



# DISTRICT LODGE 26

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## INFORMATIONAL HEARING ON THE PROPOSED CLOSING OF PRATT & WHITNEY'S CHESHIRE AND EAST HARTFORD CARO FACILITIES

Commerce Committee  
August 14, 2009

Senator LeBeau, Representative Berger, members of the Commerce Committee: my name is James Parent, and I serve as the Assistant Directing Business Representative of the International Association of Machinists District 26, which represents hourly workers at Pratt & Whitney. I also serve as the chief negotiator for the Union in matters relating to Pratt & Whitney, including the talks now underway about the proposed closing of the Cheshire and Connecticut Airfoil Repair Operation (CARO) Pratt & Whitney facilities.

I would first like to thank the committee for holding this informational hearing. As I will outline in my remarks, the potential impact of closing these facilities is significant for the citizens of Connecticut – not just our members but literally for thousands of people throughout the state. It is a critical matter, and we as a Union and as workers appreciate the efforts and ideas of this committee, and all stakeholders with an interest in keeping jobs in Connecticut.

I would also like to say that there has been a great outpouring of support and willingness to help from many interested parties. Senator LeBeau, you have been with us, supporting workers and pro-growth initiatives for many years, and were one of the first elected officials to contact us during this new challenge. We have had communications with every member of our Connecticut Congressional delegation, and they are ready to help in whatever way they can. Governor Rell has personally contacted me to offer her assistance, and we are working with DECD Commissioner Joan McDonald as the Governor's point person on this issue. Leaders of the legislature, local officials, the state labor movement and many others have expressed their concern and desire to help.

We appreciate this interest because these are large, complex issues that require careful analysis, innovative responses and a commitment to Connecticut and its future.

To help you better understand these issues, I would like to briefly outline the situation, including: the notification we as a Union received from Pratt & Whitney regarding work in Connecticut; how much and what work is at stake, and where the company says it will move that work. I will tell you about the history of the facilities involved and what we understand regarding their profitability and skill base. I will update you as much as possible within the confines of proprietary information about what has occurred in the meet and confer sessions. Finally, I will share with you some of our thinking at this time about the overall situation and how we are proceeding from here.

On July 21, 2009 IAM District 26 received an official six-month notification from Pratt & Whitney that they were considering closing the Cheshire overhaul and repair facility and the Connecticut Airfoil Repair Operation (CARO) located in the East Hartford plant.

Cheshire employs about 670 hourly workers represented by the IAM, and, with salary, a total of about 850 employees.

CARO employs about 160 hourly workers, and totals about 210 including salary.

Under our collective bargaining agreement, there are “workplace guarantees” that protect specific work from being moved during the life of the agreement, except for very particular circumstances. Even in those circumstances, management still has a contractual obligation to “meet and confer” with the Union to share information about the reasons for moving work, and to explore reasonable efforts to keep the work here rather than relocate it. This “meet and confer” period lasts for 45 days, starting with the date of the first meet and confer session on July 24, 2009. In the event that discussions are not successful, work can be moved after six months following the official notification.

In this situation that means we are in the “meet and confer” period until September 6, 2009. If the company decides to go ahead with its plans to move this work, it can begin doing so after January 21, 2010.

Pratt management states that the reason for this whole situation is declining volume in the overhaul and repair market, brought on primarily by the weakened economy. They forecast a 40% drop in volume in the engines normally overhauled at the Cheshire facility, and a world-wide decline in airfoil repair work like that done in East Hartford. They also claim that some customers presently utilizing the Cheshire plant will move in the next year to do their own repair work in-house, further depressing volume.

Because of this decline in volume and over-capacity in places to do the work, according to management, they initiated studies about costs, and developed a number of alternative plans to consolidate the work in fewer locations at lower costs.

In the case of Cheshire, management stated there were four competing plans. They chose the one plan that would close Cheshire and disperse the work to several other locations. Much of the work would go to Pratt’s O&R facility in Columbus, Georgia. Some work would be done by United Airlines in San Francisco and some of the work now done in Cheshire would be instead done in-house by Delta. The majority of Cheshire’s work, all commercial engines, would go to Singapore.

With CARO, management stated that they had seven alternative plans, out of which only one involved the closing of CARO. But that was the plan they chose. Under this plan, Pratt’s airfoil repair work now being done by CARO would be done in Singapore and Japan.

Without disclosing specific information that was shared confidentially as part of their obligations under the contract, I can say that management maintains that there is a cost differential that they consider significant between doing the work in these other locations and continuing to do the work in Connecticut. They claim that this cost differential involves both the cost of doing business in Connecticut and the costs associated with the hourly workers we represent.

Members of the Committee, I have to state at this point that I have done my best to describe the company's position as they conveyed it to us. But I would have much preferred to have them here themselves before this committee to make their own claims and explanations for what they are considering. Because as far as I am concerned, this has been a terrible betrayal of workers who made this company the success it is today, and the communities that have nurtured and sustained this corporation for decades.

The fact is that the announcement about Cheshire came as a particular shock because they had literally just cleaned up after cake and soft drink parties in the Cheshire facility where management thanked workers for a record month in revenues -- \$110 million in June 2009.

At the end of 2008, Cheshire workers were told by management that they had achieved a record year in earnings before income tax (EBIT). The Cheshire team, both hourly and salary, has improved their return on sales year after year. They are actually on track at this time to surpass last year's record. They are ahead of management's financial plan for the facility and are certainly out ahead of other segments of Pratt's business.

Cheshire scored a near perfect score on a critical quality audit by a major customer, which was supposed to lead to new work in 2010. Cheshire has also won praise from the Department of Defense for their ability to quickly turn around C-17 engines needed for missions in Iraq and Afghanistan, working under the highest level of DPAS (Defense Priority and Allocations System) requirements demanded by the federal government.

Cheshire does the overhaul and repair of several engines – the PW 2000, the PW 4000 112” and the F-117, which powers the C-17. They are currently the only repair center within Pratt's global network that repairs these engines, which require critical skills and experience.

The CARO work center in East Hartford is also a success story – a profitable operation that overcame historic quality and productivity issues through worker involvement as well as company investment. CARO does coating and repair of the blades and vanes that are at the heart of the engine's power, and are subject to incredible stress and in need of constant refurbishment. This business is global in nature and extremely profitable, but that has led to global over-capacity in this sector, both within and beyond Pratt & Whitney.

For years the IAM has urged Pratt management to increase the volume of parts flowing through CARO as the means to drive profitability forward. Despite commitments to do so, the workload has declined, while increasing elsewhere. Now Pratt plans to send all the work done by CARO to Singapore and Japan. This includes all the airfoil repair and refurbishment work for the F-117, the engine that powers the military cargo plane, the C-17.

The two shops together employ about 1,060 employees. And there also other workers in both East Hartford and Middletown that do work related to the work Pratt intends to send out of Connecticut. Besides the employees of Pratt, economists generally estimate that up to three other jobs are supported by each aerospace job. So we are looking at more than 4,000 Connecticut jobs on the line in this process.

Believe me, whatever our opinion of the company's rationale or new business plans, we take this situation seriously, and understand our obligations under our contract, as well as our obligations to our members and their families and to the people of this state.

We have been involved in meet and confer sessions with the company almost since the announcement was made. We have spent hours examining, discussing and debating their analysis of the situation, their assumptions about their current operations, workload forecasts, the general economic picture and their projections about the ease of transferring the work elsewhere.

We have expert help from our International Union's Strategic Resources Department and other staff assigned to assist us in these talks.

I will tell you frankly that the most questionable assumption made by management is that they can quickly achieve the same level of quality, productivity, turn-around time and customer satisfaction that the Cheshire and CARO workers have reached after years in the trade and a dedication that is second to none. We submit that this whole scheme ultimately not only unfairly abandons a successful and loyal work force here in Connecticut, it also represents a grave risk to the company's overhaul and repair business going forward.

Nonetheless, we are engaged in the meet and confer process, and certainly are prepared to consider responsible and appropriate proposals to address management's concerns, with the aim of preserving the work in Connecticut for some time to come. As I said, we take that responsibility very seriously.

Again, without disclosing sensitive company financial data -- we do not dispute in general terms that the cost structure for an experienced, more senior, older workforce with the ability to bargain collectively may be more "costly" than a newer, younger non-union plant in Georgia or facilities in Asia.

We have a collective bargaining agreement that is the result of 60 years of negotiations, representing workers who have traditionally supplied the greatest profit for the conglomerate that has become the United Technologies Corporation. It reflects not only our long bargaining history, but a skill base that has proven time and time again their worth to UTC and to Pratt & Whitney.

In the same way, I do not believe that members of this committee would dispute that operating costs in the state of Connecticut are higher than may be found in locations like Columbus, Georgia or Singapore. Connecticut, despite its problems and challenges, has an infrastructure, an educational system, a political and social profile and quality of life that have likewise helped UTC and Pratt & Whitney prosper.

So this situation presents all of us with profound challenges that will have a great impact on our future. We will work with the company where we can and as we are able. We will certainly work with state and federal officials, both on positive initiatives that can address management's legitimate concerns, and on political, legislative and legal efforts if those become necessary.

On the federal level, we have worked tirelessly to secure defense work for Pratt & Whitney and United Technologies. We were directly involved in over-turning misguided decisions by the federal government that would have awarded the NASA space suit to a

competitor of Hamilton Sundstrand, and the Air Force tanker to Airbus, using GE engines. We fought hard on the F-22, and still have hopes that with our Connecticut Congressional delegation, we can bridge the gap between that program and the F-35. As you know well, we have worked at both a state and federal level to secure the funding needed to move forward the commercialization of fuel cells.

We have been advocates for this company and this corporation as part of our responsibility for securing jobs. The IAM has a program unique to this state, called GrowJobsCT, in which we work continuously to bring together labor, business and community interests, along with elected officials, to work specifically on trying to keep manufacturing jobs in Connecticut.

We understand the critical importance of manufacturing to this state, and to our country. At this point, we believe that government needs to take appropriate measures at a federal level to protect manufacturing from the distorted pressures of the market during this difficult economic period.

Briefly, we believe, and publicly call upon, President Obama to issue an Executive Order to immediately suspend any further export of manufacturing jobs related to military procurement. We simply cannot afford to export tax dollars and jobs at this time.

We need to close tax loopholes that favor the export of work.

We need to look at significant tax penalties for companies that lay off workers or close down operations that are profitable, simply to make greater profit elsewhere.

In short, policy needs to protect workers as much as it protects other great resources that find themselves endangered in this country.

We pledge to you, and to the people of Connecticut, that we will do everything possible to secure a positive resolution to this current dilemma. We have confidence that our elected representatives will do the same. We are ready to work with you, and hope to continue working with Pratt & Whitney -- in Cheshire, East Hartford and Middletown -- for years to come.

Again, thank you for this opportunity to speak with you today. I would be happy to answer any questions.