

# New Haven Register

## Pratt & Whitney chooses North Carolina for new factory, but reports big loss

By Alexander Soule - Tuesday, October 27, 2020



*British Airways jets parked in the United Kingdom's Cotswold Airport, with the airline retiring the aircraft due to the COVID-19 pandemic that has impacted the commercial aviation industry and suppliers like East Hartford, Conn.-based Pratt & Whitney. (AP Photo/Frank Augstein)*

After jettisoning hundreds of Pratt & Whitney jobs in Connecticut — then announcing a major expansion in North Carolina — Raytheon Technologies disclosed Thursday the financial impact of the pandemic on its jet engine subsidiary in the third quarter: a \$615 million loss on operations.

Pratt & Whitney is based in East Hartford with a major engine assembly and maintenance plant in Middletown. Waltham, Mass.-based Raytheon acquired the manufacturer last April in its takeover of United Technologies that had its headquarters in Farmington, with the combined company now run by former UTC CEO Greg Hayes.

In a Tuesday conference call, Hayes indicated Raytheon could slash between 10 percent and 15 percent of its office space as a result of what he anticipates will be a prolonged period of staff

working remotely. That would be on top of a 10 percent reduction in office space as a result of overlap from the UTC portfolio.

Hayes added he does not expect any return to normalcy for commercial aviation until mid-2023 at the earliest.

“It seems like a big number ... and look, the fact that we have 31 million square feet of office space seems like a really big number to me,” Hayes said Tuesday. “These last six months as I have toured the country and visited facilities where literally we’ve got a handful of folks working there and everybody else is ... working remotely, it became very apparent — we don’t need all this space, and I think the ability to work remotely with the technology that we have, without losing productivity, is essential to our go-forward plans.”

Last week, Raytheon announced it would build a new Pratt & Whitney manufacturing plant in Asheville, N.C. at a cost of \$650 million, adding 800 jobs there and with a \$7.4 billion impact for the state’s economy when factoring in the ripple effect of spending and salaries. North Carolina extended incentives that could total more than \$15 million to sway Raytheon’s decision.

Pratt & Whitney’s sibling Raytheon division Collins Aerospace has its headquarters in Charlotte, N.C., about two hours east of Asheville. Collins Aerospace sells myriad systems for aircraft, from flight decks to landing gear.

## **Automated production**

The new Pratt & Whitney plant in Asheville will make airfoils that spin at a rate of thousands of revolutions per minute to push air through jet engines, propelling an aircraft forward. Pratt & Whitney spokesperson Jenny Dervin stated the new facility will “complement work already being done in Connecticut, Pennsylvania and New York” for geared turboprop engines used in commercial aviation, and F-135 engines which are mounted on the Lockheed Martin F-35 Lightning II fighter jet.

“We considered many factors in making the decision to expand our operations to North Carolina,” Dervin stated in an email response to a query. “From a business standpoint, this made the most sense when it comes to our business environment and ensuring support for our customer’s long term as our military and commercial programs increase in volume.”

A spokesperson with the Connecticut Department of Economic and Community Development indicated that Raytheon did not explore siting the factory in Connecticut. Six years ago, former Gov. Dannel P. Malloy extended some \$500 million in perks for Pratt & Whitney to expand its Connecticut presence.

“The company has advised us that this new project will not impact jobs in Connecticut and that it remains committed to our state,” stated David Lehman, commissioner of the Connecticut

Department of Economic & Community Development, as quoted by a spokesperson in an email response to a query. "Recent hiring and investment activity make this ... point abundantly clear."

Two weeks ago, Raytheon confirmed layoffs in its Connecticut operations that city officials in East Hartford and Middletown indicated amounted to 450 Pratt & Whitney jobs. At last report, the company had just over 11,000 Connecticut workers.

Hayes said Tuesday the company is focused on moving work to lower-cost areas, and cited at \$175 million the savings Raytheon will realize by building the Pratt & Whitney facility in North Carolina. Raytheon is in the process of cutting 15,000 jobs across Pratt & Whitney and Collins Aerospace, along with terminating contracts with some 4,000 external workers.

"There's a whole series of things that Pratt's doing associated with this new facility we're building down in North Carolina," Hayes said. "Some of it will be 'in-sourcing' work from the supply chain; some of it will involve moving work from high-cost to lower-cost locations. ... By the time this comes online in late 2023, we should see a return to normalcy in commercial aerospace, and Pratt will be well-positioned with a much lower cost, much more automated production facility."

North Carolina and other southeastern states have dominated site-selection decisions in the aerospace industry the past several years, according to John Boyd, a Princeton, N.J. consultant who has advised manufacturers like Pratt & Whitney and Boeing on potential locations to expand through The Boyd Co.

"This underscores Pratt & Whitney's belief in a global rebound with respect to ... travel," Boyd said. "It's a lesson for states like New Jersey and Connecticut, this idea that companies like Pratt & Whitney want to partner with the state and all the major players: lawmakers, the academic community, the real-estate community."

Between July and September, Pratt & Whitney revenue plummeted 34 percent from the third quarter to below \$3.5 billion, as airlines put on hold the purchase of new jets during the COVID-19 pandemic. Raytheon has been able to offset with military orders some of the impact of the commercial aviation slowdown on Pratt & Whitney and its Collins Aerospace.

Raytheon remained profitable in the third quarter with earnings of \$264 million, with Collins Aerospace generating an operating profit of \$526 million despite matching Pratt & Whitney's revenue decline.

Hayes said that despite the economic shock airlines are undergoing, Pratt & Whitney continues to gain market share from its two main rivals, the Ohio-based GE Aviation division of General Electric and Rolls-Royce based in the United Kingdom. He cited in particular Pratt & Whitney geared turbofan engines sold to Airbus, with an engine sold jointly by GE Aviation and France-based Safran also used by the airline.

“Over the last year-and-a-half or so, ... we went from about 43 percent to about 55 percent on the [Airbus] A320 family,” Hayes said. “We think that’s a reflection of both the technology as well as the efficiency that you are getting with the GTF engine.”