

Before the
United States International Trade Commission
Business Jet Aircraft Industry: Structure and Factors Affecting Competitiveness

(Inv. No. 332-526)

September 28, 2011

Testimony of Florida Lt. Governor Jennifer Carroll

Madame Chairman and Members of the Commission, I appreciate this opportunity to appear before you this morning to discuss the importance of business jet aircraft industry to the State of Florida, Florida's Space Coast and the United States (U.S). In particular, I would like to explain the important contributions Embraer has made by locating its operations to build, from scratch, business jets in Melbourne, Florida. Embraer's substantial investment in Florida is bringing high valued aerospace industry jobs to Florida's Space Coast and to U.S. companies in the supply chain. And this is much appreciated in light of the end of the Space Shuttle Program.

I have a special interest in aviation due to my service as an enlisted jet mechanic who rose to a Lieutenant Commander Aviation Maintenance Officer over my 20-year Navy career. As a legislator in the Florida House of Representatives, and as Lt. Governor, I have worked to foster economic development in Florida, and I am especially interested in maintaining a strong aerospace industry in the state. Additionally, as part of job creation in Florida, we are particularly focusing on increasing our manufacturing industry.

Embraer has had a presence in the U.S. since 1979, when it established its North American Corporate office in Fort Lauderdale, Florida for sales and technical support activities. Embraer currently employs over 300 persons in Fort Lauderdale and about 850 employees nationwide. Embraer entered the business jet market in 2000, and its business jet operations are increasingly centered in the U.S. U.S. companies located in 30 states are Embraer's largest supplier base, with more than 70% of the components for its Legacy 600, Phenom 100, and Phenom 300 aircraft coming from U.S. suppliers. Embraer also built a large aircraft maintenance services facility in Nashville, Tennessee. In addition, Embraer operates executive jet service centers in Mesa, Arizona; Windsor Locks, Connecticut; and at the Fort Lauderdale-Hollywood International Airport, Florida. Embraer also has established a global pilot and ground crew training center located in Dallas, Texas.

In May 2008, Embraer announced plans to build an assembly plant and customer delivery center at the Melbourne International Airport. Embraer broke ground on the facility in November 2009. In 2011 Governor Scott, Senator Nelson and Embraer CEO Frederico Curado had the pleasure of attending the grand opening ceremony and Commerce Undersecretary for International Trade Francisco Sánchez was the keynote speaker at the event.

The 150,000 square foot Embraer production facility, first of its kind in Florida, opened in February of this year. It will be used for assembling, painting, flight testing, and interior furnishing of the Phenom 100 and Phenom 300 business jets. Just this month, Embraer opened its customer center at the same site, which will be used by customers for selecting and outfitting aircraft and for accepting delivery of any Embraer executive jet, including all Phenom, Legacy, and Lineage models. To date, Embraer has invested approximately \$50 million in this project. The Melbourne facility will be the

headquarters for all of Embraer's business jet operations in the U.S. And by the end of 2012, Embraer's employment at Melbourne should be approximately 200 jobs, and its employment in the U.S. should exceed 1,000 jobs.

Even with the downturn of the economy Embraer remained steadfast to its commitment to create U.S. jobs. While some aircraft manufacturers moved jobs off-shore in an effort to lower costs, Embraer has brought high-paying jobs to the U.S. For example: **Hawker Beechcraft Corporation** opened a 180,000 square foot plant in Chihuahua, Mexico, after closing two plants in Wichita. And according to Beechcraft Chairman and CEO, the company received great support from the Mexican government, which was a key factor for their development plans in Chihuahua, **Cessna Aircraft Company** cut their workforce in half since 2008 (most of the cuts were in Wichita). In September 2010 Cessna laid off 700 employees in Wichita and expanded the workforce to 750 employees at its production facility in Chihuahua, Mexico. Additionally, Cessna hopes to move 15% of production hours to Mexico by 2013, and finally **Bombardier's Learjet Division** located in Wichita will manufacture its new Learjet 85 business jet in Queretaro, Mexico, where it is receiving one of the largest government incentive programs in Mexico's history.

With these examples, of jobs leaving the U.S. it could have been easier for Embraer to also move to Mexico. However, I applaud Embraer's commitment to growing U.S. jobs at a time when it is so critically needed.

The jobs at Embraer's facility in Melbourne pay \$50,000 on average, well above the county's average and they offer a benefit plan that includes: group medical insurance for employees and their families, group life disability insurance, matching 401K plan, and paid vacation and holidays. Employment at this facility will continue to grow as Embraer increases the build-rate of the Phenom 100 and the Phenom 300.

Florida is proud to have Embraer as a U.S. manufacturer, and Melbourne was a sensible choice because Melbourne area has a highly skilled workforce that includes many ex-NASA engineers and technicians who have recently lost their jobs due to the end of the space shuttle program.

By locating in Melbourne, Embraer moved closer to its suppliers and optimized its supply chain. The Melbourne facility will not only serve the U.S. market; it will also generate increased U.S. exports. Europe is the second-largest market for business jets, and Florida is more convenient to the European market than is Brazil. Thus, both North American and European customers will be able to customize their aircraft at the customer design center and take delivery of the aircraft at the Melbourne facility.

The ramp-up in Phenom production next year will mean ex-NASA engineers and technicians can be hired and more high-wage, highly-skilled jobs of this sort will be attracted to the Space Coast and the U.S. For these reasons, Embraer has strong support from the State of Florida, the Economic Development Commission of Florida's Space Coast, Melbourne International Airport, Enterprise Florida, and the City of Melbourne among many others.

This Embraer project not only provided direct benefits to the community, but was also a catalyst for further development at Melbourne International. For example, shortly after Embraer announced it was expanding operations in Florida, both AAR Corp. and Midair USA immediately located to Melbourne. Along with Embraer's commitment, these three companies invested close to \$100 million in capital expenditures at the airport and created between 750 to 890 aviation jobs.

Embraer chose Melbourne because it is close to Embraer's U.S. headquarters in Ft. Lauderdale; it is a convenient geographical center between Embraer in Brazil, Embraer's North American suppliers, and the significant export market of Europe. Florida's seaports especially nearby Port Cape Canaveral offer easy access to shipments of parts delivered by ocean vessel. The Melbourne area also offers a good quality of life and is an excellent location to receive potential customers who can enjoy the beach and take their children to nearby Disney World in Orlando. Not many locations can match Melbourne in offering both an attractive customer location and an efficient industrial site.

Besides the U.S. job creation by Embraer and their involvement in the local community, as listed in my statement, I am proud of their commitment to a clean environment. Embraer exceeds ICAO EPA standards and complies with the world's most noise-restrictive airports and Embraer aircrafts produces an average of 32% less CO2 than older aircrafts. Additionally, their buildings will meet LEED requirements.

In conclusion, Governor Scott and I trust that your report will reflect the significant contributions that Embraer is making to the U.S. aerospace industry. Embraer's significant role in creating high value jobs in Florida's Space Coast region is a model that should be replicated by all other aircraft manufacturers. If other companies showed the level of commitment in creating quality jobs in the U.S. like that of Embraer, America would experience substantial job increases. Thank you for allowing me to be with you today.

Madame Chair on behalf of the local Congressman from the Space Coast, Congressman Bill Posey, I would like to submit his written testimony for the record. Thank you.

Company Awards/Recognition

- Awarded products
 - The Phenom 100 – Best Business Jet 2008 & 2010 *Robb Report Magazine*
 - The Phenom 300 – Editor's Choice *Flying Magazine* (2010)
- The Honeywell Primus avionics for the Legacy 600/650 – Editor's Choice *Flying Magazine* (2010)
- Embraer was recently selected as a "Best Company to Work For" by the influential business journal *Florida Trend Magazine* and Best Places to Work group.

Community Involvement:

- Gary Spulak, the President of Embraer USA, is also a director of Enterprise Florida, a member of the Board of Governors of the Aerospace Industries Association, and an equity member of the Brevard County EDC
- Embraer USA supports Habitat for Humanity, the Juvenile Diabetes Research Foundation, and Kids in Distress as an annual corporate team participant for each group
- Embraer is an overall corporate sponsor, as well as a Florida High School entrant sponsor, for the annual Aerospace Industries Association Team Rocket Challenge
- Embraer makes significant corporate contributions to the Cystic Fibrosis Foundation, Best Buddies International (assisting those with intellectual and developmental disabilities), and the Broward County Outreach Center (holiday meal services)
- Embraer is a corporate team participant in the Broward Community Blood Center and a corporate sponsor of the International Red Cross, the Leukemia and Lymphoma Society, the Experience Aviation program dedicated to inspire young people, and the Astronaut Scholarship Fund

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