

MINUTES OF THE SENATE COMMERCE COMMITTEE
JOINT MEETING WITH THE HOUSE ECONOMIC DEVELOPMENT AND TOURISM COMMITTEE

The meeting was called to order by Chairperson Karin Brownlee at 3:40 P.M. on March 5, 2008 in Room 783-Docking Bldg.

All members were present except:

Jay Emler- excused
Jean Schodorf- excused
Ruth Teichman- excused

Committee staff present:

Jennifer Thierer, Kansas Legislative Research Department
Jason Long, Revisor of Statutes
Jackie Lunn, Committee Assistant

Conferees appearing before the committee:

Jeff Turner, President/CEO, Spirit AeroSystems, Inc.

Special guests appearing before the committee:

Representing Learjet:

John Decker, General Manager

Representing Spirit AeroSystems, Inc.

John Lewelling, Sr. VP /Gen Mgr Aerostructures,
John Pilla, Sr. VP/Chief Technology Officer
Debbie Gann, Director Communications

Representing Boeing:

John Frederick, Dir. State & Local Government Relations, Central Region
Derek McLuckey, General Manager/Director of Operations
Scott Beaubout, Director Finance
Tom Konieczny, Director of Engineering
Jared Bartlett, Communications Manager

Representing Cessna:

Mike Shonka, Executive VP/Chief Financial Officer
Ron Aberti, Senior VP in charge Integrated Supply Chain

Representing Hawker Beechcraft:

Jim Sanders, Vice President and Chief Financial Officer
Randy Nelson, Senior VP Product Developing and Engineering
Jackie Berger, VP Communications and Public Affairs
Dan Dymarkowski, Director Labor Relations
Lisa Haffner, Director Tax

Others attending:

See attached list.

To read testimony submitted by conferees go to

[http://skyways.lib.ks.us/government/KansasSenateCommerceCommittee.](http://skyways.lib.ks.us/government/KansasSenateCommerceCommittee)

Chairperson Brownlee welcomed the special guest and asked a representative from each aircraft company to introduce their special guest and the role that they play. Upon the completion of the introductions of special guest, Mr. Turner proceeded with his presentation. Mr. Turner presented written copy (Attachment 1) which can be seen in its entirety on the link shown above. During Mr. Turner's presentation he noted that the aviation industry comprises 22% of the states economy.

Upon the conclusion of Mr. Turner's presentation there was a question and answer discussion session with

CONTINUATION SHEET

MINUTES OF THE Senate Commerce Committee at 3:40 P.M. on March 5, 2008 in Room 783-DK of the Capitol.

the special guests and the Committee. The first question asked of the aviation industry was to Boeing. The Committee had questions regarding the contract that was awarded to Air Buss in France by the Unites States Air Force instead of Boeing. It was noted right away that Boeing was not at liberty to discuss the issue since they had not been briefed as of yet.

The questions turned to the National Center for Aviation Training located in Wichita. Mr. Turner noted that the National Center for Aviation Training was up and running in temporary quarters at this time and is centered around and through the Wichita Technical School. The permanent quarters will be available by January of 2010. He stated that it is just not only aviation training, even though aviation is the cornerstone, other programs are also being offered. The aviation programs have 210 students enrolled with the entire enrollment being 2500. The requirements to be accepted into the National Center for Aviation Training were also discussed.

The number of jobs needed for the aviation industry in the future was discussed and the impact on these jobs by the loss of the contract. Spirit stated that it will have some impact on their jobs. The questions moved back to the loss of the contract and it was noted at that time that Boeing would be briefed on the situation the next day and would be releasing a statement early in the next week. At that time it was also noted by Boeing that they will still have considerable job growth because there were other opportunities they are excited about. It was understood that the people of Kansas are upset over the decision and have an interest in getting that decision changed.

The next topic was the economic impact that the aviation industry has on the state of Kansas and the wages paid by the aircraft industry. It was noted that the aircraft industry jobs pay well but are not always the cleanest jobs since they are in manufacturing plants. The fact that these jobs are jobs that cycle and the workers are laid off from time to time until the work picks up was discussed. It was noted by Spirit there is a need for retraining and they are trying to come up with a program to make opportunities for training and retraining available while the workers are laid off. He mentioned a need to find a way to acquire some form local aid during these down times to allow workers to obtain this training.

The questions turned back to workforce development for the aviation industry and what needs to be done in the future. There is a need for a trained workforce and the key is to train them in the state and keep them in the state after they are trained. It was noted that better marketing for technical training needs to be done all across the state and the mind set of technical schools needs to change with the citizens of Kansas, the teachers K through 12 and also the counselors in the schools that are helping students map out their futures.

In closing, each aircraft company represented voiced their appreciation for the support the state of Kansas has given to the aircraft industry and thanked the Committee for inviting them to take part in this meeting.

Chairperson Brownlee thanked the aircraft industry for taking the time from their busy schedules to attend the meeting. Chairperson Brownlee adjourned the meeting at 5:00 p.m. with the next meeting being a joint meeting with House Economic Development and Tourism an Tourism scheduled for March 6, 2008 at 8:30 a.m. in room 123 S.

Aviation Industry in Kansas

Senate Commerce Committee
House Committee on Economic Development and Tourism

March 5, 2008

Jeff Turner
President & CEO
Spirit AeroSystems



The Aviation Industry in Kansas



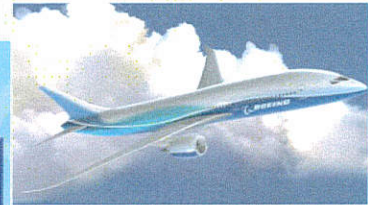
Hawker Beechcraft



Cessna



Boeing



Spirit



Bombardier

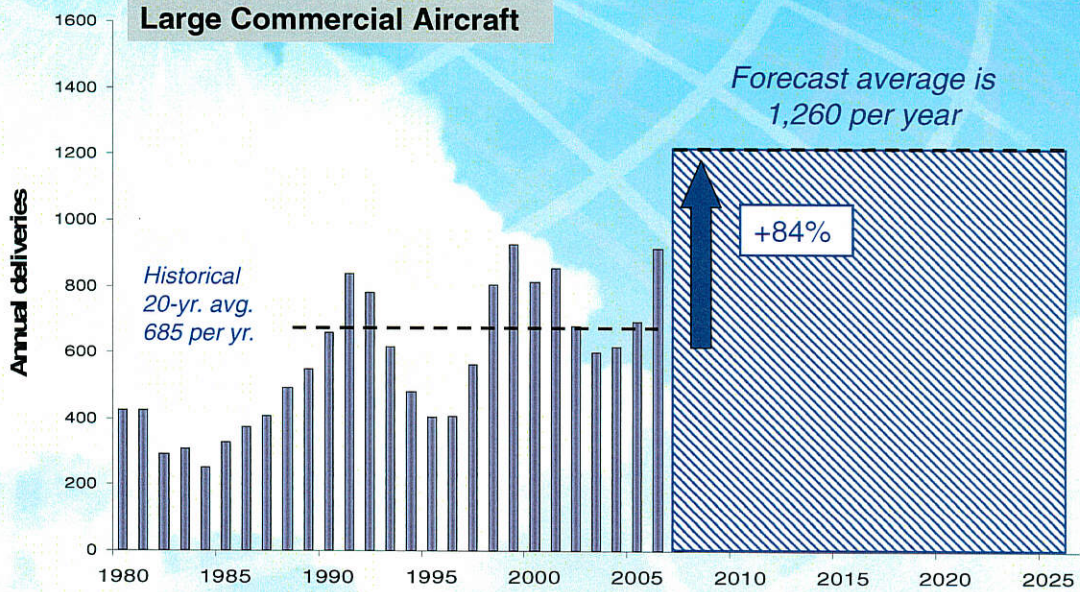
- Major contributor to the economic viability of Kansas
- Potential for significant growth as a national center for aerospace innovation

Senate Commerce Committee

March 5, 2008

Attachment 1-1

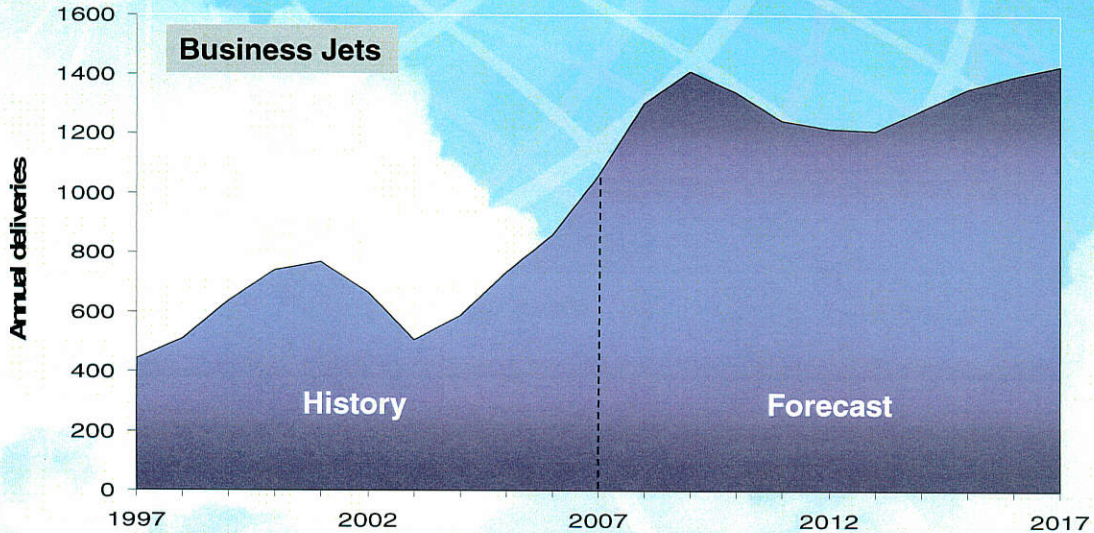
Aviation Positioned for Growth



Long term outlook is robust

Sources: Boeing, Airbus, Spirit Marketing

Aviation Positioned for Growth

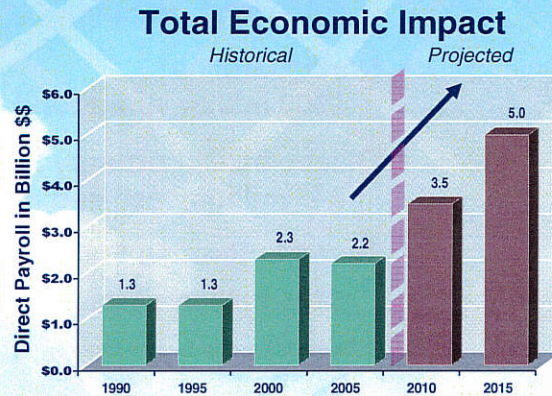


Order backlog continues to grow

Sources: Honeywell

Aviation Economic Impact in Kansas

- 36,500 Direct jobs with a payroll of approximately \$2.4 billion
- Each aviation job generates an additional 2.9 jobs
- Kansas delivers more than 50% of all U.S. general aviation aircraft
- Kansas aviation wages approximately \$2.4 billion per year
- State revenues:
 - 22% of the total state budget
 - \$1.3 billion in state tax revenue
- Payroll expected to rise in 10 years to \$5.5 billion per year



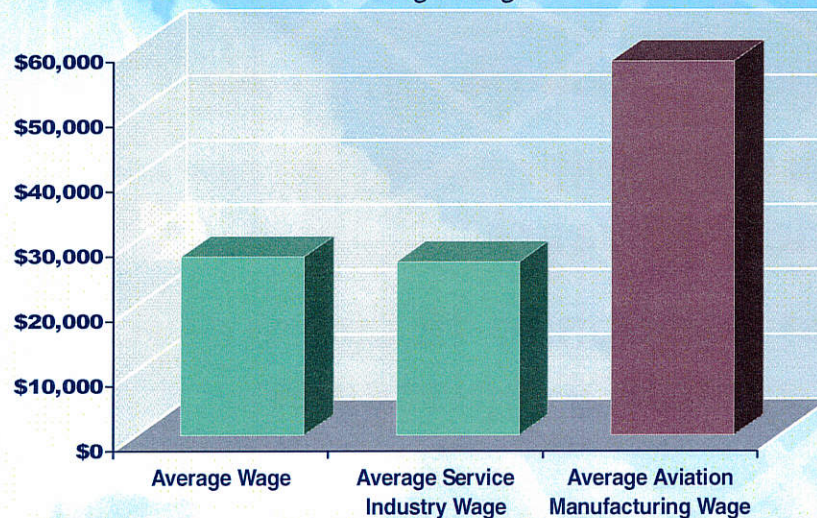
Wichita Aviation Cluster Fuels Kansas Economy

Source: WSU Center for Economic Development & Business Research (J. Harrah)

4

Aviation Provides High Paying Jobs

Average Wages



Aviation Jobs for Kansas

Source: WSU Center for Economic Development & Business Research (J. Harrah)

5

Intense Competition for Jobs

- **Alabama - ThyssenKrupp Steel Plant**
2,700 jobs, \$810 million including \$313 million cash
- **Mississippi - Toyota Assembly Plant**
2,000 jobs, state incentives \$294 million
- **North Carolina**
\$600 million grant fund
- **Oklahoma Opportunity Fund**
\$45 million cash and no/low cost customized training
- **Texas Enterprise Fund**
\$295 million cash/emerging - \$200 million cash
- **International – Malaysia, China, Mexico**

They want our high-paying jobs and tax revenue!

6

Workforce Requirements

- **Hired 5,000 people in 2007**
- **Need additional 1,000 each of the next 10 years**
- **In addition to 12,000 needed for retirement replacement**

> 20,000 Skilled Workers Needed Over the Next 10 Years

Source: WSU Center for Economic Development & Business Research (J. Harrah)

7

1-4

Retain and Improve Kansas' Competitive Advantage

1. Retain existing aviation industry - strong companies and suppliers
2. Grow our position as "world" leader in aviation research (NIAR)
3. Leverage Kansas' strong work ethic
4. Provide access to potential workforce
5. Create flexible, business-driven, high-tech training to meet and attract skilled worker needs now and in future (National Center for Aviation Training)

8

Aviation's Future in Kansas



Kansas is the leader in Aviation Manufacturing
To protect our jobs:

- We are becoming and must remain a leader in aviation research
- We can and must be the leader in aviation training
- We must work together to enhance business climate in Kansas

9