

Machinists Union To Reevaluate Boeing Relationship

Gene Johnson, Associated Press Writer

EVERETT, Wash. (AP) — Matt Gettmann began working in finance at Boeing Co. last year, and it wasn't long before he found himself watching, stunned, as union members prepared for what became an eight-week strike.

The work stoppage cost the company billions in deferred revenue and caused some of the delays in production of its new 787 at a time when Boeing was growing increasingly frustrated with labor squabbles.

"There would be a parade of people, thousands and thousands of them, making noises and screaming" — right in the factory, Gettmann said. "That's the employee-employer relationship? It's shocking."

On Wednesday, the union was dealt a crushing blow when Boeing decided to open its new 787 line with nonunion workers in South Carolina and not the Seattle suburbs where it has had a presence for generations.

It is another sign that it may be time for the Machinists union to reevaluate its relationship with Boeing, even as the union argues that its workers offer the best value for the company and that it is committed to making sure future work lands in Washington state.

"This looks very much like a company that's tired of dealing with this union, and they've found a way out," said Richard Aboulafia, an analyst with Teal Group. "The union needs to put aside the concept of who's right and who's wrong, and look at who's winning and who's losing. This is not going well from their perspective."

In the next three to five years, Boeing is expected to decide on replacement planes for its best-selling 737 and 777 models and where they will be built. It's also trying to land a contract to build a 767 tanker for the Air Force. Unless the relationship with organized labor improves, those jobs could wind up out of state — and out of union — too, analysts said.

Machinists District 751 President Tom Wroblewski said Thursday that since last fall's strike, the union has made efforts to improve the relationship, such as by softening the tone of its newsletter. Picking South Carolina for the second 787 line continues a failed policy of sending work away from its base of skilled workers, he said.

Boeing could have labor peace if it would just stop trying to reduce workers' benefits, he said.

"They rile the members up so bad you can't control it," Wroblewski said.

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Two Boeing negotiators, Doug Kight and Ray Conner, sent a memo to the company's managers Thursday detailing the talks with the union. It said the union offered not to strike for 10 years — two fewer than the company wanted — and demanded that Boeing promise to bring future work to the Puget Sound area, something the company couldn't stomach.

That said, the sides did reach agreement on a framework for sharing future medical cost increases.

Alex Glass, a spokeswoman for Sen. Patty Murray, D-Wash., said that for months, Boeing CEO Jim McNerney was telling the senator, "I want a stable work force, I want a stable workforce, I can't afford these strikes any more."

"That's what we and the union were working toward," she said.

South Carolina offered Boeing \$170 million in incentives and relief from sales taxes on things like fuel used in test flights, and Boeing's workers there voted to decertify their union last month.

Boeing and the International Association of Machinists, which represents 25,000 workers in Washington state, have been at each other for much of this decade. In 2002, the union voted to reject a contract offer over concerns about outsourcing, but couldn't muster the 66 percent vote necessary to strike.

Boeing imposed the contract, and the union wasn't happy about it, said analyst Scott Hamilton of Leeham Co. in Issaquah. Hamilton said that when contract talks rolled around in 2008, the company's management grossly underestimated how angry the union remained.

"I always thought the 2008 strike was payback for that," Hamilton said. "Now with what happened yesterday, particularly with the allegations going back and forth and the fingerpointing, when the 2012 contract comes up, there's going to be payback again. And that's going to be short-sighted."

Craig Fraser, an analyst with Fitch Ratings in New York, agreed that there were reasons to pick South Carolina besides a cheaper work force and state incentives — the possibility of an earthquake damaging production facilities in the Northwest, for one. But clearly, avoiding work stoppages was key.

"I don't think the relationship between the company and the union is irreparably damaged," Fraser said. "They're still going to make the majority of the 787s in the Seattle area."

South Carolina ranks third-lowest in percentage of employees who have joined a union or similar employee association, at 3.9 percent, without a single work day lost to strikes in 2008, according to the U.S. Bureau of Labor Statistics. The state is among 22 nationwide with right-to-work laws, meaning unions can't close shop and require every worker join.

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