expect these low-cost aerospace regions to remain low cost?

"That's the most exciting part," he said. "Given the exploding demand for aircraft — 40,000 need to be created over the next 20 years — and then you look at the space industry, like what Jeff Bezos' at Blue Origin and Space X are doing, and their growing presence here in Florida, it's all very exciting. This is where the high-paying jobs in manufacturing will be."

(Side note: Kudos to the Brevard Public Schools, Eastern Florida State College and the Florida Institute of Technology of recognizing this trend many years ago and crafting aviation and aerospace curriculum to train workers to fill what's going to be a much-desired local pipeline of skilled labor.)

"It's a great time for the industry, that's for sure," Boyd said.

*Price is business editor at FLORIDA TODAY.*