

## Strike risk looms next month as Boeing and union remain apart on key issues

By Jon Hemmerdinger | 27 August 2024

Boeing and its largest labour union remain locked in intense contract negotiations, with the union pushing for 40% wage gains to recoup previous concessions and threatening to strike on 13 September.

Should members of the International Association of Machinists (IAM) walk off the job, Boeing would find itself facing a fresh crisis at the same time it is working to recover from a bevy of existing problems – factors reflecting the high stakes under which contract talks are progressing in Seattle.

“It’s been a tough slog,” IAM District 751 president Jon Holden says of negotiations, adding that the parties remain apart on key issues. “We are trying for some very important things and being very aggressive.”





Source: Paul Christian Gordon/ZUMA Press Wire/Shutterstock

IAM is threatening to strike on 13 September pending an agreeable deal from Boeing, a move that would delay the company's efforts to ramp 737 production

Holden and his counterparts have for weeks been meeting with Boeing representatives as the parties attempt to hammer out a consensus. The union represents 33,000 Boeing employees, most of whom live in the Puget Sound region. Others live in Moses Lake, Portland and Victorville, California.

"Daily – early to late. We are meeting with the company periodically through the day," Holden told FlightGlobal on 26 August. "Time's a-ticking. We are getting close to the expiration."

IAM's current contract expires on 12 September. Holden says his members will strike the following day unless they approve Boeing's best offer.

Michel Merluzeau, aerospace consultant with AIR, fears a strike might be both unavoidable and damaging to Boeing's already precarious recovery.

“No matter how long that strike lasts... it really is going to put a lot of pressure on the Boeing leadership”, says Merluzeau. “If there is a strike... it sends the wrong signal to the [airline] customer base.”

Holden is working to secure 40% wage increases over three years for union members, plus increased retirement-plan contributions from Boeing and changes to healthcare plans that would reduce workers’ expenses. The union also seeks assurances from Boeing that it will build its next new aircraft in the Pacific Northwest, rather than at a lower-cost site elsewhere.

“Our members have been stagnated on wages for a long time,” Holden says, adding that the union twice – in 2011 and 2014 – agreed to mid-contract extensions under threats by Boeing to move production outside the Puget Sound region.

“I’m very confident because the things that we’re asking for are reasonable and... can be afforded,” Holden says.

Asked to comment, Boeing says it continues “to bargain in good faith as we focus on the topics that are important to our employees and their families. We’re confident we can reach a deal that balances the needs of our employees and the business realities we face as a company”.



Source: Marian Lockhart/Boeing

New Boeing CEO Kelly Ortberg has committed to “reset” the company’s relationship with IAM

The negotiations come at a crucial time for financially troubled Boeing, which has been working to shore up its production quality and safety in response to a lapse that allowed the company last year to deliver to Alaska Airlines a 737 Max 9 with an insecure mid-cabin door-plug. That plug failed dramatically during a 5 January flight, prompting Boeing – and the US regulator – to put the brakes on production rises.

The company now aims to return to a 38 per month 737 production rate by year-end. It needs to boost production to appease customers and to begin repairing its troubled finances. The company holds some \$58 billion in short- and long-term debt and lost \$1.8 billion in the first half of 2024.

The final contract talks also come early into the tenure of Boeing's new chief executive Kelly Ortberg, the former Collins Aerospace executive who stepped into the airframer's top role on 8 August.

While Ortberg has promised to "reset" Boeing's relationship with IAM, his success in that regard likely depends on the outcome of negotiations.

A strike could "set the tone for an acrimonious relationship. It's not a good way to start the tenure of a CEO", says Merluzeau.

So far, Holden says the parties have failed to agree to key provisions.

"All the major issues are sticking points," he says. "Many of them are economic – that's wages, that's retirement, that's healthcare, that's additional accrued vacation and sick leave."

"The big one... is a commitment for the future," he adds. "We cannot allow our members to be placed in a position where the company can pull the rug right out from under them, and send thousands of the jobs... somewhere else."

A new contract will not come cheap for Boeing, with Bloomberg estimating in a July research report that the deal will cost the company an additional \$750 million to \$1.5 billion annually, inflating production costs by 1.5-2%.

While Merluzeau says the airframer's workers absolutely deserve pay raises, a 40% bump – fair or not – would be "challenging to absorb" for almost any company, let alone one struggling like Boeing. He also notes that its long-term financial picture is uncertain, dependent on a recovery that remains elusive.

"So far, our assumptions have been largely kicked to the right on a constant basis," he says. "We haven't seen any stabilisation in [production] rates to show... [Boeing has] turned a corner."



Source: Jennifer Buchanan, Seattle Times

Boeing has committed to fixing quality lapses affecting its 737 production facility in Renton, Washington

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Merluzeau also describes a commitment by Boeing, so far in advance, to produce its next jet in the Pacific Northwest as a difficult proposition. He notes the company remains several years from launching an aircraft and says picking a location requires immense analysis of economic and social factors, some of which might change in the coming years.

But time is running out: Boeing and IAM have only about two weeks to iron out a deal.

Holden expects to present Boeing's final and best offer to union members for a vote on 12 September, the day the current contract is up.

"They will decide on that day whether it meets their needs or whether they'll reject it," he says. On that day, members will also vote again on whether to approve a strike for the following day.

If members reject Boeing's terms and green-light a strike, "There'll be a strike at midnight, 12:01am., September 13th", says Holden.

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