

WSU Expert: Boeing Uncertainty Slows Economy

Heather Hollingsworth, Associated Press

The uncertainty surrounding the Boeing Co.'s plans for its Wichita defense facility will reverse two or three months of economic progress and recovery, according to an expert at Wichita State University.

Jeremy Hill, the director of the university's Center for Economic Development and Business Research, said Boeing's announcement that options being reviewed as part of a study include "the potential closure of the Wichita site" will spook consumers and businesses. He said the area's labor market was starting to improve after losing more than half of its aviation employees in the recent recession.

"We are going to be uncertain until we get a solution to this," Hill said. "I think that is the reality that hit us, not necessarily what they are talking about with Boeing. That is a long-term thing that will hopefully be fixed. But the reality is that businesses will change their practices right now."

He said it could take several months — perhaps as many as six — before the economy gets on solid ground again.

Should Boeing leave, the stakes are high: Boeing's Wichita facility employs 2,100 workers and that number was expected to grow after the aircraft manufacturer won Pentagon approval to build 179 refueling tankers worth at least \$35 billion. The project has long been touted as having an impact of 7,500 direct and indirect jobs in Kansas.

The company has said that the problem is that the tanker work doesn't begin immediately and other work is drying up in the meantime.

Hill used a multiplier formula from the Bureau of Economic Analysis and determined the loss of 2,100 Boeing jobs could lead to 8,223 job losses overall in the Wichita-area. That's because losing Boeing could cause other companies, particularly suppliers, to trim their work forces in response.

As a result, the state, city and county would collect a combined \$111 million less in retail taxes over a 10-year period. The state also would lose about \$116 million in personal income tax over that same period.

But Hill said the numbers may be high, in part because the calculation doesn't figure in another employer using the Boeing facility should the company leave. He also said Boeing's biggest supplier, Spirit AeroSystems, has been thriving in the Wichita market and would be unlikely to reduce its work force radically in response to a potential Boeing departure.

Hill said that relationship with Spirit is one reason to believe Boeing will stay in

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Wichita. Spirit, which was formed in 2005 when Boeing spun off its commercial aircraft operations in Wichita and Oklahoma, was to do some of the work for the tanker project.

"There would be costs associated with getting up and leaving even if it's just transportation costs," Hill said. "We are a cluster for a reason. We have a supply chain within this very tight physical circle. That structure is there. So getting up and leaving is going to be difficult."

Hill said it's possible the company is posturing and plans to make its case to the Department of Defense for more money or the state for tax breaks.

"I'm not necessarily sure that that's their position and that that's why they are doing it," Hill said. "But that's always a potential. That's how I'm thinking about it."

Janet Miller, a Wichita city councilwoman, said she wants talk with Boeing to find out how "we as a community and aviation cluster can work with them."

"Certainly I think Boeing understands the quality of aviation employees here," she said.

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