



November 30, 2022

To the Members of the Sunset Advisory Commission:

Thank you for your careful and thoughtful consideration of the state agencies being reviewed during the 2022-2023 cycle. The members of the Texas Association of Manufacturers (TAM) and the Texas Defense, Aerospace, and Aviation Alliance (TDAAA) would like to submit these comments for your review.

TAM actively represents the interests and priorities of more than 600 member companies in Austin and in Washington, D.C. Manufacturers in Texas account for 13.07 percent of the total output in the state - more than \$241 billion in 2020 - and employ more than 881,000 Texans in jobs that pay an average compensation of over \$90,100 annually. On average, each manufacturing job created also provides 5 additional jobs in our communities. For two decades, Texas remains the number one exporting state for manufactured goods in the United States.

TDAAA is an industry subgroup of TAM, representing some of Texas' largest employers who participate in all parts of the aerospace, defense, and aviation supply chain in Texas. As the Governor's Economic Development and Tourism office details, "18 of the 20 largest aerospace manufacturers in the world have major operations in Texas.... Growing aerospace supply chains have allowed Texas to rank #4 in the U.S. for total product and part exports."

In the Sunset Advisory Commission's Staff Report on the Governor's Economic Development and Tourism Office, the authors recommend removing the Aerospace and Aviation Advisory Committee ("Committee") from statute, stating that it is "no longer needed or appropriate."¹ Our members respectfully, yet strongly, disagree with this assessment.

The members of TDAAA and TAM believe that the Committee should be continued and retain its responsibilities and membership. Through the Committee's partnership with the private sector, the Economic Development and Tourism office has championed state policies that have allowed Texas to remain a global leader in aerospace, aviation, and national defense. In fact, the State of Texas has long recognized the importance of maintaining a

¹ Tex. Sunset Advisory Comm'n, Staff Report: Texas Economic Development and Tourism Office, Office of State-Federal Relations 16 (Nov. 2022).

direct economic development connection to the defense, aerospace, and aviation industries. As the Sunset Commission itself notes, Texas had established the Texas Aerospace Commission, but that separate commission "was abolished and its functions were transferred to EDT in 2003"² in the Aerospace and Aviation office, as well as a newly established Aerospace and Aviation Advisory Committee. Now, it seems that the Sunset Commission is recommending that the State diminish its focus - yet again - on the robust aerospace and aviation industry by eliminating the last vestige of the Texas Aerospace Commission and any statutory requirement for industry to advise state leaders on economic development for this sector.

There is great benefit to be achieved by continuing this specific cooperative engagement of agency and industry. The Committee has an incredibly engaged and qualified membership, willing to give of their valuable professional time to support Texas' economic development efforts regarding this industry sector. These industry experts and executives - many of whom were recent appointees of Governor Abbott - volunteer their time and expertise to inform the Governor's office of how to strengthen the state's position within this capital and personnel intensive industry, including sharing information about educating and training Texans for greater economic opportunity. The Committee provides a business recruitment and expansion "edge" for the State of Texas, with the legacy interest in aerospace development. While the world continues to suffer geopolitical instability, the federal government's ability to provide for the national defense can continue to run through Texas. It is not just the federal government that has an interest in a strong Texas aerospace sector - the Committee would continue to be influential to the Texas Legislature, whose members have shown widespread interest in these topics, forming caucuses to support veterans' initiatives, manufacturing, general aviation, and aerospace.

Success should not be measured only by the actions of the Committee. Instead, the economic development community has recognized Texas' investment in its defense, aerospace, and aviation industry. This culminated in the 2021 edition of PwC's "aerospace manufacturing attractiveness rankings" - Texas was named the most attractive state for aerospace manufacturers.³ The report highlights Texas' advantage for business expansion or relocation:

The A&D [aerospace and defense] industry directly employs more than 138,000 Texans at over 1,700 installations that represent 17 of the world's top 20 aerospace manufacturers, yielding total annual wages in 2020 of \$3.3 billion. The state ranks first in the nation in air transportation employment, third in aerospace product and parts manufacturing, and fourth in sector exports. Texas has produced more than 66,000 graduates in aerospace- and aviation-related fields since 2011; the state's colleges and universities are investing more than

² Id.

³ 2021 Aerospace Manufacturing Attractiveness Rankings, PwC 16-17 (2021), available at <https://www.pwc.com/us/en/industries/industrial-products/library/assets/2021-aerospace-manufacturing-attractiveness-rankings.pdf>.

\$5 billion a year in R&D expenditures. In addition to military-industrial leaders such as Lockheed Martin, which is building F-35 Joint Strike Fighters in Fort Worth, the state is home to 15 military bases, including six active Air Force bases and NASA's Lyndon B. Johnson Space Center.⁴

Further, according to the Aerospace Industries Association, the aerospace and defense sector in Texas can claim 201,000 total employees, 127,000 Texans employed by industry suppliers, \$21 billion paid in wages and benefits to Texans, \$90 billion in total gross domestic product, and \$5.6 billion paid in federal, state, and local taxes.⁵

More broadly, it is estimated that the global aerospace market will be valued at \$9.6 trillion over the next 10 years across Commercial, Defense, Space, and Services markets.⁶ With a market this robust, now is not the time to reverse course and unilaterally eliminate attention on this sector. We believe that doing so would send a negative message to aerospace companies already located in Texas and have significant impacts on future growth decisions in an increasingly competitive market. An industry of this scope needs the continued focus of a statutorily created committee - the direct successor to a state commission designed to support exactly this type of economic growth and success. Looking forward, as the commercial, defense, and services sectors within the broader aerospace community continue to accelerate, and new sectors such as Advanced Air Mobility are searching for locations to call home, the industry hopes that Texas will be the leading voice in the future of aerospace.

Accordingly, we believe that the Committee continues to play a vital role in supporting this unique and essential Texas industry. No other manufacturing sector has relied on such an interplay of federal government, state government, and private industry cooperation to ensure that our aerospace, aviation, and defense products are "Made in Texas." We want to make sure that Texas will lead the way in the future, particularly during this period of increasing emphasis on national security. Please reject Sunset Staff Recommendation 1.3.

Sincerely,

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⁴ Id. at 17.

⁵ *The Aerospace and Defense Industry in Texas*, Aerospace Indus. Ass'n, <https://www.aia-aerospace.org/industry-impact/state-data/> (last visited Nov. 30, 2022).

⁶ *Aerospace Commercial, Defense, & Crew Market Outlook*, Boeing, <https://www.boeing.com/market/index.page#/executive-summary> (last visited Nov. 30, 2022).