

United States Senate

WASHINGTON, DC 20510

May 9, 2008

The Honorable Carlos Gutierrez
Secretary of Commerce
Department of Commerce
14th and Constitution Avenue, NW
Washington, DC 20230

The Honorable Elaine Chao
Secretary of Labor
Department of Labor
200 Constitution Ave, NW
Washington, DC 20210

Dear Secretary Gutierrez and Secretary Chao:

We are writing to ask you to verify the claims made by Northrop Grumman/EADS (NG/EADS) concerning the creation of U.S. jobs related to the recently awarded KC-45 Aerial Refueling Tanker Program. We are troubled by the inconsistent job projections made by NG/EADS and have questions about what types of jobs will be created in the United States. We feel it is critical for Congress to have accurate and complete information about these U.S. jobs.

When the Air Force selected NG/EADS to build the KC-45 on February 29, 2008, NG/EADS announced that the tanker contract would result in 25,000 jobs being created in the United States. Less than two weeks later, NG/EADS changed their job projections, asserting it would actually create 48,000 jobs at 230 U.S. companies in 49 states. This huge increase was explained by a change in NG/EADS methodology for projecting jobs. Subsequently, NG/EADS also sent letters to members of Congress containing state-by-state job creation claims.

As we understand it, NG/EADS will not be under any contractual obligation to create jobs across the United States, and we are trying to determine if they are overestimating job projections. In the past, EADS subsidiary Airbus Industrie (Airbus) has exaggerated U.S. job creation claims. In 2003, Airbus asserted that commercial work on its planes had created 100,000 U.S. jobs. In response to a request from Senator Murray, the United States Department of Commerce investigated and could not verify the job creation claims because Airbus calculations were "based on imprecise terms."

The aerospace industry is critical to our national and economic security. In 2006, in recognition of the unique and ongoing workforce challenges facing the U.S. aerospace industry, Congress established the Interagency Aerospace Revitalization Task Force. In January 2008, the Task Force reported that in order to effectively grow our aerospace industry we must create jobs for skilled engineers, technicians, machinists, tool and die makers, and technical writers.

NG/EADS has stated a tanker assembly plant will be located in Mobile, Alabama. Its business model suggests high skill jobs will be created and maintained in Europe and other foreign

countries. Given the vital importance of the aerospace industry to U.S. interests, it is essential to substantiate the number and quality of the NG/EADS U.S. job claims. It is also imperative for Congress to have this information to make informed decisions about the tanker program. For these reasons, we ask you to verify the NG/EADS job claims and provide an estimate of the true employment impact of the KC-45 Aerial Refueling Tanker Program.

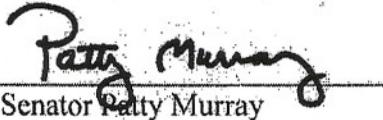
Sincerely,



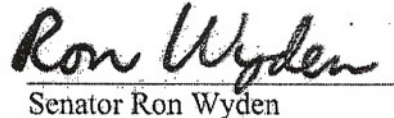
Senator Maria Cantwell



Senator Debbie Stabenow



Senator Patty Murray



Senator Ron Wyden



UNITED STATES DEPARTMENT OF COMMERCE
The Under Secretary for Economic Affairs
Washington, D.C. 20230

June 2, 2008

The Honorable Patty Murray
United States Senate
Washington, DC 20510

Dear Senator Murray:

Secretary Gutierrez asked me to respond to your cosigned letter concerning the KC-45 Aerial Refueling Tanker Program job creation claims by Northrop Grumman/EADS (NG/EADS). I share your view that the aerospace industry is critical to our national and economic security, providing high-wage jobs, generating economic growth, and supporting a strong exporter base.

Your letter requested that we substantiate the number and quality of U.S. jobs NG/EADS claims to be created through the KC-45 program. As the Department stated in its 2003 letter to Senator Murray, which you reference, estimates of the total job impact require a variety of assumptions about the direct and indirect impacts of production performed in the United States. Predicting the full impact of an aircraft program on the U.S. economy is extremely complicated as supplier-prime contractor relationships are proprietary and complex, and may change over time. Therefore, the Department of Commerce is not in a position to investigate the assumptions or methodology behind the use of statistical models by private companies, especially when those claims are made in connection with the award of a U.S. Government contract by another Department.

If you have any further questions, please contact me or Nathaniel Wienecke, Assistant Secretary for Legislative and Intergovernmental Affairs, at (202) 482-3663.

Sincerely,

Cynthia A. Glassman

