

Date of Hearing: June 22, 2010

ASSEMBLY COMMITTEE ON JOBS, ECONOMIC DEVELOPMENT AND THE  
ECONOMY

V. Manuel Perez, Chair

SJR 29 (Wright) – As Introduced: April 15, 2010

SENATE VOTE: 31-0

SUBJECT: Economic development and production of the C-17 transport aircraft.

SUMMARY: Urges the President of the United States, the U.S. Congress, and the Department of Defense to take immediate and necessary actions to protect national security by ensuring the continuation of C-17 production to meet future domestic and international airlift needs and to preserve the crown jewel of the American industrial base. Specifically, this resolution declares:

- 1) Effective military, global and humanitarian missions require that the U. S. military be able to maintain and have access to 21<sup>st</sup> century airlifters that are prepared to respond at a moment's notice anywhere in the world to any and all needs.
- 2) That anticipating the need for additional proven and highly capable airlifters, extending C-17 production is in the best interest of the American people.
- 3) The C-5 retirement restrictions in the National Defense Authorization Act for FY 2010 hinder the Air Force's latitude to more effectively manage its strategic airlift fleet.
- 4) The C-17 fleet is one of the U.S. military's most successful acquisition programs with an outstanding record of on-budget and ahead-of-schedule deliveries to the Air Force.
- 5) The increased activities the U.S. military presence worldwide has made the C-17 the preeminent airlifter for the efficient deployment of troops and cargo to locations around the world.
- 6) The humanitarian aid offered in the wake of the 9/11 terrorist attack, Hurricanes Katrina and Rita, the Asian tsunami, the Pakistan earthquake, the Chinese earthquake, the Myanmar cyclone, and the Haiti earthquake has been supported by the C-17's ability to rapidly transport critical supplies and equipment to victims of natural disasters.
- 7) That without a commitment to extend aircraft production, the C-17's supply base will start to disappear in 2011 and the production line in Long Beach will close in the summer of 2012.
- 8) That the C-17 has provided work for over 650 suppliers in 44 states, resulting in \$5.8 billion being added annually to the nation's economy. For California, a shutdown of the production line would have an impact on 13,857 jobs, 384 suppliers, and a statewide economic impact of \$2 billion annually; and
- 9) That despite its record of success and proven reliability for the US military, the C-17 is caught in the middle of Washington, D.C.'s complex budgetary process with the future of the

aircraft, over 30,000 American jobs, and the industrial base it supports is in jeopardy.

FISCAL EFFECT: None

COMMENTS:

- 1) Author's purpose: According to the author, the C-17 is the last aircraft built in California and the production plant is the largest private employer in the community of Long Beach. There is a continued decline of manufacturing and aerospace in California, where 50 percent of the aerospace employment base has been lost since 1990. The C-17 plant is an award-winning facility with a world-class workforce that has been and continues to be a major part of the Long Beach community.

The Long Beach aircraft plant has been part of the Southern California landscape for more than 60 years; more than 15,000 aircraft have been produced there for both commercial and military customers. In order to keep the line going, Boeing has begun taking steps to reduce the production rate from 15 to 10 aircraft per year and is using company funding for long-lead procurement. Keeping the plant open is critical not only for the Los Angeles area economy but for the state as a whole. At a time when unemployment in the state is at a staggering 13 percent, California cannot afford to lose an aircraft manufacturing plant that employs thousands of people directly, sustains an extensive supplier base and contributes billions to the state's economy each year. The optimal future for the program is sustaining orders from the U.S. Air Force, combined with international orders. The best future for this facility is with continued C-17 production.

- 2) Historical Background: The C-17 large-body aircraft is nicknamed the Globemaster III and has been in production for nearly two decades. The Long Beach Boeing aircraft plant employs and supports nearly 13,857 workers and 384 business suppliers, and according to the Long Beach Economic Development Center, the plant has a statewide economic impact of \$2 billion annually. Boeing supports a regional supply line; currently about 15% of the company's employees are Long Beach residents and the rest of their employees come from other areas of the Los Angeles region.

The Boeing plant is California's last major aircraft production facility. In early 2008, Boeing delivered the last of its model 717 aircraft, and the C-17 is the only plane remaining in large-scale production at the Long Beach facility, as well as in the state.

The C-17 is considered to be a very reliable and cost effective aircraft that serves as the workhorse of the U.S. Air Force fleet. The C-17 has been at the forefront of the U.S. military and humanitarian missions in all parts of the world and is the primary aircraft providing aero-medical evacuations for wounded soldiers from the battlefields in the Middle East to hospitals throughout Europe and the U.S.

In an effort to retain Boeing's production activity in Long Beach, and thereby maintain the state's role as a major location for aircraft and aerospace manufacturing, California has included the area around the Boeing plant as one of the state's 42 Enterprise Zones (EZs). EZ designation allows businesses that locate within the EZ's boundaries to claim certain economic benefits including sales and use tax credits, certain kinds of business equipment

expense deductions, carryover of net operating losses, and perhaps most significant in the case of Long Beach are enhanced hiring credits for eligible employees.

In 2008, Boeing announced that it would keep its C-17 production line open beyond the August 2009 delivery of the last ordered aircraft. The company stated that it would invest its own money to keep the line open until 2010, with the hope of securing more orders from the U.S. Air Force and foreign nations. This decision by Boeing, according to analysts, reflects growing bipartisan congressional support and increasing signs that the U.S. Air Force has requirements for additional C-17s. In 2009, Boeing was able to secure budget approval for 30 additional C-17s, allowing them to remain open until 2012. Currently the company is working to secure approval from the federal government for continued commitments for C-17 orders from the U.S. Military.

- 3) Related Legislation: In 2008, the Assembly and Senate approved AJR 32 (Karnette), which also memorialized California's support for the production of the C-17 transport and pledged the state's ongoing efforts to secure commitments from the President and Congress.

REGISTERED SUPPORT / OPPOSITION:

Support

The Boeing Company (Sponsor)  
California Chamber of Commerce  
California Manufacturers and Technology Association  
California Space Authority

Opposition

None on file

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