

Good morning.

It's hard to believe that three years have gone by since the last time we sat down together to negotiate - twice. A lot has happened since then and it's important that we're back at the table.

The relationship between the IAM and Pratt & Whitney dates to 1945. The 1945 contract between Pratt & Whitney and Local Lodge 1746 contained 18 pages of language. That was basically one page delineating management's rights and 17 pages of obligations and limitations. The one page of management's rights hasn't changed much over the years, but the obligations and limitations that follow now fill 173 pages. That may be progress. It's certainly complexity. And with complexity comes room for interpretation and uncertainty.

We have to work through a new contract that provides certainty for the business and treats your members fairly. The last 15 months have been difficult for everyone on both sides of this table. Employees in Cheshire and CARO – hourly and salaried alike - have been working in an environment of uncertainty. And Pratt & Whitney has been unable to take certain necessary action to improve the competitiveness of its MRO business.

In our view, the degree to which we have the flexibility to shape and change our business will be central to these discussions. Like any business, to compete effectively, we need the flexibility to put the right work in the right place. **And that brings us to the 800-pound gorilla in the room – Letter 22.**

Like many of you, I was here in 2001 and the fact is, Letter 22, as interpreted by the court, goes far beyond anything we bargained for. The Company firmly believed it had the right to act as it did and does not agree with the court's decision. That said, the Company accepts the court's decision and your efforts to obtain it, and is prepared to move forward. Unfortunately, the court's rigid interpretation brings with it serious unintended negative consequences for the company and for the long-term well-being of your membership.

Letter 22, as interpreted by the court, severely restricts our flexibility. And because of this, Letter 22 actually limits our ability to bring jobs into the state and could have a serious contradictory effect on maintaining certain jobs in Connecticut. This is not something the Company can live with going forward, and I suggest that, long-term, the union and our employees cannot live with it either.

Here's why: in an increasingly competitive global marketplace, we need to do what we need to do to satisfy our customers. If Letter 22 prohibits us from being able to respond to marketplace and customer demands, it will severely limit our ability to be competitive. If we can't respond to capture new work or keep the old, the portion of that work that's done in Connecticut won't materialize - again, delivering unintended consequences for job security and growth prospects here. And that inflexibility will cause us to question the placement of any new work here if we know it is trapped for the duration of the contract. Simply put, we can't bring new work into Connecticut unless we have the flexibility to move it when necessary.

I understand the concern on your side. On average, your members earned more than \$85,000 here last year working on exciting technology that they are proud of. These are good jobs that would be difficult to replace. To be clear, with the flexibility we need to be competitive, we will continue to make the investments in our people and our facilities and capabilities in Connecticut. Our approach hasn't changed. Bob Ponchak discussed what technologies were "investable" in 2001 and Larry Moore talked about "affordable high tech" in 2004 and 2007. And we have seen very real investment in those areas – over \$100 million in the last three years alone in work that we believe can be done competitively here.

With the flexibility and speed we need to be competitive, manufacturing can thrive here. As Patrick stated, it's in the high value-added, more technologically complex work – the right work for Connecticut – the work that is best suited for our high-skilled, higher cost workforce here. I'm talking about:

- ✓ Proprietary technologies like our advanced coatings for nozzles and airfoils in East Hartford;

- ✓ Highly capitalized and integrated processes like those used for turbine airfoils and hollow fan blades;
- ✓ The most complex machining operations like the integrated bladed rotors (IBRs) in Middletown; and
- ✓ Product/system development and integration in our assembly and test operation in Middletown.

This type of high-value work can make sense here – if, and only if – the business climate is conducive to it.

What doesn't make sense is to have a contractual provision that ties our hands and prevents us from doing what we need to do to quickly address the fallout from changing customer choice and market conditions, particularly for our mature products.

The court's decision effectively ties our hands to address structural overcapacity in our network and sub-par financial performance here – a double-whammy that drives our uncompetitive shop costs even higher – we face an untenable and unsustainable situation.

The fact is, we can't live with uncompetitive cost structures in any aspect of our business – particularly in those we know will not grow.

We have some tough issues to work through, but I am confident that together we can find a solution that balances the needs of the business in a way that treats our employees fairly. I look forward to working with you to that end.