



## Governor's Aerospace Summit

October 1, 2014

*Remarks as prepared*

Thank you, Matt. I understand you've been working on a couple of VIP 787s over there in Moses Lake, bringing jobs and economic activity to Central Washington. That's terrific. The only problem is, one of those planes isn't for me!

Actually... that's OK. We'll let those billionaires have their airplanes as long as they keep allowing them to be customized right here in Washington state by the great employees of ATS!

Good afternoon. It's great to be back here at the 9th Annual Governor's Aerospace Summit. Boy, a lot sure can happen in a year, can't it?

Believe or not, it was just one year ago at this event that I laid out our plan to win the 777X and its carbon fiber wing for Washington state.

And now, here we are on the verge of Boeing breaking ground on a 1.1 million square foot expansion to the Everett plant, where three of the world's largest autoclaves will soon be building the largest composite wing ever built -- and the only composite wing for a commercial passenger jet in North America.

Together, we recognized the importance of this airplane to the future of Washington's aerospace industry and to Washington's economy as a whole, and rose to the occasion.

I think we should take a moment to thank the legislators in the room today and all over the state who passed this package in such short order and with such overwhelming support.

Unfortunately, there is still some unfinished business.

We could not convince the Legislature that our failing transportation system was worth funding. I remain committed to figuring out a way forward there.





But I am pleased to say on every other front we have already delivered or are making great progress on the things I talked about last year.

Many people saw the mandate to update our fish consumption rule as a choice between protecting human health or protecting the economy.

I rejected that choice, because both values are essential to our future. It's not either/or.

What I proposed in July was a path that reached beyond the confines of our historic regulatory approaches to recognize how water pollution has changed in the 40 years since the Clean Water Act became law.

I encourage you to review our plan and draft rule released this week.

We have extended our tax preferences for aerospace companies through the year 2040. Much has been made of the projected value of these benefits. Certainly, \$8.7 billion is a big number.

But an even bigger number is the \$21 billion in economic activity that the same projections say the state will enjoy thanks to the 777X and the aerospace industry in Washington over that time.

Now, it doesn't take an economics degree to recognize that if it costs us \$8.7 billion to get \$21 billion, we still come out ahead.

We also built in protections that are much stronger than were in the initial 2003 package. Under our program, Boeing cannot move any portion of 777X assembly to another state without losing the tax preferences related to the entire 777 program.

This was a smart investment in our future and we should be proud of it.

Securing Washington's premier position in aerospace for the future means this generation and the next enjoy the prosperity that comes from family-wage jobs.





And guess what? These tax incentives are working. Boeing employment in Washington is 53 percent higher today than it was in 2004 when the tax incentives first were put in place. It is 13 percent higher than just four years ago.

And they aren't just helping Boeing. Last year, 450 companies – from the big one we all know to dozens of small ones all around Washington – claimed at least one of these tax preferences.

To be candid, these tools simply make us more competitive against the states that can dangle cash giveaways and rock bottom labor costs.

Certainly, we've seen some recent announcements about job relocations.

Boeing's recent announcement of 2,000 job cuts in its defense sector is a prime example of why I've been working to mitigate impacts of coming defense cuts.

We just secured a \$4.3 million Department of Defense grant, which will help us develop diversification plans specific to defense manufacturing contractors like Boeing.

Another component of the grant will support a pilot program that focuses on a statewide multi-agency plan to keep skilled workers in our region's other growth sectors.

We want to make sure that we plan ahead and help anyone who loses a job.

Overall, the aerospace industry is strong here.

We have an aerospace industry that is creating important economic activity right here in Snohomish County. But it's doing the same in King County, in Pierce County, in Spokane County, in Grant County, in Klickitat County and in Asotin County.

There is at least one aerospace company in 35 of our state's 39 counties.





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On workforce training, we committed \$8 million dollars to expand community and technical college programs in high-demand aerospace fields like composites manufacturing, electronics, quality assurance and non-destructive testing.

I'm pleased to report that an industry-led committee helped direct those funds to 22 colleges across the state, and this fall 1,000 additional students are in those courses.

We are working with Boeing to design a specialized training program for carbon fiber wing production. That will happen right next door to the plant at the Washington Aerospace Training and Research Center.

To allow for streamlined permitting, we designated the 777X a "Project of Statewide Significance." We took that designation to heart. The Department of Ecology worked tirelessly to move permits and recently provided Boeing the final approval a full seven weeks ahead of schedule. This is truly remarkable.

Mayor Stephanson and his staff at the City of Everett delivered on their side, too.

I'd like us to pause and recognize the mayor's leadership and the quick work by my Ecology director, Maia Bellon. This partnership is a model for getting things accomplished.

In addition to the 777X ramp-up at Boeing, literally dozens of companies from around the world are considering expanding here to be a part of the Washington aerospace industry.

We heard this loud and clear this summer at the Farnborough Air Show. Nearly every company we talked to was excited and enthusiastic about Washington.

We saw hard evidence of this last month when KUKA Systems announced it would open a facility in Everett to develop, maintain and service the robots that will be used to fabricate the 777X.





Electroimpact has just announced it will build the Automated Fiber Placement machines that Boeing will use to make the wing panels and spars for the 777x. They'll be built right down the road in Mukilteo.

We're also hearing from suppliers that want to access our aerospace talent, and recognize that know-how will be here for the long haul.

That is certainly what Mitsubishi Aircraft was thinking when they announced their partnership with AeroTEC of Seattle this summer. They will bring the Mitsubishi Regional Jet to Moses Lake for flight test and certification next year.

We must diversify our portfolio inside the commercial airplane sector, like we're doing with Mitsubishi, and by helping our suppliers get access to Airbus and other OEMs around the world.

And we must diversify our portfolio outside commercial airplanes, too. Great things are happening in unmanned systems and commercial space exploration.

I am pleased to see the focus of this conference expand outside of aerospace and include all of our advanced manufacturing industry.

The technology the aerospace industry has pioneered – especially carbon fiber and composite technology –has much broader application.

Carbon fiber composites are already a growth area for Washington's economy. The carbon fiber that goes into one of the greenest cars on the market, the BMW i3, is manufactured in Moses Lake at the SGL plant. When its fifth and sixth lines are up and running, it will be the largest carbon fiber manufacturing facility in the entire world, producing 9,000 tons of this game-changing material per year.

I think it's pretty cool that our state is not only going to manufacture one of the most fuel-efficient wide body jets in the world, the 777X, but we also have a major role in making one of the most fuel efficient cars in the world.





You may not know that Janicki Industries out of Skagit County provided the tooling for most of the carbon fiber components of the BMW ORACLE Racing Yacht, the winner of the 33rd America's Cup.

Additive manufacturing -- 3D printing -- is also revolutionizing manufacturing and we are a natural fit to be a global leader in this groundbreaking technology.

Washington's medical imaging technology industry is making a big economic impact as well, providing more than 12,000 jobs in our state and pumping about \$3.1 billion into our economy this year.

There are 37 medical imaging technology companies in this state, and that number is expected to grow, especially with last year's launch of Mercury Medical Technologies, a new medical device incubator housed at Lake Washington Institute of Technology.

Lastly, the maritime sector is a growing industry that employs nearly 58,000 people directly and contributes \$15.2 billion in gross business income to the state.

The maritime industry shares one of the aerospace industry's challenges, which is a workforce with many nearing retirement age that will need to be replaced in the coming years with a new generation of well-trained, highly-skilled workers.

The Aerospace Futures Alliance has done a great job enhancing training opportunities for work in the aerospace industry. This great work must not only continue, but expand to sectors like maritime.

This afternoon, I'm heading to the grand opening of the Advanced Manufacturing Training and Education Center at Everett Community College. Thanks to more than \$1.5 million in new state funding, the college and this facility will help grow and train the state's advanced manufacturing sector across these industries.

AMTEC will help us continue to be the state that has the best-trained, most highly-skilled workforce, and the most innovative and successful companies.





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Earlier today, you heard from my sector leads for aerospace, maritime and life sciences. We have experts focused on our state's other key industries as well. By organizing around our strengths and assigning industry leaders to focus on them, we will be better positioned to protect these essential facets of our state's economy.

Last year, I told you this is a dynamic and exciting time in Washington's aerospace history. I said that other states want what we have, but we aren't going to cede our position as THE global leader in aerospace.

Today, I can tell you I'm confident in the future of the aerospace industry, and in the future of advanced manufacturing in the state of Washington.

And I'm not the only one who's confident. In May, the U.S. Department of Commerce selected the Puget Sound Regional Council Manufacturing Community to be part of a federal initiative to help accelerate a U.S. manufacturing resurgence.

Of the 70 communities that applied to be part of this initiative, we were one of only 12 selected.

Additionally, our state Department of Commerce has received a grant from the U.S. Department of Commerce to help generate aerospace exports.

Clearly, the federal government knows and appreciates the importance of Washington's aerospace industry, and that's good news for us.

And that is a testament to the good work all of you here do to keep aerospace strong in Washington.

We brought the 777X home. We secured thousands of good-paying jobs. We're cultivating a new generation of innovative and efficient manufacturing. That's a lot of good news in one year.

Now, let's get back to work. Thank you.

