

# American Engineering Association

# News

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P.O. Box 18473.....Ft. Worth, Texas 76118

"Working for the American Engineer"

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## AEA SUPPORTS SUIT

The suit filed in Washington, D.C. by the National Council for Industrial Defense charges the Department of Defense and former Secretary of Defense Frank Carlucci with "illegally purchasing foreign made defense equipment of inferior quality in violation of the Buy American Act, the Trade Agreements Act of 1979 and other Congressional enactments."

DOD has responded to the suit stating that the National Council does not have "standing", or the right to bring suit.

In an effort to support standing, AEA has provided NCID with a statement indicating that American contract engineers have been harmed by the act of sending R&D and production contracts which contains engineering work overseas.

AEA has also put others, who can provide further "proof of standing", in touch with the National Council. This has been a very fruitful cooperative venture indeed.

For every job sent overseas, somewhere a job that could have been filled by an American contract engineer did not materialize.

In addition to the loss of jobs, each dollar spent overseas costs the U.S. taxpayer \$1.46 because of the loss of taxes, etc. according to Rep. Helen Bentley's office.

Last year, DOD spent nearly nine billion dollars in direct overseas prime contracts. The National Council estimates the total value of DOD spending overseas for 1987 to have been \$20 to \$30 billion dollars including prime, subcontracts and "offsets".

Overseas SDI R&D has not shown up in the figures yet, but we know that expenditures will be very large. Currently the U.S. has Memorandum of Understanding with at least five countries to do Star Wars R&D. Japan and West Germany are the most notable of the group.

We have MOU's with more than twenty foreign countries to do defense related work.

## IRANIAN STUDENTS CITED

In the wake of the threat of death against Salman Rushdie by the Ayatollah Khomeini, the FBI has cited Iranian students as the "greatest threat of violence to publishers and others over Rushdie's novel 'The Satanic Verses'".

Oliver "Buck" Revell the Executive Assistant Director for investigations, indicated in testimony before the Senate Foreign Relations subcommittee on terrorism that "There are a large number here, both legally and illegally, who are zealous adherents to the Khomeini rhetoric and pursuit of violence".

He told the committee "About 30,000 Iranians are in the United States on student visas, and at least that many more are in the country illegally."

He indicated that about 10,000 to 15,000 are activists with sympathies for Khomeini's fundamentalist Shiite regime. Revell went on to indicate that those Iranians, mostly students, represented a greater threat than the 200 or so foreigners in the United States who are to have connections to Iranian terrorists and who are tracked by the FBI.

He told the committee that they are "more dangerous than any sort of infrastructure or organizational activity"

because they cannot be monitored and "because the State Department's standards for issuing visas are lax".

In August of 1985, AEA formally asked the State Department to deny visas of students from the so called "designated countries". (AEA News - September '85.) The term "designated countries" refers to a list of countries hostile to the United States. On the list are such countries as Russia, China and Iran as well as the Soviet satellite countries and a few others.

In the January 1986 issue of the AEA News, we ran a story under the headline "Threats from the Campus" in which we quoted a Dallas Times Herald story in which Speaker of the House, Jim Wright had contacted the FBI concerning Iranian student "arms gathering activities" at the University of Texas Arlington campus.

In the article, Wright was quoted as saying that one of the hijackers of a TWA flight had boasted that "HIS GREATEST AMBITION WOULD BE TO ACHIEVE MARTYRDOM BY COMMITTING ACTS OF TERROR IN THE UNITED STATES."

Wright went on to say "There is a real danger, one that we dare not fail to take seriously." That same issue of the AEA News carried the reply from the State Department in which they refused to deny visas to our sworn enemies.

It seems as if we have failed to take the threats seriously. How many warnings must we have? Will the next aircraft bombing have to be here before we consider them serious?

## DEPENDENCE OR INDEPENDENCE ?

Many contract engineering firms have 401K plans for the people they have on contract. Many of us participate in these plans.

The 401K allows us to put aside the lessor of \$7,000 or twenty percent of our salary on a tax deferred basis towards retirement. Total "employee/employer" contributions is \$23,000 per year, however, I know of no contract firm that has contributed a single dollar to the shoppers 401K plan. (There may be a few.) Sounds good right? It can be, but there are problems.

For example, when you change shops, you may not be able to roll over your funds into the new shops plan. The only alternative then is to put it into an IRA which removes many of the options available under the 401K. You may not mix funds in an IRA which means multiple IRA's.

You may have to wait before being eligible to participate. Typically, you may have to be contracted to the shop for six months and then wait until the next quarter to enroll. This can cost you thousands in additional taxes.

Few if any of the shops have any interest in the plans other than to attract engineers. Fewer still have any qualified people to administer the plans.

Four plans, of which we are aware, have had problems with reporting of the status of the plans. This problem was at the center of the difficulties that led to the law suit filed against the engineers in Texas.

It is very easy for contract engineers to have several 401K's and IRA's spread out over the country. There is no way to consolidate all of our funds into a single account. You cannot mix funds within an IRA.

Few if any 401K's allow for "hands on" decisions by the individual. Generally you can make changes only quarterly, semi-annually or annually and will receive statements at about the same frequency if everything goes well.

NTSA is looking into establishing a portable 401K plan that would allow any of their member companies to participate. Given their record in other areas, I can hardly imagine what would happen if they got their hands on our retirement money.

We need something better than that. We need a retirement plan that allows us to consolidate our accounts. We need a plan that will allow us

to be as active or passive in the management of the funds as we as individuals wish to be.

We need a plan that will allow us to put money in as soon as we start the job. We need a plan that will allow us to be on a par with the Keough plans for contributions.

Most of all, we need a plan that is not dependent on the job shop or NTSA. In order to be independent, we must remove our dependence on those who abuse the privilege of representing us.

Can we have a better retirement situation? The answer is an unqualified yes. I can't make it come about and you can't make it come about, but WE can. Help us work for OUR independence and OUR future. Join AEA. Do it today.

## INSURANCE DELAYS

We have been experiencing much slower handling of our insurance applications in recent months.

The delays appear to be due to the companies taking much closer looks at the applications than before.

In addition, we have had quotes and applications lost in the mail. There has been quotes with good addresses returned as "undeliverable".

It is currently taking about six weeks from request to receiving your quote. If you requested information and it has been over six weeks with no answer, please let us know.

## CDI REVISITED

AEA reported in the December 1988 issue of this newsletter that CDI-Midwest, a Division of CDI Corporation (pronounced Seedy-Eye), had chosen to enforce it's infamous "90 day" clause against it's contract engineers at Fairchild Aircraft in San Antonio, Texas.

Since CDI is a member of the National Technical Services Association

(NTSA), AEA wrote to President Joseph Seiders concerning the action of CDI. To date, we have not received a reply from either Mr. Seiders, CDI or any other NTSA representatives.

We can only assume from the lack of response that Mr. Seiders, CDI and NTSA has no interest in even a token effort at goodwill between the members of NTSA and the engineers on contract to them.

For those of you who may be naive enough to believe that NTSA will be any help in any problem you may have with a job shop, consider that all of their officers and directors are representatives of their member shops. Mr. Seiders, for example, is the CDI Corporation representative to NTSA.

Fat chance that NTSA will impose any sanctions against CDI!

## A DARK KNIGHT INDEED!

Emerson Electric CEO Charles F. Knight has raised the hackles of many of the Emerson employees.

Some of his comments give us insight into the way the "elitist" management views the workers. While some of the following quotes are attributed to the president of one of the local unions, it would be very naive indeed to assume that the same attitude does not apply to the engineering and professional workers or that it is confined to Emerson.

In June Emerson announced that they would move some 250 jobs to Florida and to Mexico "to save costs on government defense contracts."

According to Knight "We pay (employees) less per hour than we did five years ago". "The reason we move jobs is to protect jobs in this country....We move low-skill jobs to protect high-skill jobs."

Knight indicated "morale is higher than it has ever been".

The Post-Dispatch reported most of the jobs being moved are electronic assembly jobs that pays between eight and nine dollars per hour. That is about what a Mexican worker would receive for a day.

"He (Knight) calls us low-skilled, but we are the people who have carried this country" a union spokesman

## EMERSON cont.

stated. He goes on to say "I wish for one week that Chuck Knight would walk in our shoes and see how much food costs, how much gasoline costs".

According to the Post-Dispatch "Knight's cash compensation in 1983 was \$940,000. In 1987 his cash compensation, exclusive of stock options, was \$1.5 Million." I guess it's easy to see why morals has never been higher in Knight's eyes.

Who is Knight trying to fool when he argues that moving defense electronics jobs to Mexico is in anyone's best interest? Certainly not the workers whose jobs are being moved. How can it be in the best interest of the United States to depend on any foreign country, friend or foe, for our defense needs?

What of the skills lost with those jobs? Can we afford to lose that experience? Will those workers be placed in similar jobs making microwaves or VCRs for export to Japan or Taiwan?

Perhaps the leakiest boat in his flotilla of arguments is the one about sending the "low skill jobs to Mexico to protect the high skill jobs." Does anyone really believe that?

Without question, at some point, there will be a "critical mass" reached where the highly skilled, highly technical jobs must follow the manufacturing jobs. One cannot exist without the other.

Emerson (Hazeltine Div.) is one of the contractors being investigated by the federal government in the recent defense contractor probes. Certainly the morals and ideals that allows a person or company to cheat on defense contracts would lend itself to treating their employees like Emerson does.

## BEARINGS

Nearly 65 percent of ball bearings and 40 percent of roller bearings used in the United States each year are imported.

Rep. Nancy L. Johnson from Connecticut has successfully pushed to get a Pentagon rule to "Buy American" when they make their bearing purchases.

The rule would require the purchase of American made bearings for military applications, but other applications such as automobiles used by the

Pentagon would not be covered.

The bearing industry has been devastated by foreign imports in recent years. Since 1980 the bearing industry has lost 15,000 jobs and some 30 manufacturers.

The bearing industry is critical to the nations defense and concerns arose over the readiness of the bearing industry to mobilize in case of war.

## MISINFORMED?

AEA reported in the December 1988 AEA News (see LAYOFFS) that it was RUMORED that McDonnell Douglas in Long Beach was telling it's contract engineers to either go direct or be laid off.

"Taint so" according to one reader. They have let many contract engineers go but with no ultimatum. Apparently the layoffs continue as of the middle of January.

The same gentleman indicates that McDonnell in Long Beach has "loads and loads" of Orientals and is hiring more.

## A NEW APPROACH

One of our members from the Phoenix area sent along an article of interest. The article is from The Arizona Republic of August 7, 1988.

The Justice Department has given asylum to three Chinese families here in the United States based on the Chinese family planning policy of one child per family.

Justice has apparently issued new guidelines to INS to "give careful consideration" to such applications when the Chinese citizens "express a fear of persecution upon return to (China) ...because they refuse to abort a pregnancy or resist sterilization" after the birth of one child according to the Phoenix paper.

The husband came here in 1986 to study in New York with the wife and son following in 1987. His student visa expired in 1987 but the family stayed because they knew they would be punished upon return to China.

Certainly, we are sympathetic to people in those circumstances. On the other hand, cruel as it may seem, that was the law before they came here. Are we to give asylum to any of the 23,000 Chinese students in this

country on the same basis? What of the hundreds of millions of Chinese of child bearing age over there? Should they be granted asylum here if they can get out of China? Can we expect a new wave of students?

The husband is a mechanical engineer in Phoenix.

## A WORD ON LBO'S

The last two years has been the era of the corporate takeover. Leveraged buyouts has been the way of corporate life and has shared the headlines with the defense scandals as the largest stories of 1988.

The national media has focused on the size of the companies being purchased and the amount of money involved in the buyouts. It seem's each new offer is larger than the last. No one has focused on the real problem of these practices as I see it.

The very term LBO implies that the purchaser of the company is using borrowed money to make the deal. Many of the LBO's are hostile in nature. Often when a corporate raider has identified a company as being ripe for a takeover, we see a frenzy of offers each trying to outbid the other for the right to purchase the target company. Often the prices paid will be unrealistically high.

This brings us to the real problems of the LBO and the hostile takeover in particular. First and perhaps foremost, these buyouts remove a huge amount of credit from the market. The purchase of RJR/Nabisco for some 26 Billion dollars was made mostly with borrowed money.

Almost certainly, this huge corporation will be broken up, the individual operations "streamlined" through layoffs, the latest in management techniques and resold to the highest bidder, foreign or domestic. Any excess funding over the guaranteed value of the retirement plan(s) will be drained off to help repay the debt or more likely pocketed by those in charge at the time.

There were no more products manufactured, there was no increase in productivity that came from this purchase, only the borrowing of funds against the assets of the company purchased.

How many of us could have purchased a new car, built our dream

## LBO's cont.

house or gone into business for ourselves had that amount of credit been available to the individual? How much could have been accomplished if these funds had been put into solving many of this nation's social problems? Could this nation's competitive position be improved by these funds being applied to improve productivity?

Now we have a group of companies (RJR/Nabisco's components) who are up to their ears in debt. Without yet another infusion of capital, some will almost certainly fail from the burden of debt. Those that do fail will place that obligation ultimately on the taxpayer in the form of tax writeoffs, increased unemployment benefits and other social costs.

Of course, any interest paid on the borrowed money will be deductible to the corporation meaning the taxpayer will subsidize the whole arrangement. If the companies are purchased by foreign investors, any profits will go offshore adding to our national debt, trade deficits and we, as taxpayers, will still bear the burden of any losses.

## HISPANIC REPORT

The Census Bureau has reported that the Hispanic population of the United States has increased from 14.5 million in 1980 to 19.4 million in March of this year. That is nearly five times as fast as the rest of the population.

The Census Bureau reports that more than half of the nation's Hispanics live in just two states, Texas and California. California has 33.9 percent and Texas has 21.3 of that population.

The report goes on to say that fifty one percent of Hispanics have completed high school and ten percent four years of college. For the

population as a whole, 78 percent had completed high school and 21 percent college.

The unemployment rate among Hispanics was 8.5 percent compared with 5.8 for the country as a whole.

## HELP

AEA operates on a "pay as you go" basis and therefore publish our newsletter when funds are available.

We have many other expenses as well. Communicating our problems and views to Congress, telephone, and supplies for example.

It takes more than three thousand dollars to produce our newsletter. (We are trying to reduce this cost.) A week in Washington, D.C. making our views heard will cost at least a thousand dollars.

Our only source of income is your the member, so it is very important that each of us join at the highest level possible and to renew on a timely basis.

Please help us by writing that check today to join at the highest level that you can. \$100.00 is only .24% of your yearly salary if you make \$20.00 per hour. That's less than a nickel an hour.

**DON'T WAIT. DO IT NOW!**

## READER COMMENTS

FROM CALIFORNIA: "I am with CDI now and plan to get out from under them. They don't pay travel and vacations as do most of the other shops. I have been burnt by them before."... "I would like to have a couple of applications for your organization."

FROM NEW JERSEY: "Send me some forms (applications) and I'll distribute them at my work site."

FROM UTAH: "I am working as a contract engineer and also do some independent consulting. I believe membership in your organization may benefit me."

FROM NEW JERSEY: "Several of my co-workers and myself are interested your work. Please add me to your mailing list and send information on membership."

FROM NEW MEXICO: "I learned of your organization through the article in the Jan. 16th issue of Electronic Engineering Times."... "Please send information on your organization, including information on how an engineer may join..."

## BOEING RUMORS

We understand that Boeing Seattle has recently had recruiters in England and expects to return in the near future.

Perhaps that would explain the very low salary range coming from a recent tour by a Seattle area job shop looking for CADAM people.

It's our understanding that if you are a bonafide, verifiable deity with an advanced degree you may qualify for a \$32.00 per hour rate.

## NEXT ISSUE

### SUNDSTRAND UPDATE

AEA's continuing efforts on behalf of American contract engineers who were replaced by foreign engineers.

**FOREIGN INVESTMENT IN THE U.S.** - Who benefits from foreign investment? Is it good for the United States?

**GROWING FOREIGN INFLUENCE** - Are we giving up our national independence?

### READERS COMMENTS

We'll include a few comments from you the reader.

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THE AMERICAN ENGINEERING ASSOCIATION is a non-profit organization of working level engineers, founded in 1979 on the premise that American citizens should have the right "of first refusal" for jobs created and existing in the United States.

Without a voice in our future, we will be relegated to accepting conditions others dictate. AEA wants to be your voice on the many issues that affects our lives and our profession.