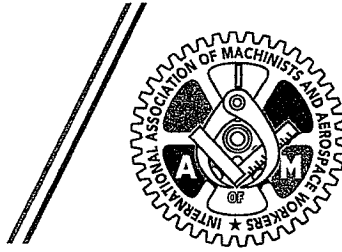


International Association of Machinists and Aerospace Workers



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OFFICE OF THE INTERNATIONAL PRESIDENT

November 9, 2010

The Honorable Eric H. Holder, Jr.
Attorney General
United States Department of Justice
950 Pennsylvania Avenue, N.W.
Washington, DC 20530-2000

Re: Request for investigation into misuse of Federal Katrina Funds and other Federal assistance to states

Dear Attorney General Holder:

I am writing on behalf of one of America's largest labor unions – the International Association of Machinists & Aerospace Workers (the "IAM") – to request a formal investigation into the practice of some States to use Federal disaster relief and other emergency development assistance to raid manufacturing and jobs from other states. Some of this activity appears to be in overt violation of statute. Other raiding is inconsistent with the Commerce Clause. All of it is a waste and misuse of Federal dollars to finance deals that strip established businesses out of communities only to put them somewhere else, with no net gain to our national economy.

The Problem

To protect our members, the IAM has been fighting battle after battle to preserve their jobs at existing, profitable plants when another state offers massive incentives to relocate. But there is a much larger Federal issue, which is the use by raiding states of Federal money to finance these zero-sum games. One region of the country gains jobs only through the devastating loss of jobs and community in another. Federal tax dollars should not pay for it.

A current example is Hawker Beechcraft in Wichita, Kansas. A month ago, Louisiana offered \$100 million to the company to shut its 5,000-person manufacturing plant and relocate. To retain those jobs, the IAM opened our contract early to negotiate what would have been painful concessions in wages, benefits, pensions, and health care. But then Louisiana upped its package to \$400 million. Wichita will lose a major company – even though Kansas came up with incentives of its own – and our members will not be able to keep even concessionary jobs. And what does this economic warfare between states mean for the national economy? Louisiana will gain and Kansas lose, yielding no net gain at a transaction cost of \$400 million that could

have been spent on new industry. When up-and-running businesses and existing jobs are torn out of one state and relocated to another, our country gains nothing.

Federal Source of Funds

The IAM believes that your Office should be concerned with where Louisiana got \$400 million to game our economy in this way. If Louisiana had only put its own money on the table, the resulting economic inefficiency might just have been the price of federalism. But it seems clear that the state is using Federal development assistance, including “supplemental Katrina” funds through the U.S. Department of Housing and Urban Development (“HUD”) Community Development Block Grant (“CDBG”) program. One indicator is the “Aerospace Alliance,” formed in October of 2009 by the governors of Louisiana, Alabama and Mississippi to bring aerospace manufacturing jobs to their three States. They advertise the development of aerospace parks for new facilities, public infrastructure to support them, and whatever else is needed for a company to move – and they also advertise Federal money, specifically touting the Gulf Opportunity Zone Act of 2005 and “supplemental Katrina” funds.

Another indication that Federal money supports Louisiana’s offer is simple common sense. Louisiana is one of the poorest states in the Union, still suffering the devastating consequences of Katrina and other hurricanes. It could not come up with nearly half a billion dollars on its own. While the state has not detailed its package, common sense says that it is based on Federal sources, either directly or by offsetting their normal budgetary commitments with Federal disaster relief funds.

Illegality

We believe that Louisiana’s gambit violates the law. In providing Katrina Supplemental CDBG funding, Congress recognized that allowing that money to be used for inter-state raiding of jobs would be self-defeating for the national economy. Thus, it imposed the following restriction:

“Prohibition on use of assistance for employment relocation activities

Notwithstanding any other provision of law, no amount from a grant under section 5306 made in fiscal year 1999 or any succeeding fiscal year may be used to assist directly in the relocation of any industrial or commercial plant, facility, or operation, from one area to another area, if the relocation is likely to result in a significant loss of employment in the labor market area from which the relocation occurs.” [42 USC § 5305(h)].

Possible or probable misuse of Katrina funds is not the only legal problem. Economic warfare between the States also violates principles embedded in the Commerce Clause. The U.S. Supreme Court has recognized that the clause implicitly prohibits states from hindering interstate commerce, driven by the Court’s view that the Commerce Clause makes our nation a single economic unit. There is a serious question whether a State’s use of tax breaks to lure businesses

from another State creates a “dormant” commerce clause violation. When Federal funds are involved, the question is more direct. May Federal funds collected on behalf of all U.S.

taxpayers, which are paid out to only a few States in the form of Katrina supplemental funds or other emergency assistance, be used to pay a company to relocate from another state that did not receive such funds? The Hawker Beechcraft situation is an example. Louisiana received Katrina funds, but Kansas did not.

Scope of Inter-State Raiding

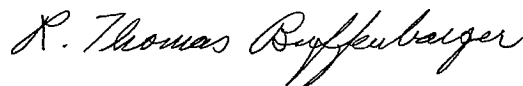
Since 2009, the IAM has experienced an escalation of inter-state threats to IAM-presented manufacturing facilities and the communities that depend on them. In addition to Hawker Beechcraft, we have struggled with the following locations:

- Mercury Marine in Fond du Lac, Wisconsin. Oklahoma offered to relocate 2500 workers.
- Olin Corp. in East Alton, Illinois. Mississippi offered \$400 million to relocate 1200 manufacturing jobs and related administrative facilities, which will cause a total loss of 4000 jobs in an area that has depended on Olin as its only major source of employment.
- General Electric Aerospace in Albuquerque, New Mexico. Mississippi successfully raided this facility, which is now closed.
- Harley Davidson in York, Pennsylvania. Kentucky offered to relocate workers from this manufacturing plant as well as facilities in Wisconsin and Missouri.

Such inter-state raiding, successful or not, only drags on our national economy, because moving jobs between states adds nothing to national employment. It is not activity that the American taxpayer should be subsidizing. Try to explain to a worker faced with unemployment that his or her own tax dollars are moving the factory away.

The IAM believes that inter-state raiding is unlawful if it includes Federal money, and we are requesting your Office to investigate. Thank you for your attention to this very serious problem, and I am ready to discuss it with you or your staff.

Very truly yours,



R. Thomas Buffenbarger
International President

RTB/pt

cc: Shaun Donovan, Secretary of Housing and Urban Development, U.S. Department of
Housing and Urban Development
Ron Sims, Deputy Secretary of Housing and Urban Development, U.S. Department of
Housing and Urban Development

cc: President Barack Obama
Vice President Joseph Biden
Harry Reid, Senate Majority Leader
Nancy Pelosi, Speaker of the House
Gary F. Locke, Secretary of Commerce
Governor William R. Richardson, New Mexico
Senator Jeff Bingaman
Senator Tom Udall
Congressman Martin T. Heinrich
Governor Jim Doyle, Wisconsin
Senator Herb Kohl
Senator Russ Feingold
Congressman Thomas Petri
Governor Patrick Quinn, Illinois
Senator Richard Durbin
Senator Roland Burris
Congressman Jerry Costello
Governor Edward Rendell, Pennsylvania
Senator Arlen Specter
Senator Robert Casey
Congressman Todd Platts
Governor Jay Nixon, Missouri
Senator Christopher Bond
Senator Claire McCaskill
Congressman Emanuel Cleaver
Governor Mark Vincent Parkinson, Kansas
Senator Sam Brownback
Senator Pat Roberts
Congressman Dennis Moore