

MINUTES OF THE HOUSE COMMERCE AND LABOR COMMITTEE

The meeting was called to order by Chairman Don Dahl at 9:00 a.m. on January 22, 2004 in Room 241-N of the Capitol.

All members were present except:

Representative Kevin Yoder- absent
Representative Rick Rehorn- absent

Committee staff present:

Jerry Ann Donaldson, Legislative Research Department
Norm Furse, Revisor of Statutes
June Evans, Committee Secretary

Conferees appearing before the committee: Jeff Kniep, Coordinator, Grow Kansas

Others attending:

See Attached List.

The Chairman called the meeting to order at 9:00 a.m.

Jeff Kniep, Coordinator, Grow Kansas, Wichita, gave background information on the organization. Grow Kansas was born when Raytheon outsourced their wire harness work to Mexico. Mr. Kniep stated it was not in the best interest of the company, not in the best interest of the community, and certainly not in the best interest of the employees.

The Grow concept was actually started by the Machinists Union in Connecticut in response to outsourcing being done at Pratt and Whitney. The Machinists Union in Wichita picked the program up in May 2003 in response to the continued outsourcing of manufacturing jobs at Boeing and most recently at Raytheon. The organization solicits support from any organization that believes saving and growing jobs in our state is a priority.

Kansas looks bleak in terms of manufacturing. Wichita has lost 14,000 manufacturing jobs and Kansas as a whole has lost almost 30,000 jobs.

Grow Kansas has tried to develop a multi-pronged plan to meet the goal of preserving and growing jobs in the community and state. We believe our strengths are in bargaining, organizing, and in legislative action. We must start at the local and state level but we also understand that this must be part of a national movement. It won't matter if Kansas stops outsourcing work if every other state is still doing it. We must effect a change in the way corporate America views outsourcing.

When a corporation asks for tax abatements on Industrial Revenue Bond money in the name of economic development, we as a community and as a state should know what our development goals already are. We need to ask how giving this incentive would move us toward that goal. Economic development should focus on education, infrastructure and health care to name a few. If incentives given to corporations don't improve the average human beings standard of living, how could it be called economic development?

Grow Kansas would like to ask, if appropriate, that this committee draft a bill for corporate accountability. The Chairman stated that introduction of bills was not on the agenda and the request should come at a later date. (Attachments 1 & 2).

The meeting adjourned at 9:35 a.m. The next meeting will be January 27.



Grow Kansas

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January 22, 2004

Re: Address to the House Committee on Commerce and Labor

Chairman Dahl and members of the committee, my name is Jeff Kniep and I am the Coordinator of Grow Kansas. On behalf of my organization I want to take this opportunity to thank you for making time in your committees busy schedule to learn more about our organization. I also would like to personally thank Representative Ruff for taking the initiative to bring our organization to the attention of the committee. A little background on myself: I came to this organization from Raytheon Aircraft where I have worked for the past 14 years. Most recently I was one of the in-plant Union representatives but I am an inspector by trade. Recently I am sure you have heard about the outsourcing ventures Raytheon has been taking on. I was the lead person on the committee that proposed back to Raytheon that outsourcing their wire harness work to Mexico was not in the best interest of the company, not in the best interest of our community, and certainly not in the best interest of the employees. This outsourcing issue is really how and when Grow Kansas was born.

What is Grow Kansas you might ask? This "Grow" concept was actually started by the Machinists Union in Connecticut in response to outsourcing being done at Pratt and Whitney. The Machinists Union in Wichita picked the program up in May 2003 in response to the continued outsourcing of manufacturing jobs at Boeing and most recently at Raytheon. We set about, and continue, to solicit support from any organization that believes saving and growing jobs in our great state is a priority. We are making contact with other coalitions, faith groups, labor organizations, and our local, state, and federal legislators to enlist their help. In fact I just met with Congressman Jerry Moran last week to give him a briefing on our organization and to ask him for his support. One thing I want to make very clear to you today is that this is not a partisan issue. In our brochure that I have handed out to everyone it states that Grow Kansas crosses ALL political boundaries to preserve and grow jobs here in Kansas. By the same token we recognize that we can't do it alone. We need your help.

What does the future of our great state look like? In terms of manufacturing it looks pretty bleak. Wichita has lost 14,000 manufacturing jobs and Kansas as a whole has lost almost 30,000. For every one of these jobs lost, 3-4 other jobs in our community are adversely affected. We have seen the sad future. As we travel around our city we are seeing more and more buildings up for sale. For many employees, the American dream is fading. Yet when we look at what these same multi-national companies are doing overseas it is very disheartening. What you hear is that "Free Trade" benefits all parties. Foreign workers will not be able to make enough money to support their families and their own economies. Americans will see more jobs created because of more products we can buy cheaper. The sad reality of this situation is that it is not happening like that. Foreign workers are not able to support their families. They live in atrocious conditions in some cases living in the very crates that they unpack during the day. They have no

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running water, no sewer facilities, and no electricity, the very things that we have come to take for granted. These multi-national corporations don't have any worker protection laws to abide by, and no environmental laws to protect the country itself. Due to this insatiable greed, Mexico is now seeing their jobs, our jobs, outsourced to other third world countries like China and India in the name of cheaper labor. Please understand that I am not throwing this word greed around lightly. I base this statement on a very fundamental question. Who benefits from these savings? As a responsible business or corporation if I were able to build a part cheaper you would think that I would pass these savings on to the consumer so that I could sell more parts. In this case it just isn't happening that way. Here we have a situation where the workers that build your wicket don't even make enough money to buy that wicket so we have no market for it there. We then must send it to another country that has a market that will support the cost of that particular product but as we have the wicket built cheaper we charge the same or actually increase the price to the consumer. Now in this country that used to be able to afford the wicket, we have decimated the job situation of the largest class of citizens, by outsourcing their jobs to other countries in the name of cheap labor. There now is no market for our wicket. This to me is the definition of insanity. How can you compete when you are told by your CEO that even if you give your labor away for free, the jobs are still going to be sent out? It's wrong, and there is something we can do about it!

The number of jobs lost in manufacturing creates a serious tipping point in Kansas's history. Does anyone remember the movie "Roger and Me" by Michael Moore? It was released back in the 1970's and it was about his pursuit of the CEO of General Motors to ask him why he was sending the auto industry to Mexico and destroying his hometown. Those of you that did see it, if you paid close attention to the movie, it didn't matter what the city of Flint did to try and shore itself up as the jobs left. They changed their city logo, they built new malls and attractions to try and encourage people to visit their city. When the autoworkers jobs were gone, the town basically became a ghost town. The only people left there even today, are the ones that couldn't afford to move away. The aircraft industry supports this city much in the same way GM did in Flint. If you compare some of the things our community is doing to what Flint did, you might be surprised, then you might be concerned, and then you may even become a little scared.

The reality of manufacturing jobs in our country is that for 41 months they have been declining. Over the past 3 years there have been more than 3 million manufacturing jobs lost. I recently read that the overvalued dollar is the single greatest contributor to the crisis in manufacturing. The rise in the dollars value has led to an increase of over \$400 billion in the manufacturing trade deficit between 1995 and 2003. This in turn has caused millions of workers to be displaced. We are becoming a nation of consumers rather than a nation of producers. As I said earlier, in Kansas we have lost almost 30,000 manufacturing jobs alone. If you take into consideration the number of workers in our state versus the number of lost jobs in our state, I believe that percentage would put us right at the top. As I'm sure you all are aware, as jobs go away, the unemployment rate goes up at a similar rate. If you keep up with these figures you may be hearing that the unemployment rate is falling and that the economy is turning for the better. I would ask you where? It doesn't seem to be getting any better in the economy and job market that I live in. In reality, claims for unemployment were up 14,000 for the second week of January. What I have read, and I'm sure what the experts will tell you, is that the unemployment rate is falling for the wrong reasons. No one wants to hear the truth. Job

seekers are so frustrated and disappointed with the job market and not being able to find a job that will support them and their family that they are just giving up. Given that fact, or the fact that they have used up every bit of benefit that was available to them, they are no longer counted as unemployed.

Unfortunately, manufacturing is only the tip of the iceberg. The experts are saying that over the course of the next 15 years that 3.3 million white-collar jobs will be shipped overseas. The old crutch for justifying the outsource of blue collar jobs is gone now. The blue-collar worker was always told that if he/she lost their job to go back to school. Increase your education and get yourself a professional job. What we are seeing is more and more of these jobs going overseas to other countries. With it being tax season I have even heard that tax preparing companies are sending our tax returns to other countries to be prepared. Now I don't know about you, but it makes me quite uneasy to know that all of my financial information is being given to workers in a foreign country. I don't think I need to tell you that I'll be asking my tax accountant who actually is preparing my return. There currently are 9.9 million workers in America out of work. Almost 1.5 million of them have run out of unemployment benefits.

When we are talking about loss of manufacturing jobs in Kansas you may be asking yourself, "Well just exactly how does that affect me?" If we use Wichita as an example, 20% of employment in Wichita is in the manufacturing industry yet it accounts for over 32% if all wages earned there. The last thing we should be doing is eroding this support to our community and to our state. This is a hole in the Kansas economy that will never be able to be filled. Kansas will never be the same. Our community has always known the cyclical nature of this industry but the jobs we are losing today will never return. This is our community, our state. It does not belong to the multi-national corporations. This is also not just a Boeing, Bombardier, Cessna or Raytheon issue. It also is not just an aerospace, or a union, or a worker problem. It truly is a community problem and that is the foundation on which this organization is being laid. Yesterday I had the opportunity to listen to Mr. Ebert's presentation from the Kansas Chamber of Commerce and Industry. Some of what Mr. Ebert had to say makes good sense. We need to attract, grow, and retain good paying jobs here in Kansas. He said we need high skilled, high paying jobs here in Kansas. Think about it, we already have those. The problem is we are allowing these multi-national corporations to give them away. He would have you believe that all you need to do is to make a few adjustments in several areas like health care, workers compensation, unemployment benefits, and tax benefits to make yourself more competitive with other states in our country and that will do the trick. In my opinion this would not work. In most cases, the bulk of these jobs that we are losing here are not going to other states in our country. They are going to other countries such as the jobs in Hays that Representative Johnson talked about yesterday. I suggest to you that we need to figure out a way to encourage these businesses to stop giving our jobs away. We need to stop the outflow of our jobs first, and then work on attracting new business and new jobs. I would disagree with the statement that Government doesn't have the power to create jobs. I truly believe that the things you do as lawmakers here in our capital greatly impact the job market and can actually either create or destroy jobs. Let me give you a couple of examples of the effects outsourcing has on jobs here in our state:

1. Salina Plastics work- I'm sure all of you are aware of the work from the Raytheon facility in Salina, Ks that was outsourced to Nordam. Basically this shop was open one day and the next it was gone. Raytheon sent this work to a

supplier that it already had a relationship with. Raytheon, by its own standards, had already rated this supplier as sub-standard in terms of quality and on-time delivery yet they rewarded them with this new contract and put around 80 employees out of work. Not even a month after this transaction our production lines were shutting down because of shortages on plastic parts. Now keep in mind, prior to this we never missed a delivery because of a plastic part. After spending many months worth of manpower and resources trying to baby-sit this supplier and to get out parts, Raytheon has now brought over 1,200 of these parts into our Wichita facility to have built.

2. As I'm sure you all are aware, in our business we sometimes deal with foreign governments. In many of those countries there are laws that require our company to give them some of our work so that they will then buy our products. I'm not a professional on offset agreements but it sounds a little like extortion to me. Be that as it may, we have entered into several of these agreements. It is not all bad in the respect that we have not lost any jobs because of these agreements but we certainly have not been able to grow our industry because of them either. Anyway, we have an agreement with the Greek government to buy quite a few of our JPAT trainers. In order to make this sale we had to give them some of our wire harness work and some of our actual assembly work of the aft fuselage. We have been receiving wire harnesses from Greece for a while now and in many cases we spend more time reworking them than it would have taken our workers to build them from scratch. We have also been told that the Greek do not want the harnesses they build on their aircraft. They require that only harnesses that we have built go on their planes.

These are only a few examples of what goes on when we give our jobs away. The sad part is that these companies know this.

After discovering that we could not do this alone, the Machinists Union set about enlisting the help of others. We recognize that labor cannot win this battle alone. We also recognize that this is not just about labor. Early on our logo incorporated the Machinists logo. We knew this would not lend well to encouraging others to participate so we redesigned our logo to show everyone that we must take ownership of this crisis that we are facing. It really isn't a "Union thing."

We have tried to develop a multi-pronged plan to meet our goal of preserving and growing jobs in our community and our state. We know our strengths are in bargaining, organizing, and in legislative action. We have, or will present our campaign to politicians, labor groups, community groups, and faith groups. We want to develop a partnership between the community, local business, the labor movement, and our elected officials in an effort to Grow Kansas. We must start at the local and state level but we also understand that this must be part of a national movement. It won't matter if Kansas stops outsourcing work if every other state is still doing it. We must effect a change in the way corporate America views outsourcing. We are using the latest technology to get our message out. We have developed a website where we hope concerned citizens can go to get more information about us. We currently are in the process of redesigning it and adding some new features. We also have partnered with other organizations in an effort to utilize their existing technology. One example of that is the e-mail campaign we ran in conjunction with the Kansas Workbeat website. By using their existing e-mail program

we were able to get our message out to thousands of citizens. We asked them to send Raytheon CEO Bill Swanson a letter asking him to not outsource the wire harness work because of the devastating effects it would have on our community.

We are reaching out to our local, state, and federal legislators and lawmakers for their help. You must fight the easy money that corporate America has come to expect. This organization is not anti-economic development. We stand for responsible economic development. When a corporation asks for tax abatements on Industrial Revenue Bond money in the name of economic development, we as a community and as a state should know what our development goals already are. We then should ask ourselves how giving this incentive would move us towards that goal. Economic development should not be something we are afraid to understand. When you break it down to its bare essence it should be about human well being. It should focus on things like education, infrastructure, and health care to name a few. After all, if these incentives we give these corporations don't improve the average human beings standard of living, how can we call it economic development? As you can see by the chart in my presentation the four major aircraft manufacturers are 4 of the top 5 requestors of these incentives. Keep in mind as well that since this report came out Boeing has requested and received an additional \$60 million in tax-abated money and Raytheon has received an additional \$63 million. If you look at the chart our community has lost nearly \$37 million in revenue because of these abatements and all we have to show for it today is this industry actually shrinking instead of growing. We have talked with our City Council and our County Commission and asked them to hold these corporations accountable. If they are not using this money to increase jobs, or at least make the job market more stable, then they should not receive these breaks on revenue to our city and state that it desperately needs.

Recently Governor Sebelius signed our proclamation supporting saving and growing jobs in Kansas. I would ask those of you here that have not signed on in support of Grow Kansas, that you do so and show Kansans that you will do everything within your power to ensure that we have jobs in this state that will support our economies and that will allow its citizens to be productive rather than a drain on its social and welfare programs. I would also ask, if it is appropriate, that this committee draft a bill for corporate accountability. Take the first step toward REAL economic recovery. Once again, I want to thank you all for the work you are doing and the work you will be doing to support this most important issue. Thank you for time and attention.

Jobs Worth Fighting For, Grow Kansas Campaign

As an elected leader and public office holder, I am committed to making our state and community a better place to work and live. I know our quality of life depends on the quality of our jobs.



I understand that loss of jobs can and has greatly impacted our social services, local charities, healthcare services, and that many of the families seeking services were past contributors to our charitable organizations. Our county, city and state governments along with our education system have been impacted due to loss in revenues. Unemployed, underemployed and laid off workers can't contribute to the economic vitality of our state and communities.

Families are affected on a personal level as alcohol, drug abuse, domestic violence, divorce, suicide and crime rise. I realize that many of the jobs lost will not be coming back to Kansas because they have been permanently relocated to other states and countries.

I understand that this economic crisis we face and the outsourcing of jobs is just as critical as any disaster our state and communities have faced. I will monitor what is going on in our community and speak to businesses, serve as mediator, and use my influence to stop the trend of outsourcing quality jobs from our communities.

I support the Grow Kansas Campaign, a grass roots movement to support, maintain and bring new jobs to Kansas. I believe that government must be an active partner in the effort to maintain and create quality jobs. I promise to support legislation and government policies designed to keep quality jobs in our communities. I will stand side-by-side with all workers, fighting for their jobs, by joining their efforts to save ***"Jobs Worth Fighting For"***.

Signed _____ Date _____

Office _____

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