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Bombardier Aerospace has considered KC in the past for an aircraft plant

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Bombardier Aerospace quietly considered Kansas City three years ago for a potential aircraft plant before shelving the project.

This time, though, economic development officials hope a weak U.S. dollar will help clinch the deal.

Back in 2004 it was dubbed Project Orion, and while the potential deal is now Orion II, the economic benefits remain just as stellar: 2,100 good-paying jobs at a \$375 million assembly plant that would land Kansas City in the middle of a global aviation endeavor stretching from China to Northern Ireland.

Missouri lawmakers pushing a state financial aid package to help attract the proposed Bombardier plant predict it will be quickly approved.

"I think you'll find a high degree of enthusiasm around this project," said state Sen. Charlie Shields, majority floor leader.

"People hear about Southern states getting car plants and wonder why we're not in the running. Here's one that has the same impact, and here's a chance to get it done. I don't think it will be a problem."

But global economic issues involving fluctuating currency valuations and how aircraft are sold ultimately may make the difference in whether Canada-based Bombardier decides to defy political pressure at home and build its new assembly plant south of the border.

"I think at this point you have a fair shot of having a plant in the U.S. because of the dollar issue," said David J. Pritchard, an expert on global aviation at the **University at Buffalo**.

"All aircraft are sold in U.S. currency, and with the value of the Canadian dollar, Bombardier has to change their strategy."

The 110- and 130-seat C Series jet airliners that Bombardier wants to build if it receives enough orders from airlines will already be an international hybrid. The jet would include wings from Northern Ireland, cockpits from Montreal, fuselages from China and electrical systems made in Mexico.

"The final assembly of a commercial plane is about 6 to 10 percent of the value of the plane," Pritchard said. "What's important is having those aerospace jobs and associated suppliers. Will it end up in Kansas City? I give it a 35 percent chance."

Marc Duchesne, a spokesman for Bombardier Aerospace, said his firm is very interested in what Missouri and Kansas City have to offer.

"Based on our discussions with Missouri to date, we expect their proposal to be a serious option for us to consider," he said.

Last month Pierre Beaudoin, president and CEO of Bombardier, told analysts his firm was looking at the U.S. because it would provide substantial cost savings. Bombardier was at a disadvantage, he said, because its revenues are in U.S. currency but its production costs are mostly in Canadian and British currency.

The value of the Canadian dollar is at a 30-year high compared to the U.S. dollar, with the two currencies trading about on par. Five years ago, a U.S. dollar was worth \$1.48 Canadian.

So why base a major, long-term investment decision on a currency exchange rate that could prove transitory?

Because it may not be all that temporary, said Chris Kuehl, an economist with **Armada Corporate Intelligence**. His area firm advises companies including **YRC Worldwide**, **TranSystems Corp.** and the **Greater Kansas City Chamber of Commerce**.

"The perception is that the dollar is going to stay relatively low against world currencies for a relatively long time," Kuehl said.

Kuehl said the U.S. government has decided to forgo its strong-dollar policy of the 1980s and 1990s to encourage exports and make the U.S. more attractive to foreign investors — such as Bombardier.

While the dollar may be weaker now than desired, Kuehl said policymakers probably won't want its value to rise more than 10 or 15 percent above its current value.

Mark Hirschey, a **University of Kansas** professor who teaches economics and finance, said Bombardier may not be trying to take advantage of the weak U.S. currency at all.

"This may be a move to avoid speculating," he said. "If you look at the aircraft market, it will largely be in U.S. dollars. ... you want to avoid the risk of fluctuation."

Local officials believe the shift in currency value augments an already favorable view Bombardier had of Kansas City.

Bob Marcusse, president of the **Kansas City Area Development Council**, was closely involved when Orion first passed through town in 2004.

"I think they appreciated what they learned about Missouri and Kansas City," Marcusse said. "... We're delighted they've come back to us."

One of the factors that impressed Bombardier was the success that **Harley-Davidson** had with its new manufacturing plant in Kansas City.

"They had a lot of meetings at Harley-Davidson and were very aware and appreciative of how that plant changed the structure of Harley-Davidson," Marcusse said.

The availability of a qualified work force also impressed Bombardier. Kansas City could draw on a large aerospace talent pool from Wichita and St. Louis. **Metropolitan Community College** also proved it was up to the task of training new workers through the Harley-Davidson experience

Jeff Kaczmarek, president of the **Kansas City Economic Development Corp.**, said the availability of large amounts of land at **Kansas City International Airport** was a big plus.

"It's ready to go; they could put bulldozers out there tomorrow," Kaczmarek said.

Local officials also say Kansas City labor costs would be an advantage over Montreal, an assertion disputed by an official at the union that represents 5,600 Bombardier Aerospace employees there.

"I think the costs are relatively the same in one place or the other," said Dave Chartrand, director of the **International Association of Machinists and Aerospace Workers** in Quebec.

He said if a Bombardier Aviation plant came here, its employees would likely belong to the Aerospace Workers union.

Chartrand expected that federal and provincial officials will work to keep the prospective Bombardier assembly plant in Montreal.

"It's of great importance," he said. "Now, we're the third-largest aircraft manufacturing center in the world, and we want to stay that way. ... We're going to put the same pressure on our government here as they do there."

Canadians also hope the deep aircraft manufacturing infrastructure that has developed over the years in Montreal will persuade Bombardier Aerospace to stay home.

Suzanne Benoit, director general of **Aero Montreal**, an organization that promotes the city's aerospace industry, said there are four universities with specialized programs in aerospace engineering based there as well as a variety of trade and technical schools.

"We have all the necessary ingredients to offer to companies in that area," she said, "and the government has research and development tax incentives that are very generous."

One thing is certain. Local officials say a potential Bombardier plant in Kansas City is the holy grail of their field.

Frank Lenk, director of research for the **Mid-America Regional Council**, said the estimated \$5.9 billion economic impact the facility would generate here is a solid number.

“This is exactly the kind of thing an economic impact model is designed to do, measuring the impact of a manufacturing plant when it’s all new dollars to the regional economy,” Lenk said. “I have no reason to doubt that figure.”

Lenk noted Kansas City has maintained a strong manufacturing sector despite the downturn in other parts of the country. An aerospace plant would only add to the city’s reputation.

“This would reinforce we have a role to play in the global economy,” he said.

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