



**United
Technologies**

UT500 – Savings through the *Power of One*

Northeast Supply Chain Conference

September 20, 2005

UTC

Business units



United Technologies

Carrier heating and air conditioning systems

Hamilton Sundstrand aerospace and industrial systems

Otis elevators and escalators

Pratt & Whitney aircraft engines

Sikorsky helicopters

UTC Fire & Security protection services

UTC Power

UTC Research center

UTC

Key statistics

\$43b revenue ('05 estimate)

210,000 employees

20th largest manufacturing company in the US

4500 locations doing business in 180 countries

304 factories, 105 million square feet

57 million square feet of manufacturing square footage

16 million square feet of warehousing

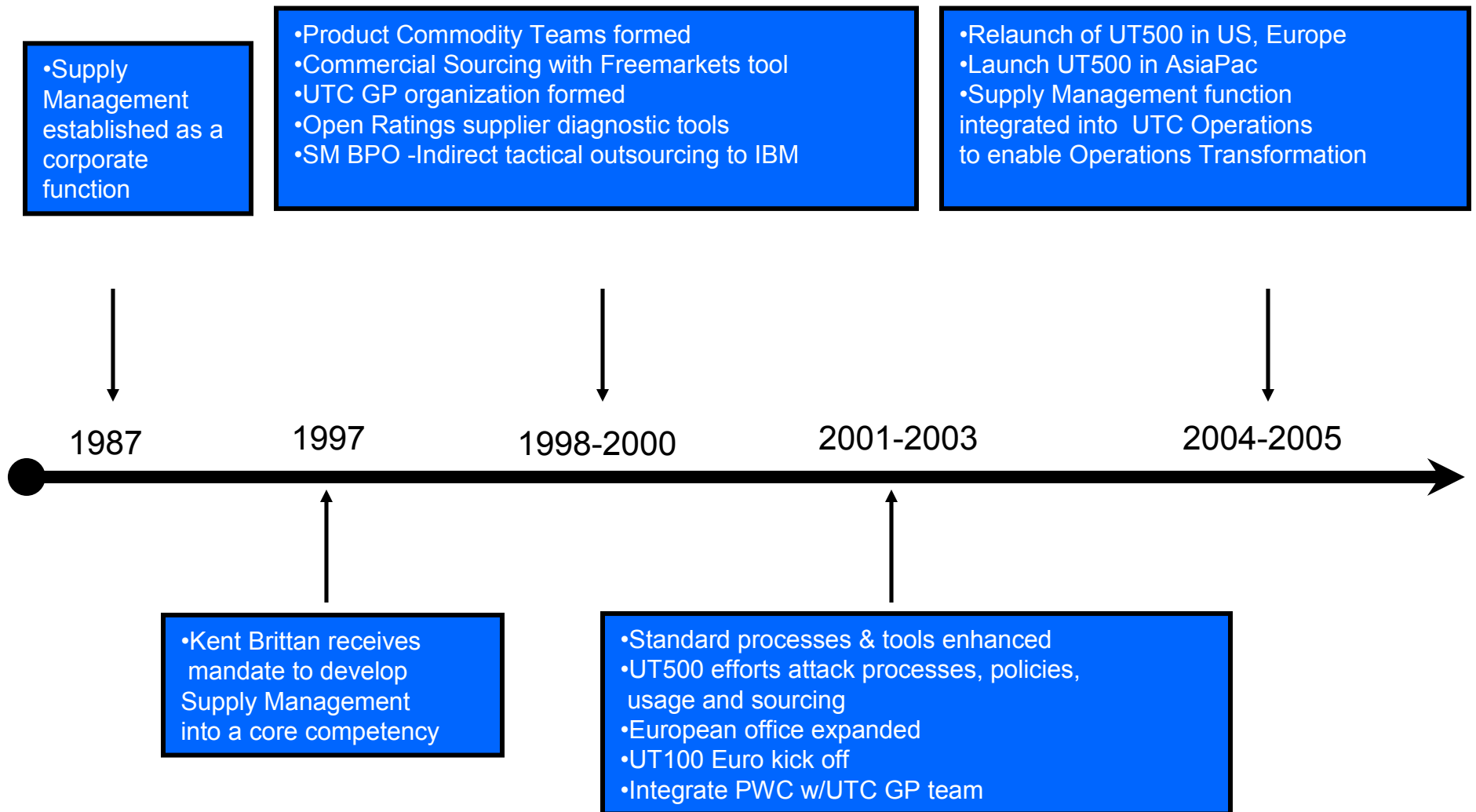
\$10.4B product spend buy

\$ 6B non-product spend

Issued first social responsibility report in 2005

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Supply Management evolution



UTC

Leveraging the internet

Online bidding

Open Ratings supplier risk management tools

Supplier BSPs (Business Service Provider)

UTC Mall

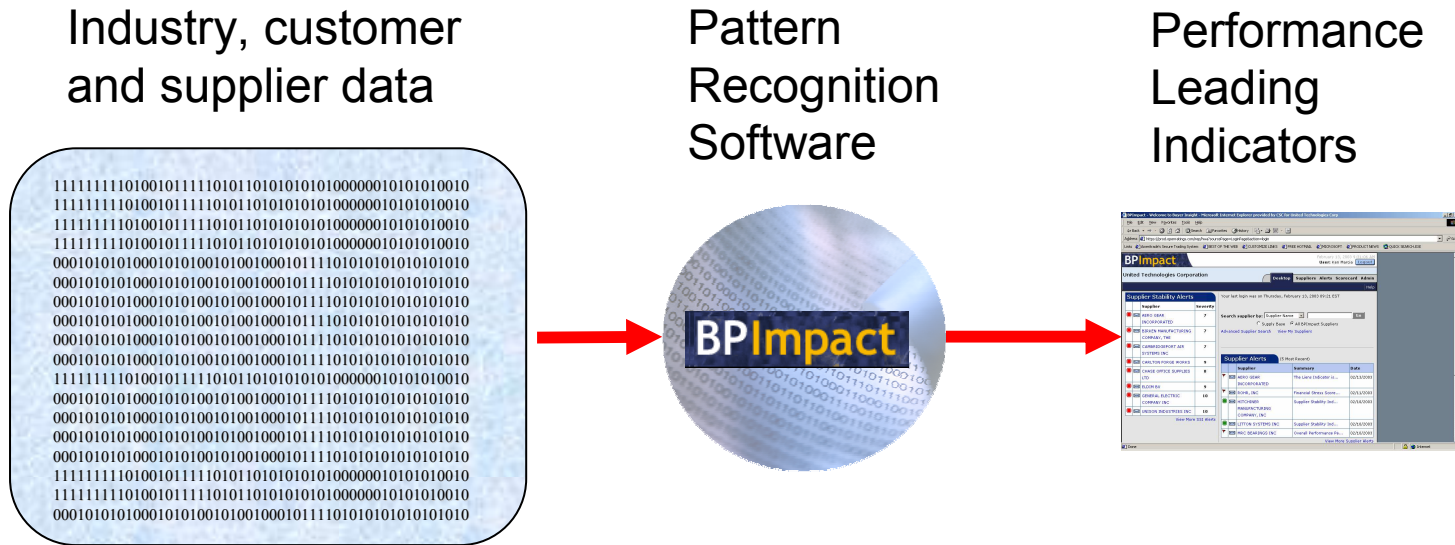
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Service Bidding Examples

<u>Event Description</u>	<u>Savings %</u>
Tax Preparation Services	50%
360° Feedback Services	71%
Service Awards	40%
Video Conferencing Services	42%
Actuarial Services	51%
Immigration Legal Services	43%
Software Applications Services	41%
Engineering Services	45%
Building Demolition	19%
Relocation Services	20%

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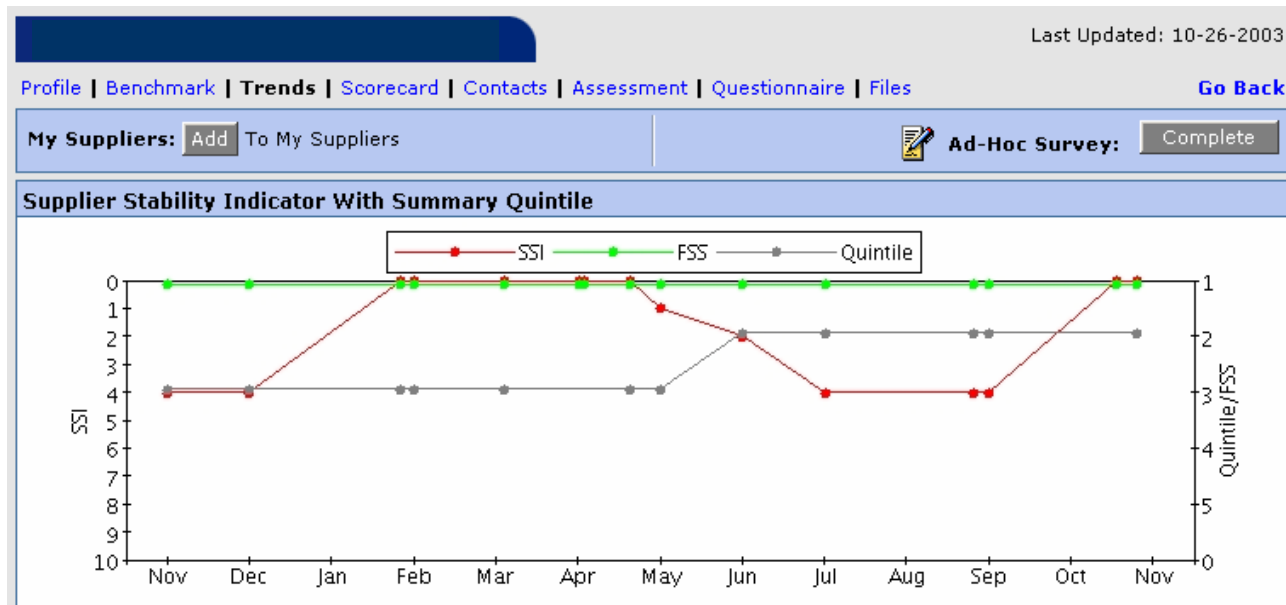
Supplier risk management



18,000 supplier sites
1300 UTC users
Predicts financial/quality risk

UTC

Example – Sikorsky machining supplier



Alert came on 6 months prior to Chapter 11.

Sikorsky started re-sourcing effort in sufficient time to avoid line shut down.

Pro-active/collaborative intervention is more the norm.

UTC

Leveraging the internet – suppliers

Pursue the utilization of suppliers who offer UTC value-added services, including:

- commodity and process expertise
- data management and reporting
- best-in-breed web-based systems

UTC

Supplier BSPs

BSP is the delivery of one or several ongoing, automated web-based services by an external provider in a shared environment.

©2001 Gartner, Inc.

A one-to-many delivery model

Web-based software

Business services

Benefits to UTC

zero capital investment in system

standardized implementation

self-service (“buyer-less”)

electronic invoicing

enhanced spend visibility

UTC

BSP Solutions leading the way

Web-based Travel Reservations

Key enabler of \$25M airfare savings

\$1.5M cost avoidance for tickets issued via Travelhub vs. Travel agency

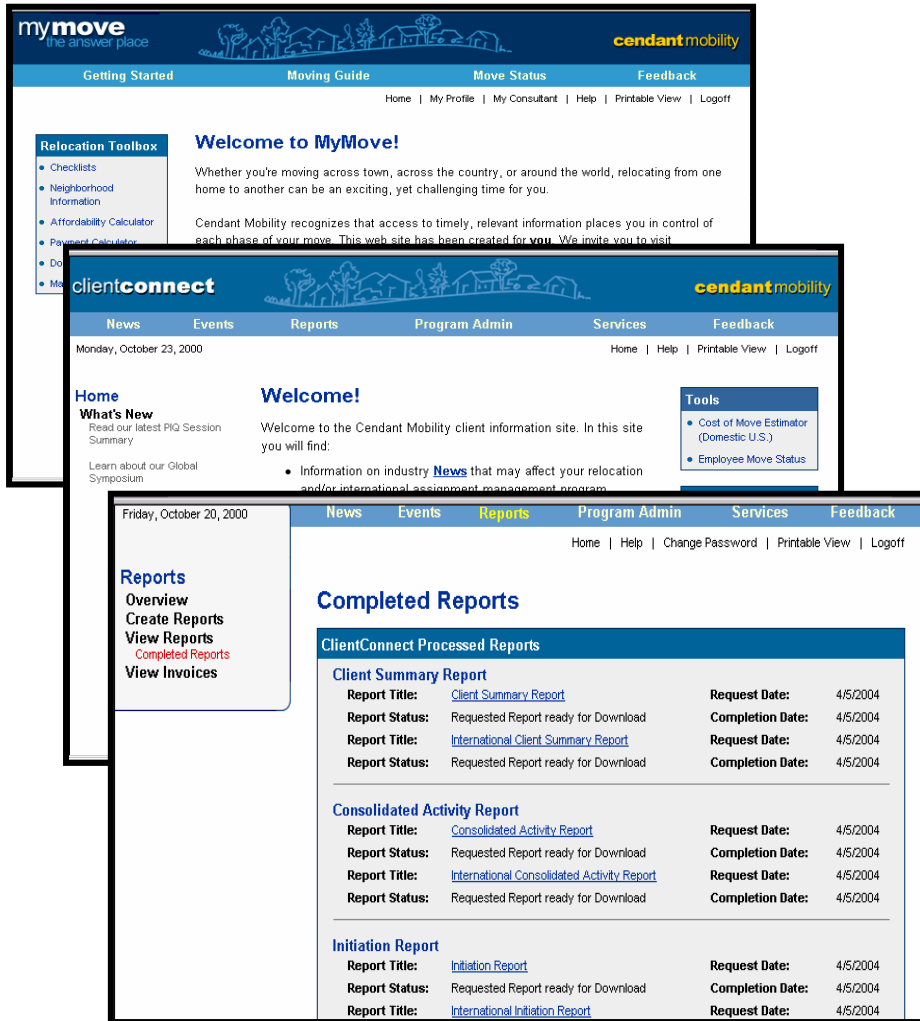
81% of all airline tickets issued in US obtained via self-service tool

Low cost airlines accessible



UTC

BSP Solutions leading the way



Global Relocation Management

- Reporting self-service & automation
- Online authorizations & status
- 30% reduction in expense processing cycle time (vs. old system)
- 72% domestic & 55% international
- Online expense reimbursement submission

Employee Self-service Tools

- Access for spouses, partners & children
- Dynamic relocation roadmap
- Online move status and policy
- Online expense reports and status
- Destination information
- Tips, checklists, and calculators

UTC

BSP Solutions leading the way

Global Real Estate Management

Reporting self-service & automation

\$110K- \$115K annual saving

Creation of global, standard work

Chemical Management

\$1.3M reduction of on-hand inventory

Standard chemical catalogs

EH&S tracking & reporting on 17K parts

Paperless req-to-check process

Minimized internal quality inspections

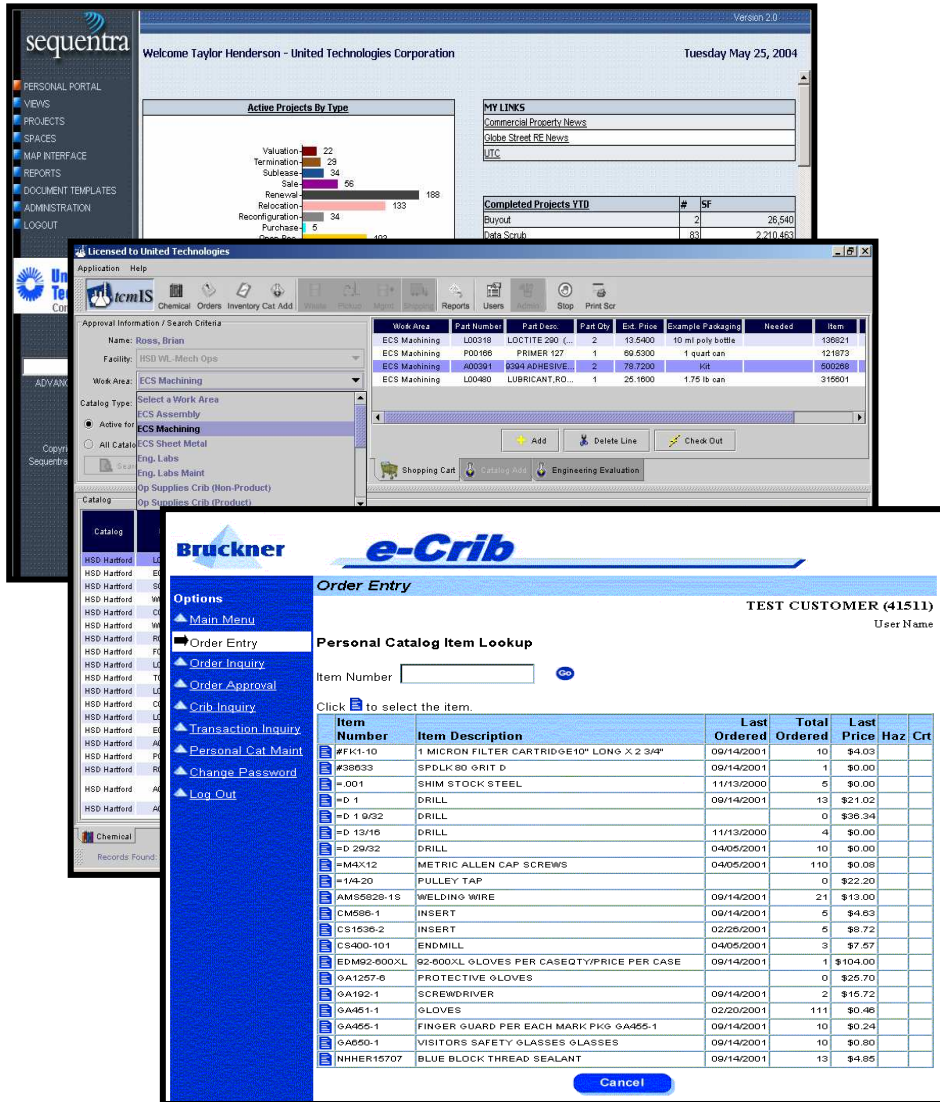
MRO Procurement

10,000 Users / 1M transactions annually

Paperless req-to-check process

Inventory management of \$66M

Key enabler of \$3.7M crib savings



UTC

UTC Mall

What?

UTC Mall – provide one stop shopping experience

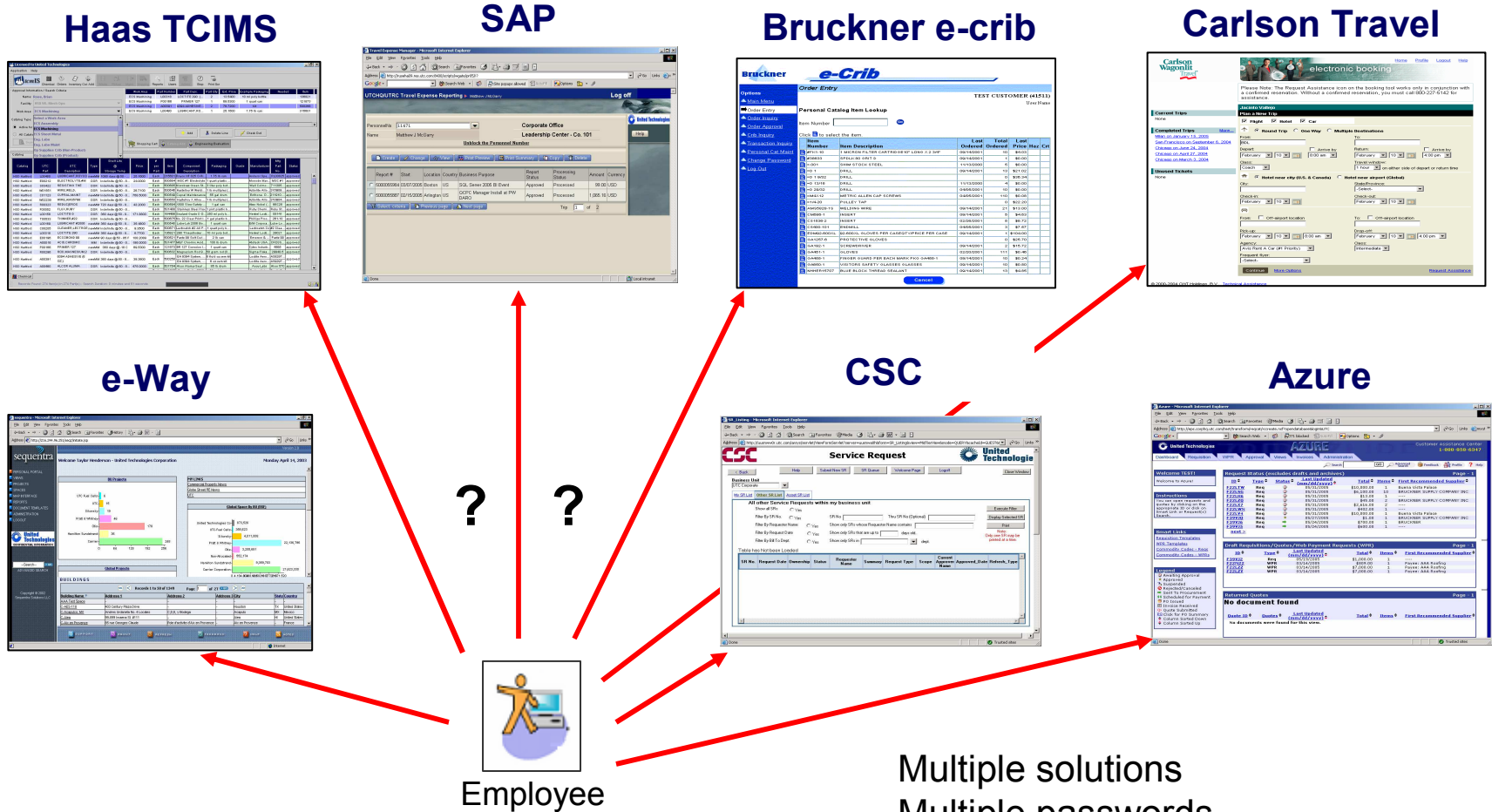
Why?

IMPROVED EMPLOYEE SATISFACTION

IMPROVED CONVENIENCE

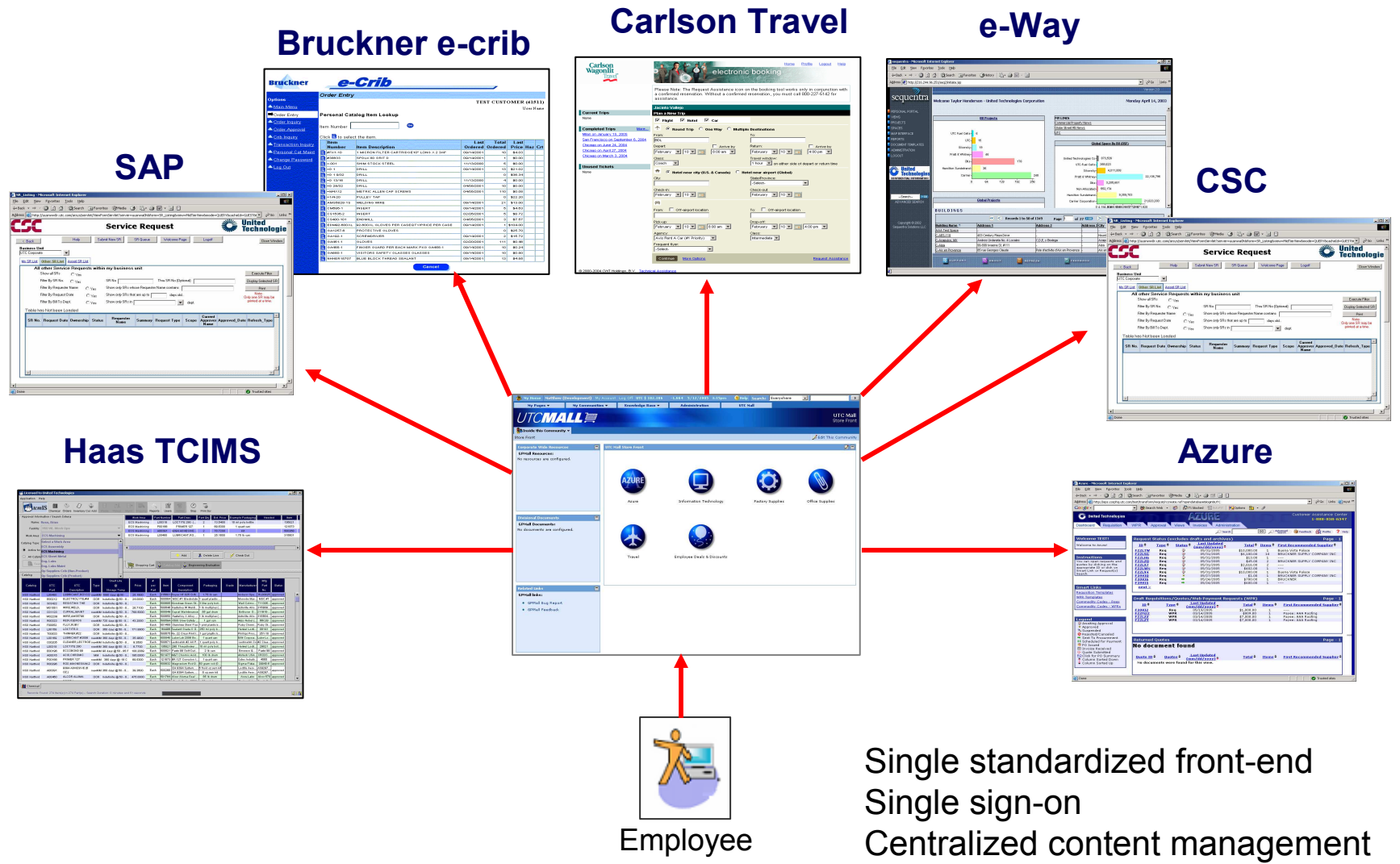
IMPROVED EMPLOYEE PRODUCTIVITY

UTC MALL Environment Before



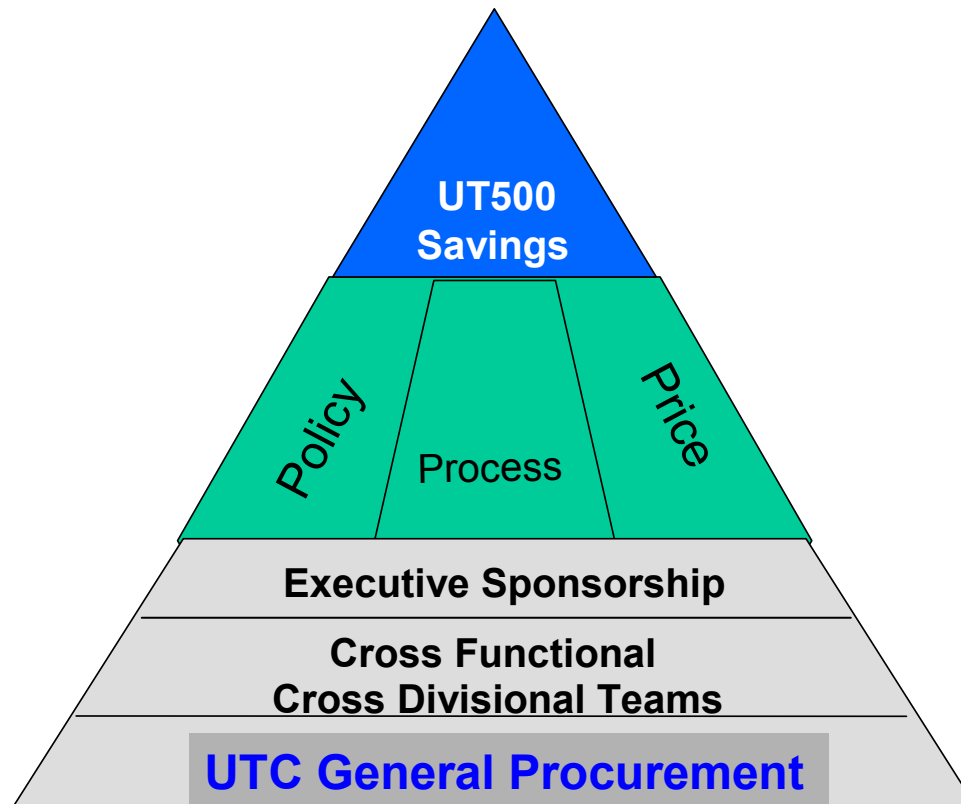
Multiple solutions
 Multiple passwords
 No centralized content management

UTC MALL Environment After



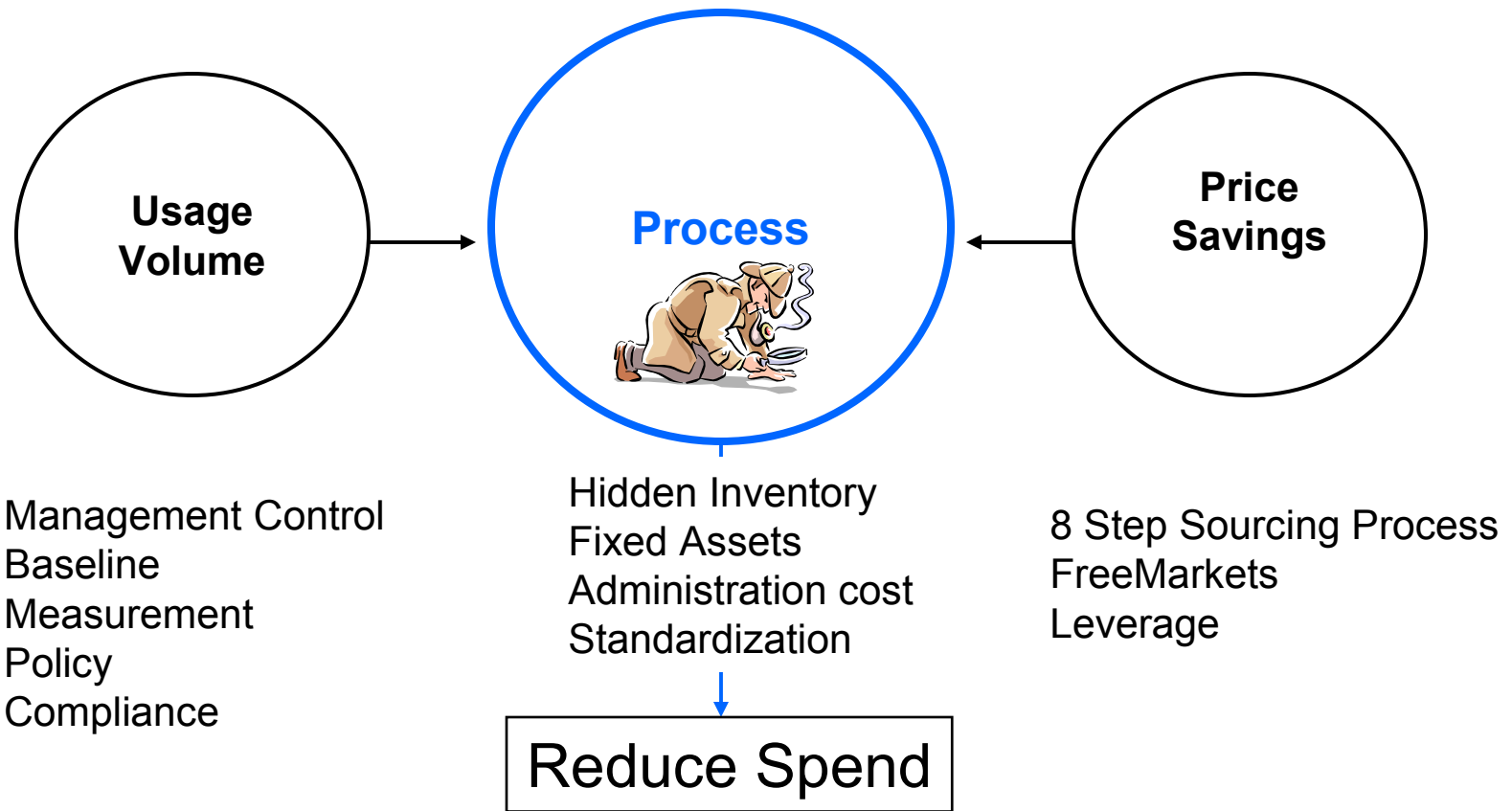
UT500 HISTORY

UT500 was launched in April 2001 and was the result of **Line Management, Finance and Supply Management** collaborating on ways to reduce general procurement costs.



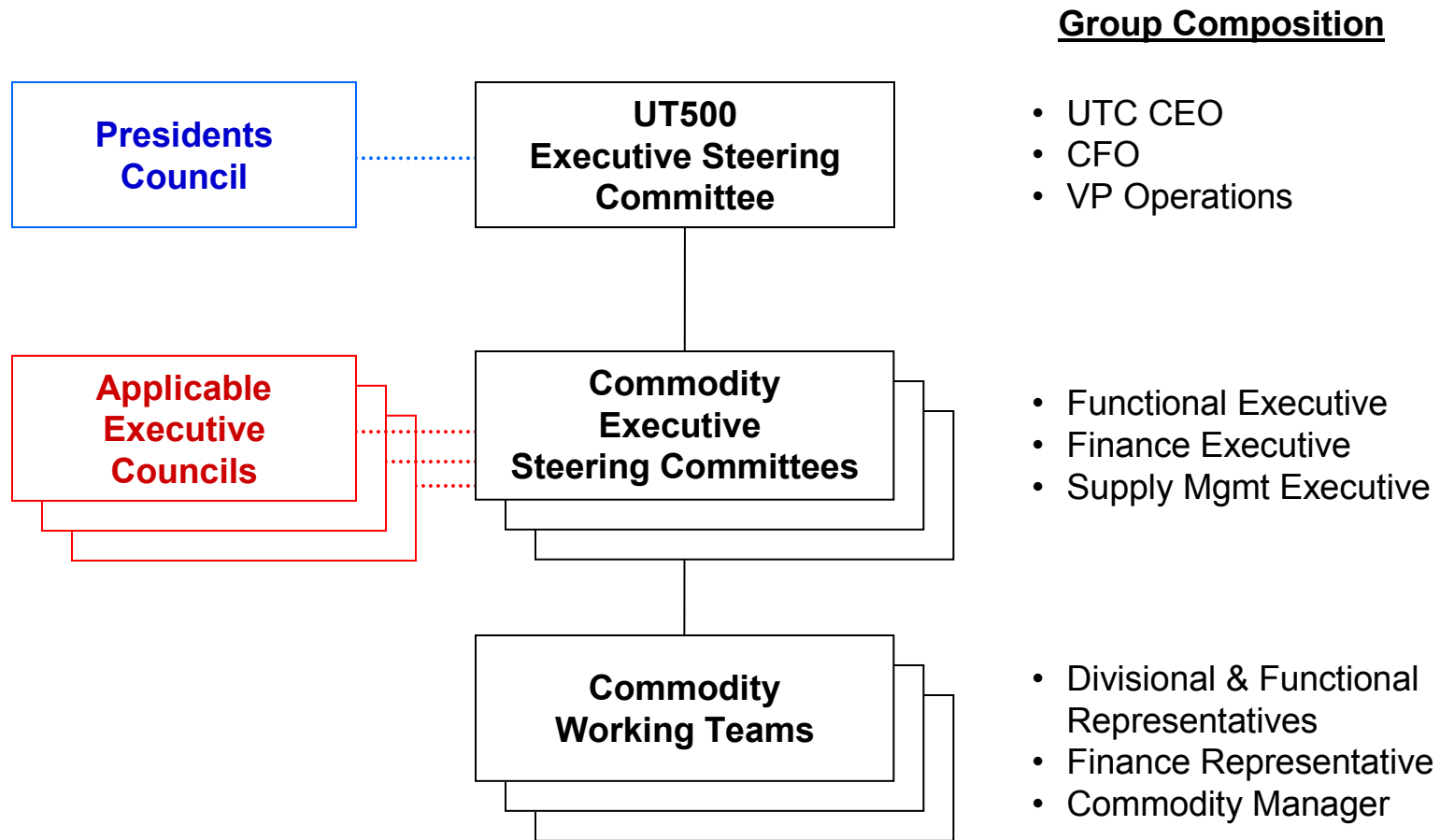
Savings to Date - \$1.1B

UT500 PROGRAM



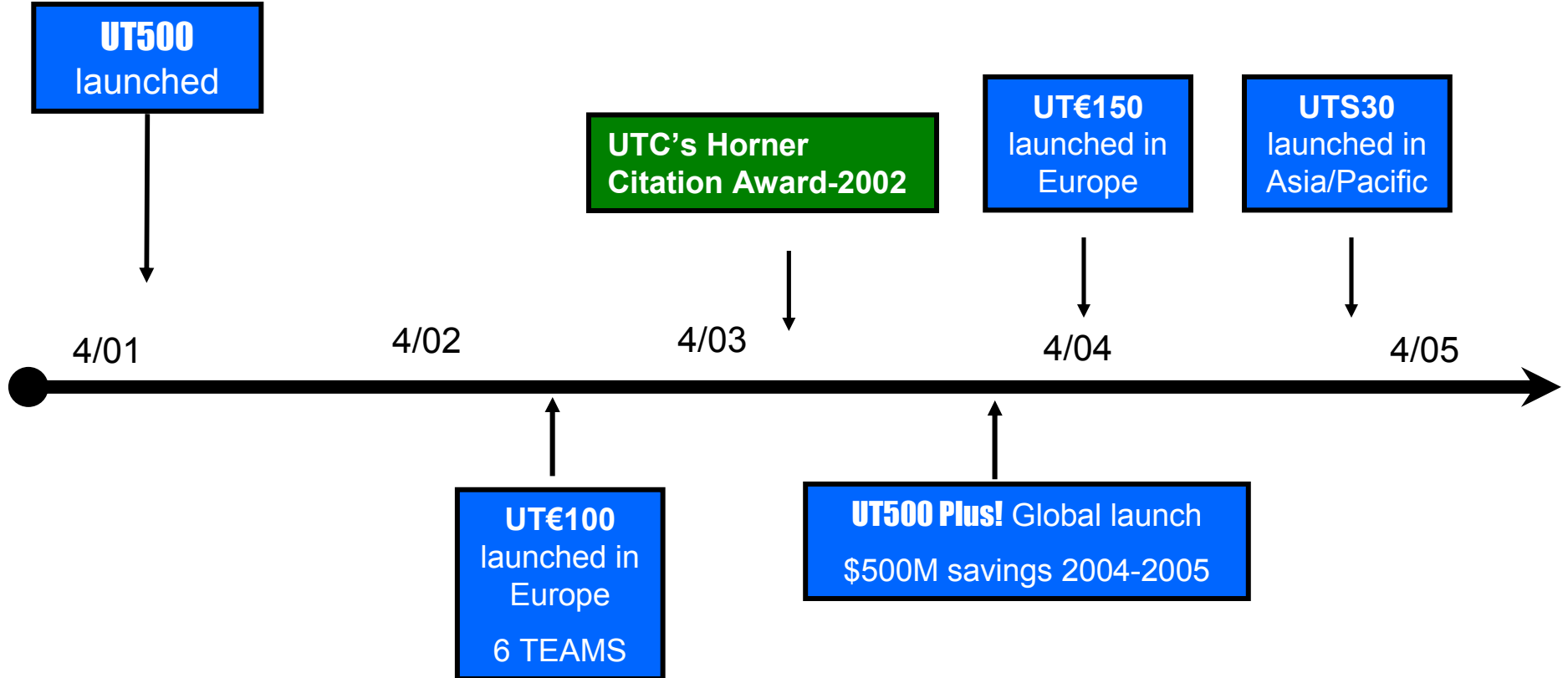
“Lots of \$1,000 ideas rather than one \$500 million idea”

UT500 PROGRAM STRUCTURE



UT500

Program History



UT500 PROGRAM EVOLUTION

UT500

2001, 2002, 2003

- 1 Energy
- 2 Facilities
- 3 Transportation
- 4 Chemicals
- 5 MRO
- 6 Travel
- 7 Financial Services
- 8 IT
- 9 Telecomm
- 10 Office Equip & Svc.
- 11 Engineering Services
- 12 HR Services
- 13 Capital Equipment
- 14 Durable Tooling
- 15 Real Estate
- 16 **Legal**
- 17 **Mkt'g & Comm.**

UT500 Plus!

2004 & 2005

- 1 Factory Services
 - 2 Transportation
 - 3 Factory Supplies
 - 4 Travel
 - 5 Financial Services
 - 6 Technology Services
 - 7 Engineering Services
 - 8 HR Services
 - 9 Industrial Equipment and Durable Tooling
 - 10 Real Estate
- TEAMS DECOMMISSIONED***
NEW TEAMS:
 11 Mgmt Consulting
 12 Business Services
 13 Fleet Vehicles

UT&150

2003 2004 & 2005

- 1 Travel & Fleet
- 2 IT & Telecomm
- 3 Transportation
- 4 HR Services
- 5 Real Estate
- 6.1 Chemicals & MRO
- 6.2 Facilities
- 6.3 Energy

UTS30

2005 & 2006

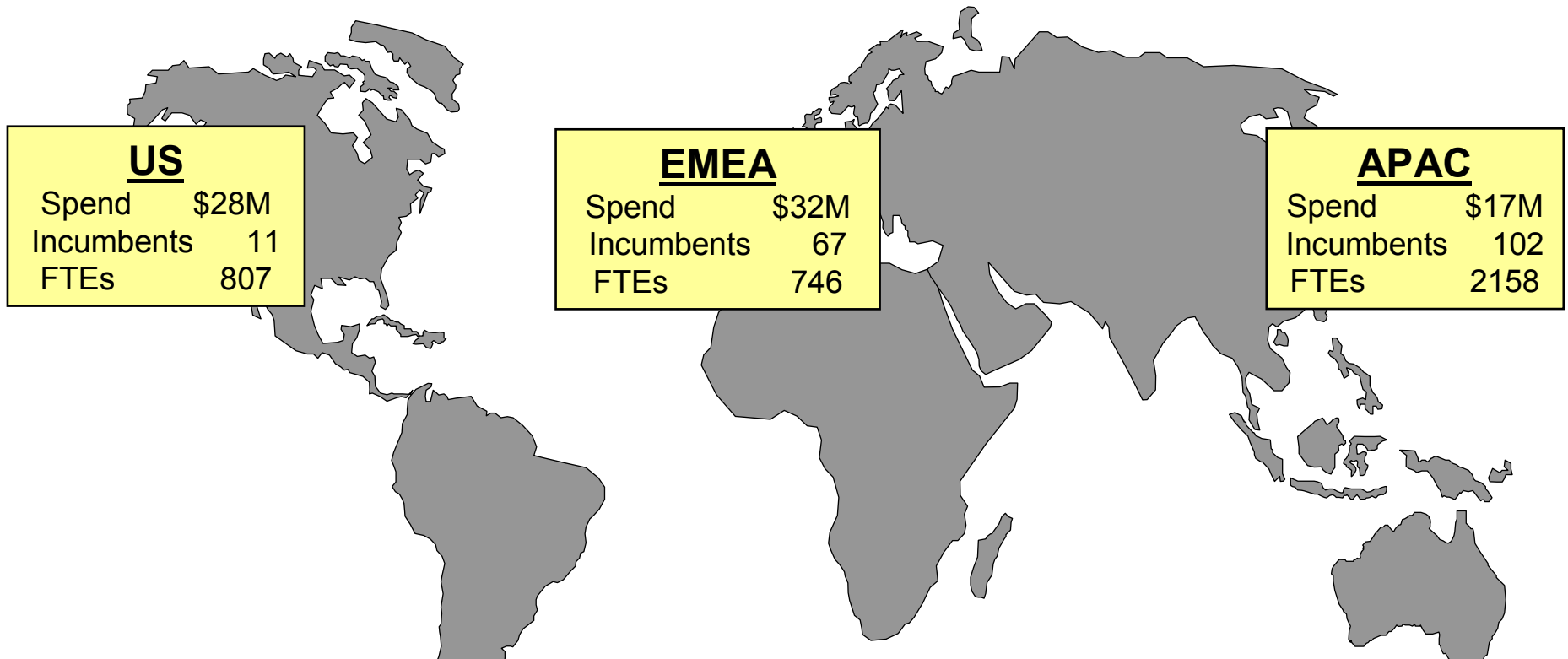
- 1 Factory Supplies
- 2 HR Services
- 3 Real Estate
- 4 Technology
- 5 Transportation
- 6 Travel & Fleet

UT500 PROGRAM

Selected projects

HR SERVICES

Global Temp Labor Project



	Original Scope	Current Scope
Spend (\$M)	\$40	\$77
Estimated Savings (\$M)	\$1	\$4
# of Supply Markets	3	18
Bid Complexity (1-10)	4	10+

	Current Scope
# of Countries	18
# of Incumbent Suppliers	180
Global Players	Kelly, Manpower, Adecco, Robert Half Int'l, Vedio

FLEET VEHICLE SERVICES

Overview

WHAT

Executive vehicles
Sales vehicles
Commercial vehicles (vans)
Trucks
Motorcycles

WHERE

25 countries
Europe USA
Canada Brazil
Singapore China
Australia- New Zealand



WHO

Executives
Human Resources
Finance
Risk Management
Operations
Field Director
Procurement
Drivers

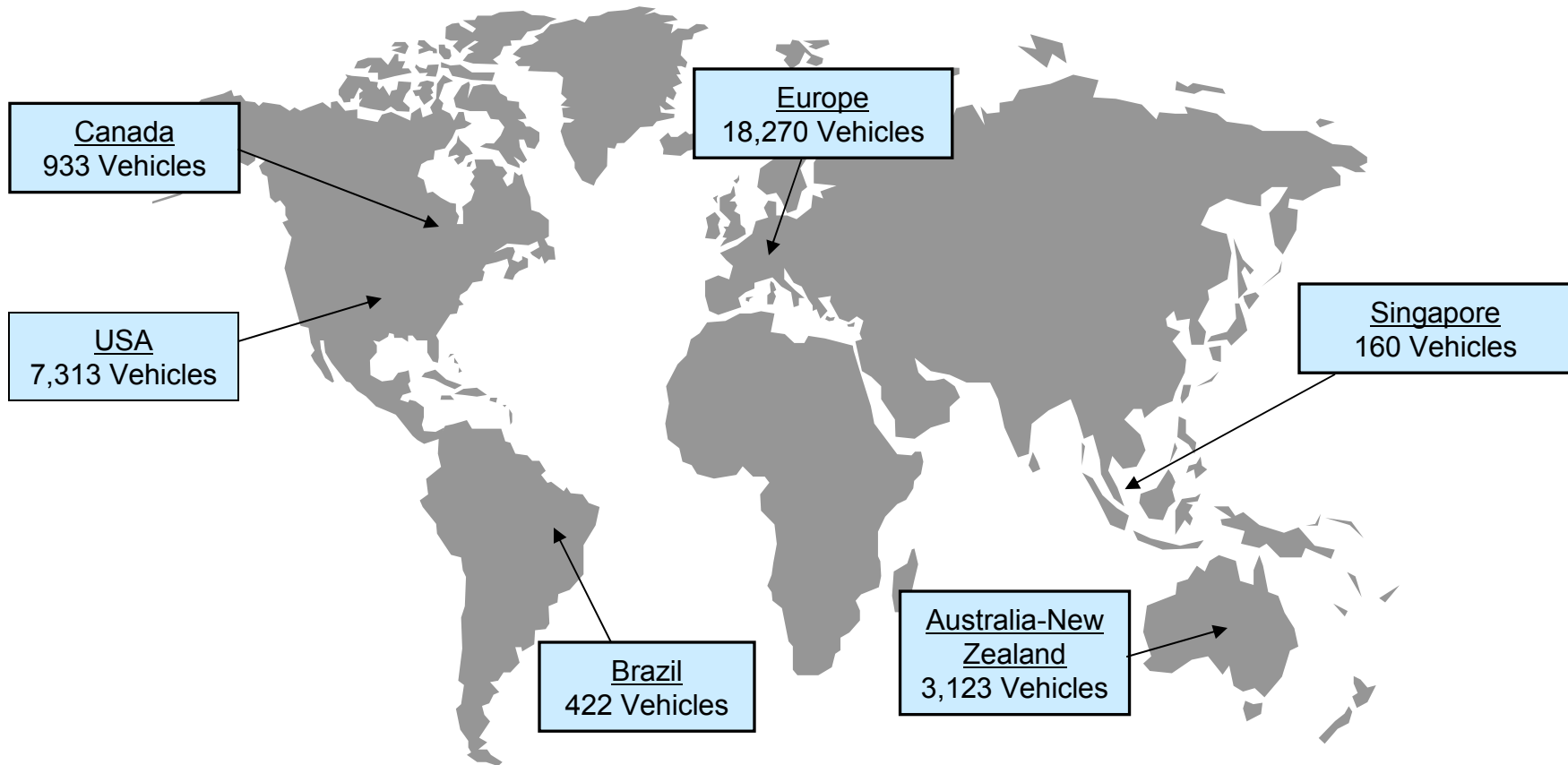
HOW

Lease provider
Car manufacturers
Fuel providers
Racking/upfitting providers
Insurer

30,944 vehicles
US \$246M

FLEET VEHICLE SERVICES

Global tender on vehicle manufacturers

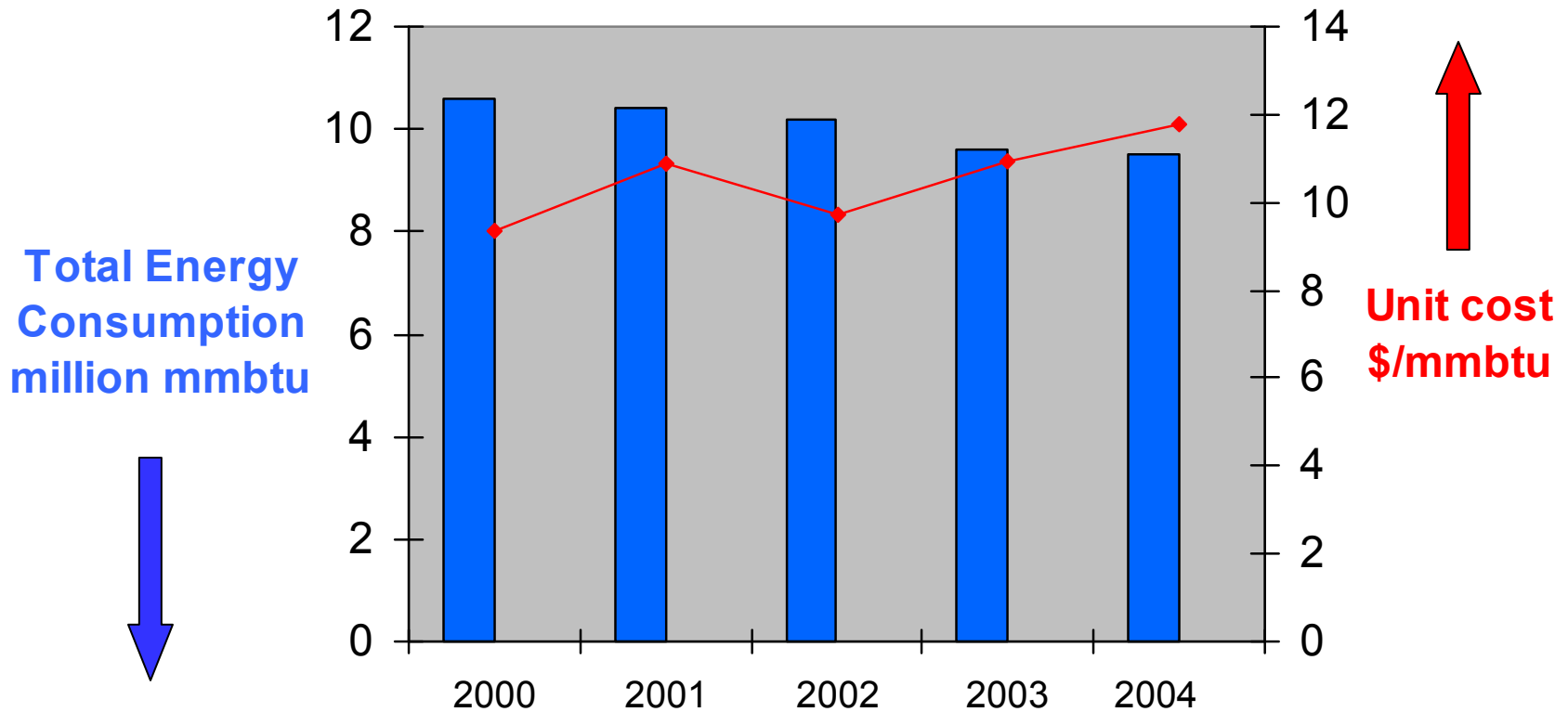


11 Global Suppliers - *Ford, GM, Toyota, VW, Renault-Nissan, Chrysler, PSA, Honda, Hyundai, Fiat, BMW*

In Step 2 of Sourcing Process → Multi-year contracts to be signed Q405

FACTORY SERVICES TEAM

Energy consumption & unit cost trend



Consumption is down, but unit cost is up

FACTORY SERVICES TEAM

Energy management initiatives

Energy Efficiency

Example: Compressor upgrade
Site: PW Cheshire
Savings: \$150,000



Energy Audit Plan

Example: Audit findings
Site: Carrier, East Texas
Savings Identified: \$104,860



Rate Management

Energy Portfolio Manager
Site: All Connecticut sites
Agreement signed with BP 05/03
Primary focus is electricity in CT



&



UTC Leverage

Example: Fuel oil contract
Divisions: PW, HS, SAC
Savings: \$286,000



INDUSTRIAL EQUIPMENT

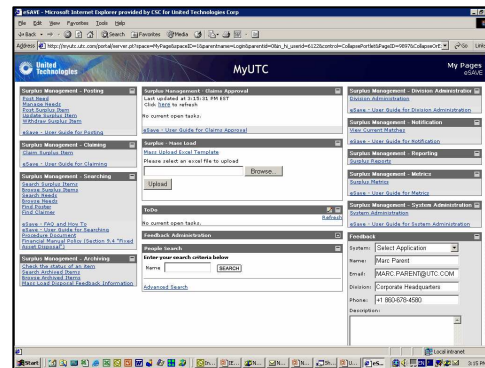
Digitizing the capital acquisition process

DEMAND ePLAN

Project Description			
Project Name	<input type="text"/>		
Project Owner	<input type="text"/>		
Business Unit	<input type="text"/>		
Business Segment	<input type="text"/>		
Entity	<input type="text"/>		
Department / Module	<input type="text"/>		
Number	<input type="text"/>		
Location	<input type="text"/>		
Program Name	<input type="text"/>		
Potential suppliers	<input type="text"/>		
Quantity	<input type="text"/>		
Project Description	<input type="text"/>		
Justification	<input type="text"/>		
Consequences if Delayed	<input type="text"/>		
Classification	<input type="checkbox"/> Capacity Increase <input type="checkbox"/> Overhaul/ Replacement		
Business Segment's Action Plan			
Business Unit	<input type="text"/>		
Business Segment	<input type="text"/>		
Capital Planning Year	<input type="text"/>		
Estimated Capital Account	Current Year Planned	Previous Year Planned	Previous Year Actual
Strategic Plan	<input type="text"/>		
BU Strategy	Sub-Strategy	Business Segment Strategy	
None	1	<input type="text"/>	
1	2	<input type="text"/>	
Add More Lines			

SUPPLY OPPORTUNITIES

Reallocate - eSAVE



Buy Used / Rebuild

Buy New

AUTHORIZE

eCAR



UTC TRAVEL SCORECARD

2005 YTD

