

AMBASSADOR EVENT

Aerospace & Defense

Overview

Greater Phoenix has spent the past decade building one of the country's most complete aerospace and defense ecosystems anchored by global manufacturers, a growing bench of technology-focused companies, three major research universities, and a network of military installations found in few other regions. This report examines what makes the region competitive, the strength of its industry base today, emerging opportunities in drones and autonomous systems, how Greater Phoenix compares to other leading states for aerospace and defense, and where continued investment could further strengthen the cluster.

The Region, By the Numbers

\$19.58B

DoD Prime Contracts in
Arizona FY25

638+

Company Locations in
Greater Phoenix

108,377

Employees in Greater
Phoenix, 2025

That momentum shows up in recent contract activity as much as in long-term trend lines. Over 2025 and 2026:

- General Dynamics Mission Systems in Scottsdale secured a Space Development Agency contract worth up to \$400.4 million to build ground infrastructure for a national satellite network
- Raytheon in Tucson landed a \$5.039 billion Army contract for its Coyote counter-drone missile system, plus an \$8.4 billion award to speed up interceptor production
- Honeywell Aerospace in Phoenix committed \$500 million to expand domestic defense manufacturing against an \$18 billion order backlog
- University of Arizona joined a contractor team competing for a share of the \$151 billion Golden Dome missile defense program.

Together, these wins span satellites, counter-drone defense, missile systems, and university-based research – nearly every priority area shaping the industry today.

Source: USAspending.gov, FY25 (October 1, 2024, through September 30, 2025); MAG Database, 2025; Lightcast Q3 2026

Arizona's aerospace and defense tax and incentive programs are already well-documented, including the Qualified Facilities Refundable Tax Credit, Military Reuse Zones, and Foreign Trade Zones. Just as important, though, are the region's inherent advantages: strengths rooted in Arizona's geography, institutions, and history that a competitor state cannot simply legislate into existence. Arizona's aerospace and defense advantages stem from six interconnected strengths.

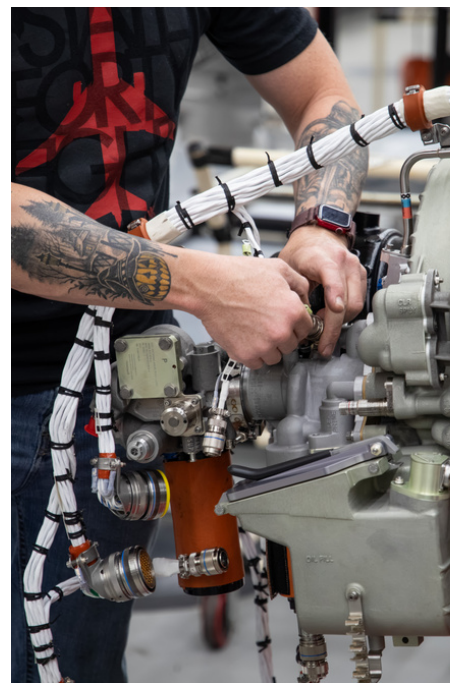
1. Its climate delivers over 300 flyable test days annually, sparing programs the weather delays common to Gulf Coast, Pacific Northwest, and Great Lakes competitors.
2. Within a single state, the terrain ranges from the low Sonoran Desert to the high country near Flagstaff, giving programs multiple test environments without needing to cross state lines.
3. Airspace is comparatively open and anchored by six major military installations along with Yuma Proving Ground and Fort Huachuca's unmanned aircraft systems (UAS) training ranges, resulting in far less congestion than coastal test corridors face.
4. The state also serves as a binational manufacturing gateway, sharing a direct land border with Sonora's manufacturing base and hosting the Mesa Gateway Skybridge, a bonded U.S.-Mexico air-cargo facility; while the site is partially developed and already functions as an active industrial park, the full joint U.S.-Mexico customs processing and inspection facility is still in progress.
5. A deepening chips-to-systems supply chain is layered on top of this. TSMC and Amkor's advanced semiconductor fabs, along with legacy companies like Intel, now operate in the same regional labor market as the aerospace and defense supply base.
6. Finally, Arizona benefits from university-embedded, flight-ready research, since Arizona State University (ASU) and the University of Arizona are among the few universities nationally capable of building space-ready NASA hardware rather than just conducting academic research.



26%

Increase in A&D Employment
2020 - 2025

Source: Lightcast Q3 2026

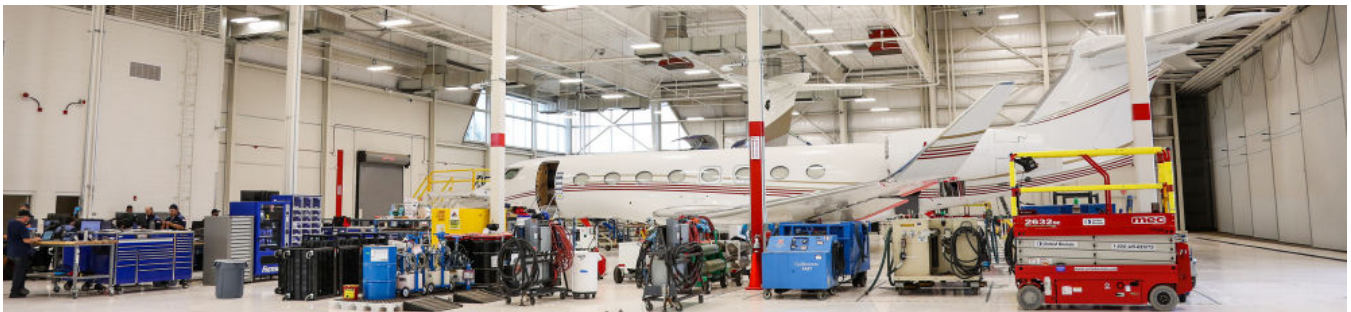


The Industry Landscape

Understanding who makes up Greater Phoenix's aerospace and defense industry is essential to understanding where the cluster is headed. Drawing on regional company-location data covering 638 records across 159 distinct industry classification codes, the region's aerospace-related companies fall into three distinct categories.

- An established manufacturing base: Companies in airframe and engine manufacturing, machine shops, small-arms and ordnance production, air transportation and airport operations, and flight training.
- An emerging technology layer: Space and guided-missile vehicle manufacturing, space research, satellite communications, semiconductor manufacturing, next-generation wireless equipment, and the software, engineering, and research firms driving artificial intelligence, autonomy, and networked defense systems.
- A supporting supplier layer: Precision coatings, castings, fabrication, and other specialized services that both tiers above depend on daily.

These tiers overlap far more than the numbers alone suggest. A missile-propulsion company relies on the same precision machine shop ten minutes away that supplies a major manufacturer's helicopter line; a satellite-navigation software company hires from the same pool of aerospace engineering graduates as the region's largest employers.



The Evolution: Quantum, AI, Autonomous Systems & Drones

Beyond the anchor employers already well known in the region, Greater Phoenix is home to a meaningful and growing base of smaller companies working in emerging areas like autonomy, space systems, and cybersecurity. Examples include:

Company	City	Employees	What it does
Quantum Group USA	Scottsdale	64	Data-storage hardware with defense-adjacent applications
Airobotics	Scottsdale	60	Autonomous industrial drone platform (self-flying, box-based)
KinetX Inc.	Tempe	60	Interplanetary spacecraft navigation (guided NASA's New Horizons)
Assured Space Access Technologies	Chandler	29	Space-access engineering consultancy
Space Data Corp	Chandler	26	High-altitude balloon and near-space communications
Digital Systems Engineering	Scottsdale	24	Applied systems-engineering research
Phoenix Cybersecurity	Phoenix	24	Cybersecurity services to aerospace & defense companies
Rossell TechSys	Tempe	18	Avionics & electro-mechanical systems
Arizona Drone Company	Phoenix	8	Commercial drone services and sales
AZ Space Technologies	Gilbert	7	Early-stage space instrumentation

Source: MAG 2025 Dataset



Autonomous Systems & Drones

Few areas of the aerospace and defense industry are moving faster right now than drones and autonomous systems. This shift is reinforced by a broader industry pivot from a cost-optimized model to a speed-optimized one. With federal procurement demand cited at roughly \$1.5 trillion for next year and precision-guided munitions programs expanding, established primes are facing production volumes that their largely manual lines were never designed to support. Greater Phoenix is positioned to be a leader in this space.

Realizing that potential, however, depends on the region having the infrastructure and regulatory clarity to support routine flights. A key piece of that puzzle is the FAA's proposed Part 108 rule, published in August 2025. It would replace today's case-by-case waiver system for flying drones beyond the operator's line of sight with a standardized, scalable framework. Once finalized and active, this rule would open the door for Greater Phoenix to fully capitalize on several existing regional assets:

- A track record in autonomous systems: Arizona has more than a decade of experience with autonomous vehicle testing, dating back to 2015, along with Waymo's continued expansion and the legalization of truck platooning in 2021 – giving the state a policy foundation few others can match.
- Two of the country's most significant drone-relevant military assets: Fort Huachuca, the world's largest UAS training facility, and Yuma Proving Ground, represent two major military assets that could be positioned as commercial testing corridors.
- An existing advanced air mobility framework: Senate Bill 1307 (2025) already tasked the Arizona Department of Transportation with planning infrastructure for advanced air mobility. Expanding that effort to include drone corridors, rather than creating a separate authority, would keep the region's approach coordinated.
- Shared traffic-management infrastructure: Greater Phoenix could build on its existing Intelligent Transportation Systems (ITS) infrastructure to support UAS/AAM traffic coordination, including the detect-and-avoid (DAA) and tracking systems expected under the new federal rule. Developing this infrastructure at a handful of regional airports, rather than requiring each company to build its own, could lower one of the largest cost barriers facing smaller drone operators.

Other notable wins in the region, consistent with this speed-optimized, autonomy-friendly environment, include:

- In 2026, defense-technology company Knightwerx relocated its headquarters and drone and sensor operations from Camarillo, California, to Scottsdale, citing Arizona's growing defense-technology startup ecosystem.
- ZenaTech (ZenaDrone) is tripling its Phoenix facility footprint to support AI-enabled drone assembly and testing, built on the acquisition of a long-standing Southern Arizona surveying firm.
- Amazon Prime Air Drone Delivery operates in the West Valley area of Greater Phoenix, delivering packages to homes within a 7-mile radius of the facility.
- Walmart and Wing, Alphabet's drone-delivery arm, are bringing autonomous aerial retail delivery to metro Phoenix, targeting a 2027 launch.
- At the local level, several public service and safety departments have invested in and integrated Unmanned Aircraft Systems into their operations.

Another focus for the region in advancing the future of drones is next-generation secure and resilient communications infrastructure, FutureG. Coursework at ASU and Mesa Community College is building the talent pipeline, and Greater Phoenix is positioned as a test market for future-generation mobile connectivity. A concrete anchor is already in place: in 2023, the Department of Defense awarded ASU \$10 million to establish a Center of Excellence in Future Generation Wireless Technology. FutureG's most direct relevance lies in secure command-and-control connectivity for autonomous systems, the communications backbone that will link the drone and autonomy investments described above to the broader defense mission.

Taken together, these four areas – ecosystem-building, capital access, industry-wide automation pressure, and next-generation connectivity – highlight both the strength of Arizona's current position and the opportunities for deliberate investment to accelerate growth across Greater Phoenix's aerospace and defense industry cluster.



Opportunities to Strengthen the Region

Greater Phoenix's aerospace and defense cluster is growing from a position of real strength. The opportunities below are the areas where continued, deliberate investment by government, industry, and academic partners together could meaningfully accelerate that growth.

Access to Capital for Early-Stage Companies

Arizona's current incentive programs are built around tax credits, which mainly benefit companies that are already profitable enough to have tax liability to offset. Pre-revenue and early-stage technology companies building the region's next generation of drone, space, and autonomy products receive little direct benefit from that structure. The region has already lost out on some competitive federal awards to states offering direct matching funds. One concrete step is already within reach: the Arizona Space Commission's Space Exploration and Aeronautics Research Fund. The 13-member board was created to administer the fund, but currently operates without an appropriation. Providing that funding would be one of the fastest ways to close this gap.

Access to Testing Land

Formalizing a public list of pre-approved testing sites that highlights land near existing military installations with airspace agreements already in place would meaningfully shorten the time it takes a new company to begin testing here. Currently under-used regional airfields represent a ready-made opportunity for this kind of designation, particularly for drone testing ahead of the FAA's Part 108 rule.

Open-Ended Research Collaboration

Arizona's universities have built strong individual research partnerships with companies like Honeywell, Blue Origin, and the U.S. Space Force. Moving from one-off agreements to a standard, reusable research and testing framework would make university lab access easier for qualifying Arizona companies, particularly smaller firms that have less leverage to negotiate access independently.

Better Visibility for Smaller Suppliers

Many smaller, capable suppliers already operate in Greater Phoenix but remain effectively invisible to the large prime contractors who could be buying from them. Hosting regular matchmaking events between primes and local suppliers would help the region capture value that is already here.

Filling the Substrate and Circuit-Board Manufacturing Gap

TSMC and Amkor's presence in the region represents world-class semiconductor wafer manufacturing and advanced packaging, but those capabilities address different stages of the supply chain than substrates and printed circuit boards needed to turn a finished chip into a ruggedized avionics or guidance-system board. Actively courting mid-sized substrate and circuit-board manufacturers could close that gap and capture value that currently flows to other states or across the border.

The Future of Workforce Development

The region's existing K-12 and community college programs, including Future48, Maricopa Community Colleges' aviation and cybersecurity programs, and company-led initiatives such as General Dynamics' eCrew, provide a strong foundation. Building a short-cycle drone operator and maintenance technician credential, aligned with the FAA's Part 108 rule would extend that foundation. Formalizing a talent pipeline for transitioning military personnel from Luke Air Force Base and the Arizona National Guard would further expand the region's talent pools.

Aerospace & Defense Assets: A National Comparison

State	Identity	Core Asset
Florida	"Space Coast" - launch cadence	Cape Canaveral and Kennedy Space Center; the highest-frequency reusable launch operations in the country.
Texas	Diversified prime anchor	The Lockheed Martin F-35 line in Fort Worth, the Starbase launch site, and the Houston Spaceport at Ellington Field.
New Mexico	National-lab and test-range depth	Spaceport America (Virgin Galactic's home base), White Sands Missile Range, and the national research laboratories at Sandia and Los Alamos.
Alabama	"Rocket City" - propulsion & missiles	Redstone Arsenal, NASA's Marshall Space Flight Center, and as of 2025-2026 it's the new home of U.S. Space Command headquarters.
Kansas	"Air Capital of the World"- general aviation manufacturing	Textron (Cessna/Beechcraft), Bombardier Learjet, and Spirit AeroSystems, supported by a dedicated aviation research institute.
South Carolina	Single-OEM anchor	Boeing's 787 Dreamliner final assembly line in North Charleston, built around one large, signature incentive package.
Indiana	Applied-research warfare center	The Naval Surface Warfare Center in Crane, focused on microelectronics and electronic warfare, in close partnership with Purdue University.

Conclusion

Arizona is not a single-manufacturer state like South Carolina, a single-mission state like Alabama's propulsion focus, or a single-launch-site state like Florida or New Mexico. Its real differentiator is broader, and arguably harder to replicate: few, if any, regions in the country can take a program from design through prototyping, testing, commercialization, and full-scale manufacturing within such a small geographic radius. That full-lifecycle proximity, paired with a level of interconnection between industries that few peer regions can match, is what sets the region apart.

The region may not yet rank at the top of every national list, but it has the fundamentals to close that gap within a few years. A strong existing base and a clear pivot point toward the industry's next chapter give Greater Phoenix room to grow across multiple sectors at once, not just one.

For More Information:



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