

THE FUTURE OF THE **AEROSPACE AND DEFENSE INDUSTRY** IN GREATER PHOENIX

FINDINGS FROM
THE GREATER
PHOENIX MARKET
INTELLIGENCE
PROGRAM

Overview

The aerospace and defense industry is adapting and evolving in the face of significant budget cuts and reduced military spending. New opportunities have arisen in diverse sectors and overseas markets have grown. In February 2013, the Greater Phoenix Economic Council published, *The State of Greater Phoenix's Aerospace and Defense Industry*, a detailed report on the potential impacts of the 2011 Budget Control Act.

This updated report explores the current trends affecting the industry post-sequestration as well as future technology developments that can drive growth and continue to diversify the nature of the aerospace industry in Greater Phoenix.

Methodology

The findings and recommendations contained within the report are based on meetings, roundtables and questionnaires with 24 aerospace and defense companies in Greater Phoenix. Meetings were facilitated and attended by economic development professionals from the Greater Phoenix Economic Council's member communities as part of their business retention and expansion activities. Companies ranged in size from less than 10 employees to 8,000 employees and came from a variety of subsectors of the aerospace and defense industry.

AEROSPACE & DEFENSE REGIONAL OVERVIEW:



19,980

Total Employment



127

Companies



\$98,067

Average Annual Wage



AZ Ranked #1

Aerospace Manufacturing
Attractiveness by
PricewaterhouseCoopers



For a copy of the full report, visit gpec.org/research-reports



2 N. Central Ave.
Suite 2500
Phoenix, AZ 85004
Tel. 602.256.7700
gpec.org

Key Themes

Findings were categorized into four major themes that cut across sectors. Recommendations for policy and program development to address the challenges are presented for each theme.



\$8B

AZ DoD Prime Contract Dollars Received in 2015

Arizona was hit hard by sequestration, but firms are adapting to federal funding uncertainty.

FINDING

Decreased military spending has encouraged cost savings and new technology development, while the unpredictability of federal funding has created challenges.



RECOMMENDATION

Increase support for federal funding and develop programs to help small businesses produce efficiently and compete for government contracts.



\$2,872M

Greater Phoenix Aircraft Product and Parts Exports in 2014

Industry growth is being fueled by international military and consumer spending.

FINDING

Exports are growing due to increased international military spending and new emerging commercial markets overseas.



RECOMMENDATION

Promote global recognition of the Greater Phoenix region's aerospace and defense industry to grow exports and foreign investments.



\$14.4T

Global Internet of Things Market by 2022

Emerging technologies are transforming the industry through product development and process improvement.

FINDING

Space exploration, additive manufacturing and sensors represent the next phase of technology development, and Greater Phoenix companies are competing in these sectors.



RECOMMENDATION

Market the innovative research, development and manufacturing taking place in the region and encourage new projects by modernizing the economic development tools available to firms to invest in technology.



6,119

AZ Aerospace and Defense Related Certificate and Degree Completions in 2015

Automation in manufacturing presents new workforce opportunities and challenges.

FINDING

Manufacturing job growth has stalled, the industry's aging workforce lacks entry level workers, and increased automation will require new and different skills.



RECOMMENDATION

Support Arizona's educational institutions to grow the region's engineering talent, while leveraging career and technical education programs.

