

Aviation and the South
Advantage Dixie
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After carmakers, weak unions are attracting the aircraft business.

In 1983, Nissan became the first foreign carmaker in America's South when it opened an assembly plant in Smyrna, Tennessee. Other Asian and European automakers soon arrived, bypassing Detroit for Dixie and building factories in Kentucky (Toyota), Alabama (Honda, Mercedes-Benz, Toyota, and Hyundai), Mississippi (Nissan), Texas (Toyota again) and South Carolina (BMW). A common attraction in each of the states was the anti-trade-union climate.

Now the aircraft industry is following suit. Late last autumn Boeing announced it would build a second assembly line (the first is in the Seattle suburb of Everett, Washington) for its 787 Dreamliner jet in North Charleston, outside the lovely old city of Charleston. The company chose to put its \$750m factory in South Carolina because it was determined to distance itself from a fractious labour union in Everett. Machinists there went on a 57-day walkout in 2008 that cost the company more than \$2 billion and led some airlines to switch their orders to Europe's Airbus.

In December, Boeing dropped the other shoe: the company announced it will replicate the manufacture of all 787 parts produced in Washington so that the South Carolina plant can operate independently. With a second supplier for every part, Boeing could continue producing the Dreamliner, which is two years behind schedule, at "Boeing South" even if its west-coast workers call another strike in the future.

"This further tightens the noose around the neck of blue-collar unionised labour in America," reckons Douglas Woodward, an economics professor at the University of South Carolina's Moore School of Business. "It's not particularly about lowering wages," he adds. "It's about having flexibility and predictability and stability in their supply chain."

South Carolina has one of the lowest rates of unionisation in the country. Amazingly, according to the US Bureau of Labour Statistics, not a single work day was lost to strikes in the state in 2008. And workers who currently make 787 parts at another Boeing factory in North Charleston voted in September to cut their links to the International Association of Machinists.

The new assembly plant for the eco-friendly Dreamliner is good news for South Carolina. The factory is expected to produce 2,000 construction jobs and at least 3,800 permanent jobs in a state that has been hard hit by the recession and which, along with California and Nevada, has the third-highest unemployment rate in the country, at 12.3 percent.

But South Carolina officials hope the new assembly plant is just the beginning. In the next few years Boeing will pick replacement planes for its 737 and 777 models – and decide where they will be built. The Charleston area, with its international airport, port facilities, and eager, non-union workers, would be ready and waiting. Mr. Woodward reckons that South Carolina and other southern states, which have laws against union closed shops and relatively low labour costs, are a template that could help America retain at least some of its shrinking manufacturing base.