

# GE Transportation announces 950 layoffs in Erie, Pennsylvania

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The Transportation Division of General Electric Company has announced plans to eliminate 950 production jobs at its railroad locomotive manufacturing facility in Erie, Pennsylvania, which employs a total workforce of 5,500.

One hundred management positions will also be eliminated, and a portion of the work at the plant moved to a new facility near Fort Worth, Texas. Last October, it was announced that the headquarters of GE Transportation would be moved to Chicago from Erie.

GE Transportation states the cuts are in response to economic slowdown internationally, and changes in the energy industry domestically. In recent years GE has produced new locomotives for railroads hauling iron ore and coal from mine to port in Australia, Brazil and Canada, but estimates for growth in production are being reassessed in light of austerity policies in Europe and sluggish economic growth in Asia.

In the US, the massive expansion of oil and natural gas production via hydraulic fracturing has cut into the market share of coal for electricity generation, while demand has fallen for the export of high-quality metallurgical coal for steel production. Orders for new railroad locomotives have thinned, as a quarter of railroad revenues come from hauling coal.

Nevertheless, GE Transportation was the best performing unit of the enormous General Electric Corporation last year, with record revenues of \$5.6 billion in 2012, and record profits of \$1.03 billion.

General Electric CEO Jeffrey Immelt saw his compensation rise 80 percent to \$20.6 million in 2012. Immelt was appointed by President Barack Obama to head the President's Council on Jobs and Competitiveness, which advocates "insourcing" jobs to the US by lowering US wages.

Using the economic crisis as a justification, GE is

carrying through this effort for a historic reduction in living standards with the Erie workforce. The announcement of 950 job cuts serves as a tool to extract concessions from United Electrical Workers Local 506, which represents workers at the plant.

On April 22, the union and GE will begin a 60-day bargaining period where a four-year contract signed in 2011 will be reopened. With the job cuts looming overhead, the pay, benefits and working conditions of the entire workforce are at stake as a bargaining chip. UE Local 506 has made no mention of a possible strike over the massive job cuts.

In announcing the decision, GE is following a path pioneered by its competitor, Progress Rail, owned by Caterpillar. Both companies produce railroad locomotives for the North American and international markets retailing at upwards of \$2 million a piece.

In January 2012, Caterpillar locked out 465 production workers in London, Ontario, after they rejected the demand for a 55 percent wage cut and the elimination of their pension plan. The Canadian Auto Workers union ended the lockout after seven weeks after negotiating a plant closure agreement with a severance package of three weeks pay for every year worked.

Caterpillar moved production to existing facilities in Mexico and Latin America, and opened a new manufacturing plant in Muncie, Indiana, where skilled welding and assembly positions start at \$14.50 an hour.

For more than a decade GE Transportation has dominated competitor Caterpillar and its predecessors in railroad locomotive sales, with an estimated 70 percent of market share.

Workers at the Erie plant earn \$25 to \$36 an hour, which GE executives now appear to consider an unbearable wage gap, with GE Transportation head

Lorenzo Simonelli stating: “Cost is becoming more and more of a factor, we’ve got to match our competition and that’s what we’re trying to do.”

Early this year, GE opened a nonunion assembly facility in Fort Worth, Texas, using nearly \$10 million in public funding and tax abatement. Workers will reportedly earn \$10 per hour less than their counterparts in Erie. Due to the nationwide unemployment crisis, over 12,000 people had applied for the positions by November 2012, while the facility is only expected to employ 875 by 2016. The production GE plans to move from Erie after the 950 job cuts will only add 160 jobs in Fort Worth, which GE claims is 20 percent more productive.

The 950 layoffs at GE Erie are estimated to raise the unemployment rate by roughly 1 percent in a region long troubled by the loss of industry. On Tuesday, UE Local 506 held a rally outside the Erie plant that drew over 1,000 GE workers and community members opposed to a further decline in living standards. Rather than a fight, though, UE is set to trade the current conditions of workers in exchange for what at best would be temporary deal to prevent layoffs.



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