

## When it comes to Boeing/Embraer talks, how can Brevard benefit?

Wayne T. Price, FLORIDA TODAY, Dec. 22, 2017



*(Photo: FLORIDA TODAY files)*

If the deal for the Boeing Co. to buy or partner with Embraer SA goes through you can mark it as a blockbuster move that will reverberate through the aerospace sector, including the Space Coast.

And maybe it's not all that surprising considering some of the other recent aerospace acquisitions.

Airbus SE not long ago announced a deal to acquire a majority stake in a jetliner program operated by Bombardier Inc. of Canada. Bombardier is the second-largest maker of regional jets.

And in September, United Technologies Corp. agreed to purchase Rockwell Collins Inc. for \$23 billion. Also, Northrop Grumman Corp. is planning to buy defense contractor Orbital ATK for \$7.8 billion.

Embraer, which is headquartered in Sao Jose dos Campos in Brazil's state of Sao Paulo, has a major presence in in Brevard. Northrop Grumman and Rockwell Collins also have significant operations on the Space Coast.

"From 30,000 feet we view this as an industry shift not unlike what we have seen within the auto industry," John Boyd, a principal with the Princeton, New Jersey-based aerospace consulting firm, The Boyd Co.



*John Boyd, aerospace consultant (Photo: Provided)*

"That is to say, a shift of the center of gravity from Rust Belt and Northeast states like Michigan, Ohio and Connecticut to more cost-efficient and Right-To-Work Southeast states like South Carolina, Florida, Alabama and Mississippi."

An Boeing-Embraer deal would have a significant impact on Brevard County, where Embraer has substantial business jet assembly operations at the Orlando Melbourne International Airport.

"Look for Brevard County's Embraer facilities to be a beneficiary of this merger, not to mention, the possibility that United Technologies acquisition of Rockwell Collins will lead to a new site search for the division headquarters of the combined unit," Boyd said.

Embraer has a global customer care center and an Engineering and Technology Center at the Melbourne airport. In Titusville, Embraer recently opened Embraer Aero Seatings Technologies, or E.A.S.T. In all Embraer employs about 850 people in Brevard County.

Of course, much depends on leaders in Brazil, which has what's called a "golden share" interest Embraer. Essentially that share gives the Brazilian government veto power of transactions like the one being proposed by Boeing.

The Wall Street Journal, which on Thursday first reported the Boeing/Embraer talks, wrote "it's far from guaranteed the government would sign off" on the deal.

Although an outright buyout has not been ruled out, sources close to the deal saying t a partnership deal is on the table. One of the options being reported in Brazil's press, includes a

joint venture that would enable the companies to cross-sell their complementary lineups of commercial jets and negotiate better deals with suppliers.

Brazilian news agencies on Friday quoted Brazil's President Michel Temer as saying that while he was opposed to allowing Boeing to take control of Embraer, he would welcome new foreign investment in the domestic plane maker.

Boyd noted any deal will enjoy a much smoother ride in the United States because President Donald Trump seems friendlier to major merger-and-acquisition activity.

"The move would enlarge Boeing's relatively modest footprint in Florida and serve it well from the standpoint of gaining additional representation in Congress from Florida's 27 members - third highest number among the 50 states," Boyd said.

"Politics and Washington are playing greater roles in corporate site selection, especially in highly regulated industries like aerospace. Sen. Bill Nelson has been a strong advocate for the aerospace in Florida over the years."