



2019 GE Union Negotiations – Opening Remarks

GE Lead Negotiator Paul Lalli

Cincinnati, OH

Mon., June 3, 2019

Carl Kinnebrew, Chris Shelton, Jerry Carney, and members of the CBC delegation:

On behalf of General Electric, it's my distinct honor to welcome you all to the first day of the 2019 GE/IUE-CWA/CBC negotiations here in Cincinnati. This is my fifth national negotiations with GE. I have had the good fortune to work with many of you over the years, whether it be at the IUE-CWA table where I supported former lead negotiators Dennis Rocheleau, Bill Casey, Mike DeSantis, and most recently John Gritti; or at the contract language table, where I represented the Company in discussions with a number of you over changes to our national contract. I am honored this time to be leading the GE negotiations team, as well as to be sitting across from all of you today.

I am very fortunate to have a skilled and experienced GE negotiations team. Together, our team looks forward to working with the entire CBC delegation over the coming weeks.

Chris Shelton – thank you for joining us today and for your opening comments. While we may have different perspectives, I respect your lifetime of hard work on behalf of the CWA and appreciate your presence here with us today.

Jerry, you and I had not had the opportunity to work much together before we both were chosen for the respective roles we serve here today. But I've been fortunate to get to know you well over the past year as we've grown in these roles together – your dedication to your union and its members is impressive,

and your commitment to this process will serve us both well as we work toward the one goal we both share – a ratified contract.

Carl, first let me say on behalf of GE that we are relieved that you and your family are safe after the tornadoes that recently struck your hometown just north of here. You see images on TV of the wreckage these storms leave behind every summer, but it really hits home when someone you know and respect feels this impact personally. I know it will take a while, but I hope all returns to normal for your family as soon as possible. I also congratulate you in taking over as President of the IUE-CWA last year – it is obvious why you were chosen to take on that special role after Jim Clark's retirement. I look forward to working with you both in these negotiations and for years to come.

Gary Jordan, Craig Norman, and Randy Middleton – I've known and worked with you in many past negotiations, and I respect your leadership and representation of our CBC unions participating in this coordinated bargaining process. I look forward to your contributions throughout these next three weeks, knowing that the discussions here impact the packages you bargain and vote on back at your local sites.

Finally, to all of the other union representatives here today, your presence helps bring the knowledge and hard work of your fellow members to this table. Thank you in advance for your time and contributions.

I would like to single out one representative here today – Vicky Hurley. Vicky, I know your workforce recently experienced the hardest news any facility could face when we made the decision to close the Salem plant after more than 60 years of being in the GE family. Your hard work on behalf of the employees there, and your presence here today, is a testament to your years as a committed local union

leader. I am sorry you are here in such trying times, but I thank you and your Salem workforce for all they have done for this Company. I know you have some wisdom to impart to all of us as a result of this recent experience, and we look forward to hearing you in the coming days.

As we prepared for our negotiations, I looked back at notes and remarks from years past and couldn't help but think about how different things are today. When I started with GE in 2002, and sat at this table the following year, our Company owned GE Plastics, Advanced Materials, Industrial Solutions, Appliances, NBCU, and Transportation, and our stock was around \$28/share. I don't have to tell anyone sitting here that this Company is in a very different place today. We are now focused on four key businesses – Power, Aviation, Healthcare, and Renewable Energy – and our stock has dropped close to 70% since that 2003 negotiation.

Today, we face a number of challenges at GE. First, simply put, we have too much debt, and we need to reduce it thoughtfully and quickly. We have taken meaningful steps here to do so, such as the recently announced biopharma deal, all of which are putting GE on firmer financial footing. Second, at Power, we continue to adjust to market realities, and are working every day to improve on our operational performance. We are restructuring at every level – hourly and salaried alike – to bring our workforce in line with these market realities as well. And we are looking to a new leader to bring our focus back to what made us GE in the first place – putting our customer at the center, managing for operational performance first, and setting fewer, more impactful priorities.

I say these things to acknowledge the reality we must all face as we bargain over how to manage labor costs in one of the most challenging times this 127-year old Company may have ever faced. I've heard many questions about who should be responsible for the decisions of the past. But our work is not to look back, but to decide how in this environment, with these businesses, in these markets, and with this

cost structure...how are we to find and secure the best chance of winning? Across the Company, we've taken several actions, including eliminating at least \$500 million from corporate costs by 2020, reducing the quarterly dividend to save \$3.9 billion per year versus prior payout level, and substantially completing our \$20 billion divestiture target, including combining GE Transportation with Wabtec. Over the next few weeks, when we discuss critical cost topics like wages, health care, retirement income – the question will be about how we can work together to ensure our businesses remain competitive in our local communities and around the globe.

I commit to you that this team comes here ready to do all it can to secure a fair package that serves both your members' interests and the needs of our businesses. Like me, all of you have built your careers here at GE. We know that in the end, we are united in our passion for this Company to be a success once again. We may have different opinions about how exactly we should structure our pay and benefits for the next contract term, but we do not differ in our desire to go back to our respective businesses when we are done knowing that we have helped them overcome our challenges and positioned them to once again grow and win in whatever marketplace they face.

We have a lot to discuss over the next three weeks, from wages and overtime to retirement income, and from health care benefits to paid time-off. These items are part of what is currently a very competitive job package that GE provides its employees – a package that attracts and retains top talent in all of the markets where we operate. Our job is to negotiate a comprehensive package that adjusts to our current environment and meets our new challenges, all while rewarding hardworking employees fairly and competitively.

Let's start with wages. GE wages for hourly workers are already among the best in our local communities and within the industries where we operate. In nearly all of the markets where our

facilities are located, the weighted average pay rates for GE hourly employees are in the 75th to 85th percentiles. While individually that sounds good, the reality is that when our pay rates are well above the market our businesses have a tougher time competing for new work. We have recently taken responsible steps to control wage growth while still providing solid pay for our employees, through the use of lump sum payments nationally and the establishment of two-tier wage structures locally. We feel these steps are prudent and necessary to avoid being priced out of opportunities for future growth.

We must also come together to address our outdated, costly, and complex overtime rules to reflect the fast-paced global marketplace of today. We agree that employees should be compensated at a premium in certain circumstances. But, our patchwork system of rules triggers overtime in so many ways, and this results in both significant extra cost to the business and a lack of flexibility in meeting our customer's demands. We must deliver a contract that reforms this antiquated system.

Another key topic for all of us is health care. On any given day the news tells us that health care costs continue to rise. GE has taken significant strides to manage this cost, from Centers of Excellence and competitive drug plans, to a consumer-driven health care program where employees become better-informed users of health care services. But the reality is that despite all of these measures, we still face increasing costs. And much of these costs are ultimately paid for by our businesses, resulting in less money for investment and growth. While GE and its employees share in the cost of health care benefits, GE pays the vast majority – estimated to be more than \$12,000 per production employee in 2019. From 2014 to 2018, GE's share of health care costs has increased nearly three times that of production employees'. We will need to discuss how the expected cost increases over the term of the next contract will be responsibly shared.

Lastly, retirement income is also a key topic to discuss. The GE Pension Plan continues to provide a robust, growing benefit to those legacy employees who participate in it. What we must recognize is that, while the Company has met all the required contributions to the Plan, the deficit directly contributes to the overall debt of our Company, and that debt impacts our ability to compete. Reducing our debt is a key goal of our Company's new leadership, and any actions that would increase our Plan liabilities would be counter to that critical goal. The GE Retirement Savings Plan provides employees who are not eligible for the GE Pension Plan with a way to still meet their retirement income targets through a combination of employee contributions as well as direct and matching contributions from the Company. We must continue to discuss ways to improve an already solid level of employee contributions by the hourly workforce.

I'd like to finish by recognizing that we are starting negotiations on a special week – the same week that our country will commemorate the 75th anniversary of D-Day. GE and its employees proudly played a role in supporting our military then – a reminder of our rich history and the legacy of working for such a long-standing American Company. My 11-year-old son just can't get enough WWII history right now – and I love reading the history books with him. When we were looking through one book recently, I came across a quote from Winston Churchill that really resonated with me as I thought about our upcoming negotiations. Paraphrasing, Mr. Churchill said, "Courage is not only what it takes to stand up and speak; but also what it takes to sit down and listen." My team and I have a lot to discuss with you regarding our proposals for the next contract; but, as importantly, we are here to listen to your views, concerns, and proposals as well. I truly believe it is only through listening and understanding each other that we can reach a deal that everyone can support.

Thank you for listening, and on behalf of my team and our Company, we look forward to a robust, productive negotiations over the next three weeks.