

Airbus: Pratt Says Suppliers Need To Spend More To Meet Demands



The Aerospace and Defense International Trade Summit drew suppliers from all over the world, including France, Israel and Italy.

(Jessica Hill/ Associated Press)

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Nov. 10--GROTON -- At a conference where small businesses hope to win contracts with aerospace giants, the head of sourcing at Pratt and Whitney gave them a scolding.

"Everybody's going to be under pressure to deliver," said Sergio Loureiro, vice president for strategic sourcing and contracts. He said that at many companies, "there's only one single guy that can do that inspection," and if that man is absent, the supplier is late and misses a couple of engines.

Loureiro said dealing with part shortages consumes him daily.

"I start at 6 o'clock in the morning, and sometimes at 1 in the morning, I'm still dealing with my email," he said.

The Aerospace and Defense International Trade Summit, which drew suppliers from Korea, France, Israel, Canada, the Netherlands, England, Italy, Turkey, Poland, Northern Ireland, Kentucky and the Northeast, had about 25 percent higher attendance than last year, according to Anne Evans, Connecticut's U.S. Commerce Department director. Rep. Joe Courtney, D-2nd District, co-hosts the two-day conference with the Commerce Department.

On Monday morning, Loureiro also warned the audience of 200 that they need to spend more money on hiring and capital improvements for recordkeeping or production.

"Make sure you are ready to deliver, because it's happening. It's happening now," Loureiro said.

Pratt is starting to build commercial engines at a much faster pace than it has in decades as it successfully launches the PurePower engine on Airbus narrow-body planes.

A woman in the audience, who said her company is a supplier for United Technologies Corp.'s Aerospace Systems division, asked how small companies can spend the money that UTC is insisting on, since the company is always putting pressure on the companies to contain -- or even reduce -- the prices they charge.

She said: "Where do you see the investment coming from?" She asked if UTC is prepared to provide financing for its supply chain.

Loureiro suggested the companies turn to the Department of Economic and Community Development for money.

"I do believe the small manufacturers will need some local support," he said.

"The interest rates are low; it's a great time to invest," he said. "I don't know why suppliers at this time would be constrained."

Department of Economic and Community Development Commissioner Catherine Smith, who was attending the conference, said the state is in fact ready to provide grants for companies to buy machine tools, consult with experts on how to improve operations or introduce new products. She said banks have been reluctant to underwrite the expansions needed to meet the aerospace engine production ramp up.

She said the state legislature passed a law in 2014 to subsidize supply chain companies as they try to gain more work from companies like UTC and Rolls-Royce.

She said it took about a year to get the program going, and in its first year, \$12.5 million has been distributed to Connecticut companies as matching grants. She said the Manufacturing Innovation Fund has \$70 million in capacity over three years. Almost \$16 million of the fund is for training at companies.

"There's been very strong demand," she said. "We've been able to keep up with it because the legislature and governor have been very generous."

But, Smith said, her agency is concerned that they're reaching the same companies that always tap the state for economic development funds.

"There are hundreds of companies that take advantage, but there's really thousands of companies that need to take advantage."

In addition to telling the audience that their operations are not reliable enough to meet deadlines on parts deliveries, Loureiro complained that smaller business partners "have not been as honest and ethical as they should be, falsifying records on materials."

The company spent more than \$1 million reacting to bad documentation from a Massachusetts company that supplied titanium for Joint Strike Fighter engines, according to a federal lawsuit filed last September.

The president of Aerospace Components Manufacturers, a trade group that was a major sponsor of Monday's conference, said Loureiro's tone wasn't surprising at all.

"They've been beating that drum [on ethics] ever since it happened," said Chris DiPentima, who is also president of Pegasus Manufacturing.

Those in attendance Monday hoped to land more work from the big players, such as UTC, Lockheed Martin, Northrop Grumman, Rolls-Royce, Airbus and Boeing, all of whom were scheduled to speak Monday or Tuesday. Several members of Congress also spoke or moderated panels.

Sen. Richard Blumenthal, while praising the Air Force's decision to buy 112 Sikorsky helicopters for combat rescues, cautioned that the mood in Washington is toward scaling back military spending.

He asked rhetorically, "How do we lower the cost of defense procurement? How do we make it quicker, more nimble, agile?"

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