



Kitsap leaders see glimmer of hope in report on new Boeing line

BREMERTON — Gov. Christine Gregoire's proposal Wednesday to produce more engineers in Washington has local leaders claiming Kitsap is ahead of the game.

Gov. Gregoire called for \$7.6 million to expand capacity at the University of Washington and Washington State University to enroll 775 more engineering students.

She wants another \$1.5 million to start an aerospace research center at the UW and WSU and smaller amounts to encourage aerospace-friendly curricula in high schools.

Her proposals were in response to a study released Wednesday examining the pluses and minuses of locating a Boeing 737 MAX plant in Washington. Boeing next year will announce a location to build its re-engined version of the workhorse airliner.

The study warns that Washington's workforce of engineers could weaken. Many engineers are on the cusp of retirement and the state hasn't done as much as others to generate more engineers.

A projected dearth of engineers might make another state with more engineers and more investment in schools look better to Boeing. Texas is a leading competitor, according to the Washington Aerospace Partnership study.

"The 737 MAX is a once-in-a-generation opportunity for our state, and we have to go after it with all we've got," said Gregoire, who was governor when Boeing located a 787 production line in South Carolina.

John Powers, director of the Kitsap Economic Development Alliance, and Kitsap County Commissioner Josh Brown were in Renton for the unveiling of the study. Brown said Kitsap has taken big steps to produce more engineers and tradespeople that could transfer to aerospace jobs, with its unique WSU mechanical engineering degree offered at Olympic College and the plethora of Navy-related apprenticeship opportunities available through an OC-Puget Sound Naval Shipyard partnership.

"We need to continue to lead the pack," he said.

Kitsap groups pitched \$45,000 toward the study, with the hopes of staying in the 737 MAX game. If Boeing builds in Washington, and it's not in Renton, current home of 737 manufacturing, they want it in the South Kitsap Industrial Area. At least they'd like to be part of the supply chain.

No one appeared disappointed the study didn't mention Kitsap more than anywhere else.

"I would say we are clearly in the picture," Powers said.

OC President David Mitchell was not surprised that boosting education to produce more engineers was the focus Wednesday. The WSU engineering program at OC has made "a lot of sense for us," he said. "I think WSU is looking at doing this at other locations."

The study points out that much is at stake for Washington with the 737 MAX plant, including 20,000 jobs and \$5.5 billion in economic activity. Also at stake is Washington's status as one of the world's preeminent aerospace hubs.

Meanwhile, the local leaders trying to draw some of the 737 MAX action to Kitsap met Wednesday to strategize ways to move Kitsap onto Boeing's radar screen.

"They're not talking to us yet," said Tim Thomson, incoming CEO of the Port of Bremerton.

They said they'll build a case around Kitsap's shipyard-based workforce, but are holding back on a full-scale public relations assault until an announcement the plant won't be in Renton.

"Then it all changes dramatically," port CEO Cary Bozeman said.

Besides a predicted shortage of engineers, weaknesses in the case for Washington include high wages, strikes and weak integration of higher education and aerospace industries.

In addition to churning out more engineers, the study advised extending state tax credits to make it easier for Boeing to build in Washington, noting the cost for Boeing to build in Washington is much higher than in other states.

THE NEWS TRIBUNE

Washington's aerospace legacy gives state edge in Boeing competition, study says

Post by [John Gillie](#) / The News Tribune on Nov. 16, 2011 at 12:33 pm |

Washington's long history of aircraft manufacturing, its broad network of aerospace suppliers and its experienced workforce of engineers and assembly workers gives the state a head start in the race to win Boeing's newest airliner assembly plant, a new study says.

But that study, released today, says the state needs to bolster its technical and professional engineering education resources if it is to keep its human advantages.

The study, by the consulting firm Accenture, was the latest step in the state's effort to win Boeing's favor in selecting a site to build the aerospace company's 737 MAX aircraft.

That plane, an updated version of Boeing's best-selling 737, could provide up to 20,000 jobs in whatever state the plane is built.

Boeing now builds the 737 in its Renton plant. Boeing has said it expects to decide where the updated plane is built in about six months.

"There's no question that Washington state is the best place in the world to build the Boeing 737 MAX jetliner," said Gregoire at a Renton press conference. "And I believe that when all is said and done, Boeing will make the best decision and build this game-changing aircraft in this state."

But Gregoire, who has seen Boeing twice turn its back on its native state, once when it moved its headquarters to Chicago and a second time when it built a 787 Dreamliner assembly line in South Carolina, said she's taking nothing for granted.

She announced a budget-minded action plan to enhance the education of aerospace workers in the state.

That plan includes a new aerospace curriculum at 12 high schools, a new science and mathematics problem-solving course at 10 high schools and a \$7.6 million program to enhance engineering education at the University of Washington and Washington State University.

The governor's plan would also designate \$1.5 million plus other funds from private donors to create a Center for Aerospace Technology Innovation at UW and WSU.

Gregoire said she will create an aerospace office within her staff to coordinate and grow aerospace opportunities in the state.

The governor's plan has a bargain-basement total price of less than \$10 million compared with the multi-billion dollar plan the state presented Boeing to win its first Dreamliner assembly line.

Bruce Kendall, chief executive of the Economic Development Board for Tacoma-Pierce County, said the most immediate task for Pierce County is for its substantial statehouse legislative delegation to put its weight behind the governor's plan.

"We're the second largest county, and we have several influential legislators in our delegation," he said. "We can play a key role in making sure these ideas are carried out."

Keeping Boeing focus on Washington is important for Pierce County because Boeing's Frederickson plant is the county's largest manufacturer. Some 1,700 workers are employed at the plant which makes wing components for Boeing airliners and the composite tail structures for the Boeing 777 and 787.

The study identified nine states, Texas, Kansas, California, South Carolina, North Carolina, Alabama, Florida, New Mexico and Idaho, that have expressed interest in attracting the 737 MAX assembly plant.

Boeing already has major facilities in all of those states except New Mexico and North Carolina. And most of those states are likely to lure Boeing with the prospect of lower wages and non-union workforces.

And most have more incentives to offer Boeing if it showed an interest. South Carolina, for instance, reportedly spent more than \$800 million in construction payments and tax incentives to lure Boeing to build a new Dreamliner assembly line in North Charleston.

Washington is prohibited by its constitution from making direct incentive payments to private companies.

One reality in Washington's favor is that Boeing says it doesn't want to overreach with its updates on the 737. The plane will feature new, more fuel-efficient engines, aerodynamic improvements and some cosmetic changes, but the company is making a deliberate attempt to keep the updates simple and doable.

The plane's fuselage will still be made of metal, not composite like the 787. And its cockpit will be substantially similar to the present-day 737 Next Generation.

With the 787, Boeing changed nearly everything from its predecessor, the 767. Most of the plane is built of composites. The controls are electrically powered, not hydraulic and the plane's heating and air conditioning system is no longer powered by air bled from the engines.

And at the same time Boeing was changing the plane's architecture radically, it changed its production system completely handing over production and in some cases design responsibility to a series of partner companies.

The net result was plane that made its commercial debut this month, nearly 3 1/2 years after its original debut date.

Some of those partners built new component plants in locales without a deep pool of aerospace workers. Boeing ended up buying out the component plants in North Charleston from its partners because they were performing poorly under those partners' management.

In race for next Boeing plane, other states on Washington's tail

by Steve Wilhelm, Staff Writer

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Washington Gov. Chris Gregoire announces her plan to land production of the 737 Max in the state, with Tayloe Washburn of Project Pegasus and the Washington Aerospace Partnership looking on, at Renton Technical College Wednesday.

Washington state has a lead in the race to build the new Boeing 737 Max, due primarily to its experienced work force and aerospace supplier base — but Texas and Kansas are close behind.

This was the conclusion of Craig Gottlieb, senior manager of Accenture, the company hired to ascertain what Washington needs to do to get Boeing to build its newest aircraft in the state.

“I think we’re ahead, and we are focused on preserving that advantage, that’s what it’s all about,” Gottlieb said, following a Nov. 16 press event with Gov. Chris Gregoire on the state’s plan to land the 737 Max plant.

Gottlieb noted that Texas and Kansas both can offer Boeing lower costs along with a substantial aerospace infrastructure. Texas in particular had an overall cost advantage of 15 percent to 20 percent. But he said those advantage could be offset by Washington's combination of an experienced jetliner work force and base of suppliers.

Boeing Co. (NYSE: BA) plans to launch the 737 Max as the more efficient successor to the best-selling 737, which is now built in Renton.

During her presentation, Gregoire presented a seven-point program to keep the 737 Max in Washington, primarily focused on improving education.

Surrounded by local and regional government, business and labor leaders, Gregoire said the that keeping the Max will require action by the Legislature, including a financial investment in

broader educational opportunities for more would-be engineering students, many of whom can't get into the state's universities.

"We must do what it takes, to make sure we preserve and grow the middle class in Washington state," the governor said.

Among her proposals were adding \$7.6 million toward expanding capacity at the University of Washington and \$1.5 million to create a center for aerospace innovation at WSU and UW.

Gregoire also proposes :

- Investing \$450,000 to expand the governor's Launch Year program and provide 12 high schools with aerospace curriculum support to prepare high school students to enter the workforce. The investment would also provide two Skills Centers with aerospace manufacturing support to help train additional high school students;
- Spending \$250,000 to add "Project Lead the Way" courses at 10 high schools – courses where students learn to problem-solve using their science, technology, engineering and mathematics skills;
- Investing \$1.5 million, with additional support from companies, foundations and donors, to create a Center for Aerospace Technology Innovation at UW and WSU to support university research that would grow the aerospace sector and lead to new jobs.

Gregoire also proposed creating a new Governor's Aerospace Office to provide focus, direction, oversight and coordination to grow Washington state's aerospace industry. The office would also gather industry intelligence to advise the governor in advancing Washington's competitiveness nationally and globally.

Additionally, Gregoire said she will ask the Legislature to extend an existing aerospace tax incentive for pre-production expenses from 2024 to 2034, to realign the lifespan of the incentive to match the anticipated production duration of the 737 Max.

The Seattle Times

Gregoire says training is key to keeping 737 work

"Renton is looking very good" as the favored site for Boeing to build its forthcoming single-aisle derivative airplane, the 737 MAX, said the author of a detailed competitive study commissioned by the state of Washington.

By Dominic Gates

The author of a detailed competitive study commissioned by the state of Washington said "Renton is looking very good" as the favored site for Boeing to build its forthcoming single-aisle derivative airplane — the 737 MAX.

Renton is where the current version of the 737 is assembled. Its wings are built in Frederickson and Auburn.

"Based on what we looked at in terms of potential cost to move elsewhere, it makes business sense to keep it here," said Craig Gottlieb, a consultant with Accenture who compiled the study.

The main barrier to Boeing choosing Renton would be a determination by the company's leadership that it needs to mitigate the risk of disruption — either from strikes or from natural disasters — that would come from keeping its production concentrated here, Gottlieb said.

That possibility is an "unknown unknown" that his firm couldn't quantify, he added.

The report identifies Texas, specifically San Antonio, as Renton's main competition for the plant, with Wichita, Kansas, close behind.

San Antonio would have a 15 to 20 percent cost advantage over western Washington, Gottlieb said, because of its lower wage rates and transportation and logistics costs.

However, "the productivity advantage of Washington workers would significantly mitigate that cost advantage," he said.

At a press conference at Renton Technical College, Gov. Christine Gregoire said 20,000 aerospace jobs and \$500 million in annual tax revenue are at stake in the 737 MAX location decision, which Boeing has said it will make by this spring.

"It's likely the largest manufacturing contract in the world for at least a decade," Gregoire said. "We must grab the opportunity. ... We take nothing for granted."

The Accenture study recommends a series of actions, most related to investments in educating and training an aerospace workforce. Such training is vital because so many of Boeing's experienced workers here are near retirement and must be replaced soon.

Gregoire proposed putting \$9.8 million in state money into the following measures:

— \$7.6 million for the University of Washington and Washington State University to enroll 775 more engineering students. Gregoire said 550 qualified students are turned away each year for lack of spots in the two schools' engineering departments.

— \$1.5 million toward aerospace research at the UW and WSU.

— \$450,000 to provide 12 high schools with aerospace curriculum support.

— \$250,000 to add courses at 10 high schools for problem-solving using science, technology, engineering and math skills.

Gregoire said she'll provide \$1.5 million of this money from the state's strategic reserve fund. She said she will ask the legislature to provide the rest, despite the wretched budget environment.

Taylor Washburn, who heads Project Pegasus, the state's effort to land the MAX here, said all eight states identified by Accenture as serious competitors are focusing on workforce development.

In that area, San Antonio is more of a competitor than most.

Partly because the K-12 system in Texas is generally poor, aerospace companies located around an Air Force base in San Antonio — including defense contractor Lockheed Martin and jet engine maker Pratt & Whitney — got together with local schools and colleges to create a targeted aerospace training program that is well regarded.

Known as the Alamo Aerospace Academy, the program starts in the junior year of high school, offering technical training in airframe and powerplant mechanics with apprenticeships and internships at the local aviation companies.

Still, Gottlieb, Gregoire and Washburn agreed that Washington's workforce advantages can outweigh its cost disadvantages and that Boeing will keep the 737 MAX here.

"It is ours to lose," said Gregoire.

Boeing announced in August it would put new engines on the 737 to improve fuel efficiency and compete with the Airbus A320neo. Boeing has more than 80,000 workers in Washington, mostly at the 737 factory in Renton and the widebody plant in Everett where the 747, 767, 777 and 787 are assembled.

But the state no longer has the hold on Boeing it once had. Boeing moved its headquarters in 2001 to Chicago and in 2009 the company decided to build another 787 assembly plant in South Carolina

Gregoire outlines \$9.8 million plan to win Boeing 737 MAX

By **Michelle Dunlop**, Herald Writer

EVERETT — Snohomish County's hopes for securing work on future Boeing Co. jets depend largely on how the state responds to Gov. Chris Gregoire's \$9.8 million plan to win the 737 MAX.

"It is essential that our region's stakeholders acknowledge that investing in work force is about much more than the 737 MAX; it is about the future competitiveness of all aerospace programs in Washington state, including Snohomish County," said Troy McClelland, president of Economic Alliance Snohomish County.

Boeing builds its single-aisle 737 jet in Renton. But the company is eyeing other locations to assemble its re-engined version of the plane, called the 737 MAX. The company is expected to make its decision in the next several months.

On Wednesday, Gregoire outlined her proposal to boost aerospace training and education in order to land 737 MAX work. Her plan is based on recommendations made by a consulting firm, Accenture, which completed a study of the state's competitiveness.

"We believe there are 20,000 jobs and \$500 million in tax (revenue) at stake" in the contest to win work on Boeing's updated 737, Gregoire said.

Washington's greatest strength — its skilled aerospace work force — will become a weakness should the state fail to develop a plan for replacing thousands of workers who will retire over the next decade, she said. Boeing and its suppliers are increasing production rates and need thousands of employees at the same time as their older, more skilled workers are retiring.

John Monroe, also with Economic Alliance, noted that the work force challenge will be key when Boeing considers the fate of its Everett-built 777. Boeing could decide to upgrade that airplane, like it has with the 737, in the next several years. But like with Renton and the 737 MAX, Everett wouldn't be a shoo-in for the refreshed 777.

"We can't just sit back and think this is a King County or a Renton problem," said Monroe, a former Boeing executive. "It's all of our problem."

Gregoire's plan calls for \$7.6 million to go toward adding capacity for 775 extra engineering students at University of Washington and Washington State University. About \$1.5 million will go for creating a research center. Additional money would be directed toward K-12 programs.

It's possible the added engineering positions will mean more engineering students in Everett through WSU. The university will begin offering engineering courses in Everett in 2012. Leslie Goldstein, a senior policy adviser to the governor, said it's up to the universities to decide which campuses will get the extra positions.

James Tinney, a WSU spokesman, said it's too early to say what WSU will do. But the

governor's call for increasing funding for engineering "is promising for Everett," he said.

Although similar calls to action for more aerospace training and education have fallen short, Gregoire said she was confident this one will work even amid a budget deficit. The governor has reached out to legislative leaders for their support.

Still, Washington faces competition for aerospace work from other states. Accenture looked at several other locations, including the Carolinas, Alabama, Kansas and Texas, said Craig Gottlieb, a senior manager at Accenture, who wrote the study. For the 737 MAX, San Antonio, Texas, is Washington's fiercest competition, with Wichita, Kan., also a close competitor, he said. Texas offers lower labor and transportation costs.

The "productivity advantage that Washington workers have significantly mitigates the (higher labor) cost," Gottlieb said.

Looking out at future contests, the study found that Washington won't be in as good of a competitive position when Boeing looks at an airplane using new technology — a greater use of composites, for example. Workers in Everett piece together Boeing's mostly composite jet, the 787. But only the 787's composite vertical fin is built in Washington state. That's something to keep in mind should Boeing refresh its 777 with a composite wing, Monroe said.

"Do we have the skilled workers here to build really large pieces of composite technology?" he asked.

The 737 MAX contest

Washington's strengths: Quality and productivity of the workforce; in-state supplier network for the 737 program; Boeing's fabrication sites.

Weaknesses: Not enough engineers and manufacturing workers; labor-management relations; higher labor and building costs in the state compared to others.

THE SPOKESMAN-REVIEW

Efforts launched to keep Boeing in Washington

Spokane hoping to lure some of the work to Eastern Washington

The competition to build Boeing's next airplane and keep nearly 80,000 jobs in the state is Washington's contest to lose, Gov. Chris Gregoire and her economic advisers said Wednesday.

An outside study found Washington has an advantage over other states competing to assemble the 737 MAX, because existing workers and assembly lines can be put to work on the new plane. But other factors — those outside the reach of government such as labor contracts — could lead Boeing toward a different choice.

Boeing announced in August it would put new engines on the 737 to improve fuel efficiency and compete with the Airbus A320neo. Boeing is expected to announce next year where the MAX will be assembled.

Gregoire said assembling the 737 is likely to be the largest manufacturing contract in the world for at least a decade and Washington must win that contract and keep and grow aerospace jobs in Washington state.

Spokane-area leaders are trying to lure at least a portion of the potential manufacturing base to Eastern Washington, and are contemplating zoning changes on the West Plains in an effort to make that area more attractive to airline manufacturing.

The report from management consulting firm Accenture on Washington's aerospace competitiveness found the state would beat Texas and Kansas to build the new 737, but that Washington was not significantly ahead in the race.

Washington wins because of its experienced workers. But the state's higher pay and possible work stoppages because of labor disputes work against it, according to the study.

Texas offers financial enticements for aerospace companies, produces more engineers than Washington and is training workers for aerospace jobs, beginning in high school.

Kansas also has an experienced aerospace workforce but low unemployment could be a problem for Boeing, the report said. Kansas, Texas and Washington all received similar marks in a comparison chart, which also rated the competitiveness of Alabama, California, Florida, New Mexico, North Carolina and South Carolina.

The cost of building new facilities in other states gives Washington a big advantage, said Craig Gottlieb, senior manager at Accenture. But if Boeing decides it needs to build a new facility to assemble the 737 MAX, then Washington loses some of its competitive advantage.

“It’s our job to make sure we are taking nothing for granted,” Gregoire said, in proposing nearly \$10 million in new state spending to put Washington in the best position for keeping the 737 in this state.

The proposals made at a news conference at Renton Technical College are based on what she learned from the Accenture report, which was paid for by Washington businesses that want to keep Boeing building airplanes in Washington.

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Gregoire said some of the money would come from a reserve fund and the rest she would request from the Legislature. State Rep. Marcie Maxwell, D-Renton, said she though lawmakers were ready to spend money to keep good jobs in the state.

“We’re going to work hard to get this done,” she said after the news conference.

Gregoire said Washington has already been investing in training Boeing’s future workers, with 22 of the state’s community and technical colleges already working with Boeing. Walla Walla Community College recently dropped its carpentry program to make room for aerospace training, she said.

Her announcement was made in a classroom where future Boeing line workers are being trained.

Matthew Anderson, who is studying aerospace mechanics at Renton Tech, said he’s looking forward to taking his new skills to a job at Boeing and saying goodbye to his restaurant job.

“I’ve grown to love this,” said Anderson, 21, who graduated from Seattle’s Roosevelt High School and originally wanted to study art.

Boeing has more than 80,000 workers in Washington, mostly at the 737 factory in Renton and the wide-body plant in Everett where the 747, 767, 777 and 787 are assembled. The governor said another 30,000 people work in Washington at companies that support Boeing and build airplane parts.

The state no longer has the hold on Boeing it once had. Boeing moved its headquarters in 2001 to Chicago and in 2009 the company decided to build another 787 assembly plant in South Carolina.

Accenture's Gottlieb said the equation for deciding where to build the 737 MAX is different from the 787 because the 737 is based on old technology and the 787 is a completely new plane using brand-new technology.

"It would make sense to keep it here," he said.

Gov. says invest in education to keep Boeing jobs

By **DONNA GORDON BLANKINSHIP**

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U.S. Sen. Maria Cantwell said the Accenture report echoes what she learned in a hearing with aerospace leaders in Seattle last month: the state needs to invest in its future workers by making sure kids have enough training in math, science, technology and engineering.

"With the right investments and collaboration, we can ensure that the next generation of planes are manufactured by a skilled 21st century Washington workforce," she said.

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