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An Aviation Cluster Takes Off in S.C.

Run at Boeing put state in line for fuselage facility.

Sometimes there is a good consolation prize in economic development. Just ask South Carolina's top industrial recruiters.

by **JOHN W. McCURRY**

Having made a close-but-no-cigar run in the 2003 sweepstakes for the Boeing 7E7 Dreamliner manufacturing facility that wound up staying home in Everett, Wash., South Carolina remained on the minds of Boeing officials as the supplier queue for the project began forming. (*Editor's note: On Jan. 28, 2005, Boeing replaced "7E7" with an official "787" designation.*)



Vought, Alenia North America and their joint venture, Global Aeronautica, will build two facilities on a 380-acre (154-hectare) site at the Charleston International Airport.

That strong impression paid off with South Carolina's biggest manufacturing prize in several years coming to a 380-acre (154-hectare) site at Charleston International Airport. **Vought Aircraft Industries** will produce fuselage sections in Charleston for the 787. Vought and **Alenia North America**, a division of Italian aerospace specialist **Alenia Aeronautica**, are forming a joint venture, **Global Aeronautica**, to

join and integrate 787 fuselage sections from Vought, Alenia and other structural partners. Vought and Alenia are investing US\$560 million in the project, promising to create about 645 jobs. Plans call for two facilities totaling 600,000 sq. ft. (55,740 sq. m.) to be built by 2006.

But the Vought-Alenia project is a by-product of the state's effort to lure the big Boeing prize.

"We made it all the way to the finals and that impressed a lot of people on the 7E7 team," recalls Bob Faith, South Carolina's Secretary of Commerce. "We obviously were very disappointed at the end of 2003. Early in 2004, we did an after-action report with Boeing to learn about our strengths and weaknesses and we found out they thought we had a very strong proposal.

"We didn't have to go get a lot of approvals and that really impressed them," Faith says. "We were left with the impression there would be a shot for future business."

That shot came about six weeks later when Vought and Alenia were deep in

negotiations with Boeing.

"Once they signed the contracts with Boeing, it was a very hurry-up process. So, to help push things along, Boeing shared with them a lot of the work they had done on the site process for the 7E7. That quickly narrowed it down."

Charleston made the project's short list, along with Mobile, Ala., and Tulsa, Okla.

Tom Risley, Vought's president and CEO, says Charleston meets the project's top criteria of access to long runways, a deepwater port and rail. Infrastructure, readily available land and a skilled work force were also major factors for the project.

"Charleston emerged as the clear choice," Risley says.

South Carolina's incentive package for the deal will be at least \$116 million, with funds coming from state-backed bonds to be used for land and infrastructure. That figure could rise to \$160 million if the venture eventually employs 1,400.

Meanwhile, local incentives from Charleston County included a fee-in-lieu of taxes (FILOT) at a 4-percent assessment ratio (instead of the usual 10.5 percent), and for a period of 30 years instead of 20. Millage is fixed at the 2002 level, which avoids future millage hikes for the next 30 years. And annual payments are also "equalized" - the same amount is due each year for 30 years.

In addition, the project received a special source revenue credit, with the return of 25 percent of revenues collected each year for Years 1 through 10.

Finally, the county subsidized two leases with the South Carolina Research Authority involving 20,000 sq. ft. (1,858 sq. m.) of office space during the projected two-year plant construction phase, a value exceeding \$231,000.

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