

Talks between Boeing and its biggest union are coming down to the wire—and a possible strike

September 9 2024, by David Koenig



A Boeing machinist and union member leads cheers during the "stop work meeting" and strike sanction at T-Mobile Park in Seattle, July 17, 2024. Credit: Kevin Clark/The Seattle Times via AP, File

Boeing and its largest union are entering the last week of contract negotiations before a threatened strike by more than 30,000 workers who build the planes that carry millions of airline passengers every year.

A walkout would add to the headwinds facing Boeing, which is hurtling toward a sixth straight money-losing year and just hired a new CEO to turn things around.

The regional branch of the International Association of Machinists and Aerospace Workers says the two sides are far apart on wages, health care and job security. The union of started out seeking pay raises of more than 40% over three years, although "that's probably not where we're going to end up," IAM District 751 President Jon Holden said last week.

The union has scheduled a two-part election for Thursday, with voting at more than a half-dozen locations in Washington state and one in Southern California. Workers will vote on Boeing's last contract offer and whether to authorize a [strike](#) if the offer is rejected. A walkout could begin by Friday morning.

A straw vote in July to gauge support for a strike passed with 99.99% support, according to the union.

"What we are asking for is reasonable," Holden said in an interview.

"We need to get more wages to address the very low increases over the last 10 years, massive inflation, massive cost-shift on health care. We are trying to reach an agreement, but ([union members](#)) are ready to take action if we don't get there."

Holden said the union has a strike fund in the millions and isn't afraid to tap it.

Boeing declined to make an executive available to discuss the labor

negotiations. A spokesperson provided a one-sentence statement.

"We're confident we can reach a deal that balances the needs of our employees and the business realities we face as a company," the statement said.

Boeing's new chief executive, Kelly Ortberg, has tried to take a conciliatory posture toward labor. He is working in Seattle, to be near the factories where the company builds most of its commercial airplanes, instead of at headquarters in Arlington, Virginia. He walked the floor of the 737 Max plant during his [first day on the job](#).

"He understands that they are basically contentious relationships with the union, and he wants to make those relationships better," TD Cowen aerospace analyst Cai von Rumohr said.

Ortberg already has a long to-do list. The new CEO will try to fix Boeing's aircraft-manufacturing process, gain regulatory approval for the long-delayed [777X jumbo jet](#), limit damage from over-budget government contracts, pay down \$45 billion in net debt, and absorb Spirit AeroSystems, the money-losing key supplier that Boeing just [bought for \\$4.7 billion](#).



Boeing 737 MAX airplanes are shown on the assembly line during a media tour at the Boeing facility in Renton, Wash., June 25, 2024. Credit: Jennifer Buchanan/The Seattle Times via AP, Pool, File

Ortberg's toughest job will be restoring Boeing's reputation for quality, which was crushed after two 737 Max jets crashed less than five months apart in 2018 and 2019, killing 346 people, and took another big hit when a door plug blew off a Max during an Alaska Airlines flight in January.

Unlike strikes at airlines, which are very rare, a walkout at Boeing would not have an immediate effect on consumers. It would not result in any canceled flights. It would, however, shut down production and leave Boeing with no jets to deliver to the [airlines that ordered them](#).

"During a strike, they don't work on planes, they don't deliver planes," von Rumohr said. Aircraft makers typically get about 60% of the purchase price on delivery, "so not delivering planes has a massive impact on your cash in-flow, and your costs probably continue on."

An eight-week [strike in 2008](#), the longest at Boeing since a 10-week walkout in 1995, cost the company about \$100 million a day in deferred revenue.

Meeting the union's wage demand would cost Boeing \$1.5 billion in cash, which is "a small price to pay versus a strike," Jefferies aerospace analyst Sheila Kahyaoglu said. In a note to clients, she estimated a strike would cost the company about \$3 billion, a calculation based on the impact of the 2008 strike plus inflation and current airplane-production rates.

Boeing is in far worse financial shape than it was in 2008. The company has lost \$27 billion since the start of 2019, around the time that its best-selling plane, the 737 Max, was grounded worldwide after the crashes in Indonesia and Ethiopia. Revenue is down, debt is up.

Boeing's greatest strength is that it remains one of the world's two leading manufacturers of airline jets, forming a [duopoly with Europe's Airbus](#). Boeing has a huge backlog of orders, which it values at more than \$500 billion.

The company's defense and space business is a major government contractor, although that business too is struggling. Its most recent setback was NASA's decision to use SpaceX instead of Boeing's Starliner capsule to [bring two astronauts home](#) from the international space station.

Job security is emerging as a key issue in the current negotiations. The

union is still seething over the loss of work on the 787 Dreamliner, a large, two-aisle jetliner that is assembled by nonunion Boeing workers in South Carolina. The IAM wants a guarantee its members will keep the work they have and that the union will represent the workers who build Boeing's next airliner.

That plane isn't even on the drawing board yet, and production could be a decade or more away. It is vital to IAM, however, because one-third of the union's members at Boeing—more than 10,000 people—work on the 737 Max, which the new plane would replace.

The union president said Boeing has been in "[free fall](#)" for more than a year, and he acknowledged the company faces huge and costly challenges. Despite all that, he said, the union is in good position to win a strong contract.

"All employers are searching for skilled labor, and we have it," Holden said. "This company has a massive backlog of over 5,000 airplanes to build and deliver, so we are in high demand right now. That's our leverage."

© 2024 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed without permission.

Citation: Talks between Boeing and its biggest union are coming down to the wire—and a possible strike (2024, September 9) retrieved 9 September 2024 from <https://techxplore.com/news/2024-09-boeing-biggest-union-wire.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.