

Remarks as prepared: Governor's Aerospace Conference
October 2, 2013

Thank you, John Lovick, for the introduction.

Good afternoon! I can't think of a more dynamic and exciting time to be holding an Aerospace Summit here in the great state of Washington, because we are also in the midst of a dynamic and exciting time in our state's aerospace history.

I want to first of all thank the Aerospace Futures Alliance for organizing and hosting this summit.

Great to be in a state with a government that is open for business today.

We're coming up on a significant milestone with particular importance to our state, and that's Boeing's centennial in 2016.

The company that pioneered innovations in commercial aviation here and all over the world.

It's pretty hard to be born and raised in Washington state and not have some connection to Boeing or the aerospace industry. It was certainly part of my life when I was growing up -- my uncle worked for Boeing, my cousins worked for Boeing, and my best friend's dad helped break the wings on the 727 through static testing.

A significant part of my childhood was spent in White Center, in the shadow of Sea Tac Airport, where the airplanes built in Renton and Everett took people up in the sky and across continents and oceans.

We're here today because nobody builds airplanes better than Washington state. That was true when William Boeing opened his first factory nearly one hundred years ago along the Duwamish River, and we're going to make sure it's still true 100 years from now.

The demand for commercial airplanes is not going away. Boeing estimates worldwide demand will exceed 35,000 new jets by 2032. That's \$4.8 TRILLION worth of airplanes.

That says to me that there is a lot of potential work for us, and look no further than the dramatic increases in production rates we have already seen across our assembly lines.

Our 777 line is producing at the rate of 100 airplanes per year.

There will soon be 10 787s rolling off the production line each month – the lion's share of that production occurring right here at the true Everett plant.

But nowhere is that increase more inspiring than in Renton, where a decade ago they were producing just 17 planes per month, and today they have over doubled that production to 38 planes per month. By next year they're going to be up to 42

planes per month and they're looking to go even further than that in the future.

Boeing achieved this incredible productivity boost through the implementation of Lean principles, which streamline processes and eliminate waste. That's the kind of efficiency that I'm working to bring to state government, because if it's good enough for the best airplanes in the world, it's good enough for the best state workforce in the nation.

So we're excited about the future of aerospace in Washington state, and it's a future that goes beyond commercial airplane production.

Emergent segments of the industry, such as in commercial space exploration, hold tremendous promise for our state. And with NASA shut down due to Congress' inability to govern, the private sector is the only way we're going to get to space.

We are actively pursuing designation as a testing ground for unmanned systems, a sector that holds great promise for a vast array of applications like forest management, crop monitoring, firefighting and marine life surveillance.

I spent part of a beautiful July day this year in Bingen, Washington, in the Columbia River Gorge, at a company called Insitu, where I helped break ground on a new facility for production and testing of unmanned systems technology.

A decision by the FAA on our designation as a testing ground for this technology is expected by the end of this year, and a favorable outcome would really help grow that segment of the industry in our state.

And speaking of decisions, just a couple of weeks ago FAA officials announced Washington State University's successful bid for a new Federal Aviation Administration Center of Excellence for Alternative Jet Fuels and the Environment.

Something I wrote about in a book six years ago, is coming to reality right here in our state at WSU.

This is a big deal, folks. Our state is poised to be a leader in the development of sustainable biofuels for aviation. WSU will be leading this research and development along with MIT, and the research is going to be happening in Eastern Washington, underscoring the fact that our aerospace industry is truly a Washington-wide sector.

The most fuel-efficient airplanes in the entire world are built here in Washington, and in the not-so-distant future, they will run on the most environmentally-friendly fuel in the world that is also developed here in Washington.

All of this astounding growth and expansion is attracting attention. Companies from around the world are taking notice of our established large and skilled workforce, of the fact that

Boeing is building airplanes here, and of the relationship of the dollar to the euro and other foreign currencies...

...Companies like MTorres, based in Spain, which recently invested in Washington with their purchase of Pacifica Engineering in Bothell...

...Companies like Carbures, also based in Spain, which acquired Fiberdyne in Tukwila and plans to expand it by next year.

... and companies like Umbra Cuscinetti right here in Snohomish County, which is growing and bringing another 100 new manufacturing and engineering jobs to the area. I was just at the grand opening of their beautiful new facility in Everett last month. It brings product design and R&D for aerospace and emerging energy markets under one roof.

You heard yesterday from Olivier Zarrouati from Zodiac Aerospace, who now owns six different subsidiaries in Washington is looking to grow more.

Airbus is seeking supplier contracts with companies in our state as it tries to increase its U.S. procurement by \$10 billion per year, and has even suggested it might be willing to establish an engineering presence here. This is something we should welcome.

The Washington State Department of Commerce also has a list of a dozen other opportunities that we are actively pursuing.

Let there be no doubt: the state of the aerospace industry in Washington state is strong.

Now, much has been made of the emergence of South Carolina, and the relocation of some Boeing engineers to California. Some see this is a sign of imminent collapse.

Here's the reality: Today, Boeing in Washington is more than 10,000 employees larger than it was just two years ago. That is five times the number of employees Boeing has committed to hire in Charleston by 2020.

Let's be clear, Boeing is diversifying its footprint. It has made a strategic decision to expand its presence in South Carolina and in Southern California.

That's what large, competitive, world-class companies do. We only need to look at Airbus, which will soon be building its A320 aircraft in four countries across three continents to recognize this is a global business and spreading risk is part of a successful strategy.

It's important to realize that Boeing is also investing hundreds of millions of dollars in its facilities here in Washington state:

The Renton plant is undergoing an astounding transformation to accommodate the increased production I mentioned earlier.

There's a beautiful new \$150 million dollar Boeing delivery center here in Everett. I've had the honor of attending several events there this year and let me tell you, customers from around the world will be impressed with this facility when they come pick up the keys to their brand-new airplanes.

And a new \$35 million dollar operations for the Dreamlifter will be completed soon.

This is a sign of a state that can be tremendously competitive in the future... and we should be.

Earlier this morning, you heard about the tremendous impact this industry – and Boeing in particular – has on Washington's economy. The numbers are worth repeating:

...More than 130,000 employees working in 1,350 establishments in 36 of our 39 counties.

Boeing itself generates an astounding \$70 BILLION in economic activity statewide each year. The 777 alone drives \$20 billion of annual economic benefit and more than 56,000 jobs.

This is an incredibly valuable industry and we need to do everything humanly possible we can to protect and grow our position. To do this, we must act boldly. Timidity is not a winning strategy in this instance.

We will have a chance to test our mettle in the coming months. Boeing is preparing to launch – as soon as next month at the Dubai Air Show – the next iteration of the 777.

For nearly 20 years, the Boeing 777 has been the flagship of the Washington-built fleet.

Over 1,100 of this twin-aisle, twin-engine workhorse have rolled out of the factory here in Everett and taken their maiden flight from Paine Field. Nine of the world's top 10 airlines fly the 777 today for its significant fuel efficiency and its long-range capabilities.

It is a great source of pride for Washington that this airplane is built here in our state. And that's why it is so important and why I am fully committed that the next generation 777 is designed and built here too.

I know we cannot rely on our long history with Boeing to ensure our future. In Washington we don't rest on our laurels. We don't rest until the job is done and that means having 777X built right here.

There are some things that are outside our control, but are essential to the long-term growth of the industry in Washington. We have to recognize the importance of a good, solid, working relationship between the greatest machinists and engineers in the world and the greatest airplane

manufacturer in the world. We need to figure out a way for these parties to work together toward mutual success.

We're already pushing forward with those efforts. I have directed the state Department of Commerce to designate this as a "project of statewide significance" to ensure that we keep the pressure on regulatory agencies so that any necessary approvals are processed quickly and efficiently.

That's the first time that's been done.

And here in Everett, Mayor Stephanson's permit streamlining task force is working to get a four-week turnaround for permits for new buildings.

The Community Economic Revitalization Board has also committed \$2 million in loan funds to get a head start on development of an aerospace manufacturing facility at Paine Field should Boeing or a major supplier need it.

These are all important efforts that show Boeing we're serious about wanting to be THE place where the 777x is built.

But we need to do more.

We need to keep investing in our education system so that we're preparing students for the aerospace jobs of today and tomorrow. It was Wilbur Wright who said, "It is possible to fly without motors, but not without knowledge and skill,"⁽³⁾ and

this year we made more than \$30 million in education investments that support the aerospace industry to make sure we continue to have the best-trained, most highly-skilled aerospace workforce in the world.

We need to move forward with a comprehensive transportation package in the state of Washington. It's important for building a Working Washington, and it's essential if we are to advance our aerospace leadership.

Boeing's increased productivity, its focus on just-in-time manufacturing, and the promise of more pieces of the supply chain locating close to final assembly, all put pressure on our transportation system.

The fact that Boeing is so efficient puts increased demand on our transportation system.

We need to improve our roadways and invest in our freight corridors, from Spokane to Seattle, from the Port of Tacoma to the Port of Everett and everywhere in between. It's important to Boeing, its suppliers, its workers, and to a lot of businesses in Washington that we invest in our freight corridors.

We need to invest in our transit systems to make sure that aerospace workers can get to and from work easily and efficiently. Every bus takes 40 cars off the road, and that means less congestion so that we don't have airplane parts stuck on the highway.

I've called on the Legislature to come together in a bipartisan fashion to pass a robust package of transportation investments.

There is wide support for such a package from around the state. I was just over in the Tri-Cities last week, and those grape growers in the Columbia Valley want a transportation package as much as our aerospace manufacturers here in Snohomish County want it.

This has to get done from a safety standpoint as well. I've seen what a bridge looks like in the Skagit River. Don't want to see this again.

And I'm optimistic we can get this done because legislators are listening to what businesses are saying loudly and clearly across the state. In fact, we can get this done before the Apple Cup if everyone comes together in a collaborative fashion.

Today I also ask those legislators to come together at the same time to pass a package of incentives to demonstrate to Boeing that Washington is not only the best place but the ONLY place in the world to build the 777X and its composite wings.

I have already talked with leadership from the four caucuses and called together a task force of legislators who will begin working on this package right away. It should include investments in education and workforce training to make sure that our strongest asset – our talented, highly-skilled workforce

– is in place to build not just the 777X, but the aerospace technologies of the future, whatever they might be.

You heard earlier today that the state has yielded a 100 percent return on its investments in aerospace since 2003.

\$1.4 billion in industry tax savings and aerospace investments by the state has yielded \$3 billion in direct revenues to state coffers. The tax incentives that were put in place for the 787 have been tremendously successful.

The good news is that all but one of these incentives will also apply to the 777X and future airplane programs.

The bad news is that they are all set to expire in 2024, just a few years after the 777X will be hitting its stride around the world.

If Boeing decides to build the 777X and its carbon fiber wing in Washington, I believe those incentives should be extended through the anticipated life of the airplane – to 2040. If Boeing makes that commitment to the people of Washington – a commitment to continue our partnership that builds the best airplanes in the world – then I believe the people of Washington state would be willing to commit to another 16 years of this proven incentive.

And I can commit to you today that when the Legislature convenes I will ask lawmakers to make sure all of these

incentives carry over to the new programs through 2040, if the 777X and its wing are Washington-made.

Like I said, we have to act boldly. I know we're the best place to build that plane, you know we're the best place to build that plane, and we have to make sure everyone else knows we're the best place to build that plane.

I want to address two issues that I know are on your minds: worker's compensation and fish consumption.

On workers' compensation, I know many of you are concerned about rates. Today, Washington is competitive nationally and continues to drive costs down.

Compared to a couple of our competitor states – California and South Carolina – our benefits are better and our employer costs are lower per \$100 of covered payroll, according to a national study released in August. Washington's employers paid \$1.46 per \$100 of covered payroll while California's employers paid \$1.72 and South Carolina's employers paid \$1.62.

But we are working to get those costs even lower. Since workers' compensation reforms were approved in 2011, the state workers' comp fund has saved over \$366 million and we anticipate saving over \$100 million in 2014.

Around the country, workers' compensation insurers are just discovering the innovative and evidenced-based methods to

help injured workers heal and return to work more quickly. I am proud to say that Washington State is a leader in this field so we can get employees working and get them off the couch.

And again, we continue to improve. Here are just three things we're doing:

- One: We are expanding use of our Centers of Occupational Health and Education and developing a statewide provider network. That ensures that injured workers are seeing doctors who follow state-of-the-art practices designed to get workers healed and back to work as soon as possible.
- Two: L&I implemented the Stay at Work program. This program offers employers financial incentives for providing light-duty jobs to injured workers.
- Three: The Department of Labor and Industries has pledged to save between \$35 and \$70 million annually through a series of efficiencies they have identified using their knowledge of Lean management. I visited Labor and Industries recently and met with Roy Plaeger-Brockway, assistant director of L and I's Lean Transformation Office.

I can tell you Roy and his department are committed to Lean. L & I is partnering with other agencies to identify return-to-work alternatives for injured workers. They're streamlining the claims process to eliminate unnecessary steps and working with

employers to develop grants and other innovative ways to prevent accidents.

On fish consumption, the Department of Ecology is currently engaged in the early stages of a rulemaking effort to update the human health criteria in Washington's Surface Water Quality Standards.

The Fish Consumption Rate is one part of the equation Ecology uses in determining how clean our water must be under the Clean Water Act. This number relates to how much fish Washingtonians eat per day and it has not been adjusted since the 1970s.

I want to assure all of you here today that I want to do what is right for our great state. I am fully committed to engaging in this process of statewide significance. I cannot do this alone. I have assembled an informal group of advisors from all sides of the issue to help inform my thinking on this complicated and emotional issue.

I also want to assure you that I will not finalize any rulemaking until we have clear answers to the many questions posed around this issue. We must have those answers in hand to create a clear path forward to adopting reasonable and achievable regulations.

Those regulations must meet three criteria:

- One, the information used to determine the updated fish consumption rate must be reflective of all citizens of Washington state,
- Two, the information used must be based on sound science, and
- Three, the rule must produce real, measureable environmental benefits.

Deeply diving in to the arcane bowels of the clean water act... understanding ramifications... briefed by Boeing. Open minded. Not just Boeing... it is the economy of the state of Washington at stake.

Washington is special. Washington's citizens are unique. We are up for the challenge. We have a strong, innovative economy AND we have a clean and healthy natural environment. These are our strengths, our values, part of our ethos. I am confident that, with leaders from business, local government, tribes and the environmental community standing together, we will walk the road to success.

In closing, I want to reiterate that this is a dynamic and exciting time in Washington state's aerospace history. William Boeing himself could not have imagined how his company would grow and evolve, and how it would bring the world closer together.

I can still recall that sense of awe I experienced as a child the first time I saw a commercial jet plane up close, and I know

many of you can relate. We build the greatest flying machines in the world right here...aerospace is at the heart of Washington's economy.

Other states want what we have. They may be successful in growing their own aerospace sectors, and that's OK – there are plenty of planes to be built. But I intend to make sure we keep our position as THE global leader in aerospace.

By acting aggressively to win the 777X, we have an opportunity to preserve thousands of family wage jobs. By building this next-generation airplane, we ensure jobs for the next generation of aerospace workers.

This is our airplane to win, and WE WILL WIN IT. I hope you will join me in fighting hard to bring it home where it belongs – right here in Washington state. Thank you!