

United Tech Sees Impact From Fraud Charge

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HARTFORD, Conn. (AP) — A federal court order that United Technologies Corp. pay \$473 million plus interest to compensate for alleged fraud in its sale of fighter jet engines could cut into revenue and profit, the aerospace giant said in a regulatory filing.

Judge Thomas M. Rose of the U.S. Southern District Court of Ohio issued the order on Monday. The Department of Justice had accused United Technologies subsidiary Pratt & Whitney of violating the False Claims Act, resulting in alleged overpayments for F100 jet engines from 1985 to 1990.

"The government should not have paid the amounts that the government proved it paid as a direct result of United Technologies' fraud," Rose said in his decision.

The Hartford, Conn., aerospace company said in a regulatory filing on Tuesday that with damages, penalties and interest, the penalty would rise to about \$660 million.

United Technologies posted a profit of \$5.13 billion last year.

"UTC strongly disagrees with the court's analysis and conclusions," the company said in a filing with the Securities and Exchange Commission. "UTC will appeal the decision as we remain confident in our legal position."

If the government prevails, "the outcome of this matter could result in a material adverse effect" on results of operations when a liability would be recognized or cash flow for the period when damages would be paid, it said.

At issue is a dispute between United Technologies and the U.S. government over jet engine pricing. Rose cited a U.S. Supreme Court decision that said in a government-regulated market such as buying and selling between the Pentagon and defense contractors, the regulated process "represented not only the market value but in fact the only value that could be realized."

The court said Pratt and Whitney violated the False Claims Act by fraudulently asserting that prices it submitted were substantiated by the most recent data and also fraudulently saying it applied a predicted rate of inflation.

United Technologies said that what the government paid is what it should have paid, Rose said. The company proposed that historical prices, comparable sales, independent price appraisals and market prices establish fair market value, he said. But those factors come from data that are older and more out of date than what the U.S. uses to calculate damages, the judge said.

United Technologies shares fell 46 cents to \$95.71 in midday trading.

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Published on Industrial Maintenance & Plant Operation (<http://www.impomag.com>)

Source URL (retrieved on 12/25/2014 - 8:16pm):

<http://www.impomag.com/news/2013/06/united-tech-sees-impact-fraud-charge>