

Democratic politicians rage against US Air Force contract with Airbus

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On February 29, the United States Air Force announced that it had awarded a major military contract to the European Aeronautic Defense and Space Company (EADS), the parent of Airbus, and its US partner Northrop Grumman. The contract to produce aerial refueling tankers, which will be worth an estimated \$35 billion, was reached over a competing proposal from US-based Boeing Company.

Following the announcement there has been a steady stream of chauvinistic denunciations of the deal, particularly from a number of Democratic politicians with close connections to Boeing.

The ostensible source of controversy surrounding the KC-45A project is that while the planes will for the most part be assembled in Mobile, Alabama, the main partner in the deal is a European company. Some have threatened Congressional action to cancel the contract to purchase the Airbus KC-45A refueling tankers.

The bitter invective against the deal is a thoroughly cynical and a thinly veiled attempt to further Boeing's corporate interests against the interests of Northrop Grumman and Airbus. The entire controversy underscores the intimate and often incestuous ties between the US military, politicians of both political parties, and a handful of giant military contractors.

A great deal of money is at stake. The contract in question is worth \$1.5 billion initially, but could be worth up to \$35-40 billion if the Air Force goes ahead with the full order of 179 planes. More importantly, this amount represents only the first phase in the complete replacement of the Air Force's fleet of aging KC-135 refueling tankers.

The price tag for replacing the entire fleet of over 500 aircraft over a number of years is estimated to be around \$100 billion. It is one of the largest new contracts for military aircraft in recent history.

The KC-135 was developed in the 1950s, and the newest planes in the fleet have been in service for over forty years. These older aircraft have maintenance costs that are many times higher than those incurred by more modern planes, and the cost of keeping the fleet in service has been increasing annually. They have also been used substantially in Iraq and Afghanistan and are an important component of the global extension of American militarism.

Plans to replace the planes have been the focus of sharp conflict within the military and political establishment for years. As far back as February 2001, Boeing said it could reengineer 767s to function as refueling tankers. In an unsolicited offer, the company proposed first to sell 26 aircraft, and later to lease 100 planes to the

military.

Over a period of several years, Boeing presented a number of different proposals, all of which were constructed to address Boeing's lagging 767 sales while getting around Air Force budgetary constraints. Facing increasing competition from Airbus, Boeing has turned to military deals to bolster company profits.

However, the deal on the tankers was eventually canceled after revelations that the civilian official who oversaw the contract negotiations, Principal Deputy Assistant Secretary of the Air Force for Acquisition and Management Darleen Druyun, gave preferential treatment to Boeing even as she prepared to accept a job offer from the company. Emails leaked to the press indicated that Druyun divulged privileged information to Boeing during negotiations to seal a deal, including information on a competing offer from Airbus.

Current Republican presidential candidate John McCain played a role in questioning the terms of the earlier Boeing deal. Shedding some light on the ways in which business is conducted in this industry, McCain noted that despite the deal appearing in an appropriations bill, no senator on the Armed Services Committee had any knowledge of it.

Druyun would eventually admit to a long history of giving sweetheart deals to Boeing in return for positions and job security for members of her family. Revelations of inside dealings produced a major scandal and led eventually to jail time for Druyun and for Boeing CFO Michael Sears. It also led to the resignation of CEO Phil Condit. Boeing itself ended up paying \$615 million in fines.

The contract on refueling tankers was reopened for bidding, resulting in the announcement last month that it had been given to Airbus and Northrop Grumman.

The decision to go with Airbus reflects concerns within sections of the political establishment and military that not only was the Boeing offer overpriced, but that the Boeing planes would underperform those offered by Airbus.

Northrop Grumman, which produces the B-2 stealth bomber among other tools of American militarism, is also one of the most powerful US military companies, with congressmen and military officials to call on. According to a report published by Hearst newspapers last year, "the EADS-Northrop Grumman team has outspent Boeing this year both in campaign contributions and lobbying by about a third."

Political Action Committees associated with EADS, Northrop

Grumman, and Boeing have all increased their contributions to US politicians in the course of the contract competition.

For its part, the Pentagon is committed to being as flexible as possible in its purchase of armaments. In 2004, Senate leaders and the Bush administration pushed back against a proposed House measure that would have barred the Pentagon from purchasing from foreign companies that receive government subsidies. Said Pentagon official John Young: “I don’t think anybody wants to run the department as a jobs program.”

In recent days Democrats were quick to attack McCain—now the presumptive Republican presidential candidate—for his role in scuttling the Boeing deal. Representative John Murtha, chair of the Defense Appropriations Subcommittee and one of the Democrats with the closest ties to sections of the military, implied that McCain’s actions had delayed the efforts of the Air Force to replace the aging KC-135s, endangering US security.

During a hearing of his subcommittee on March 5, Murtha told Sue Payton, the Assistant Secretary of the Air Force for Acquisition, “We know what happened. We know this is costing billions of dollars... We are at a point where we don’t know how long it is going to take to get these things out in the air.”

The contending Democratic candidates for president also weighed in. Barack Obama expressed surprise that “having an American company that has been a traditional source of aeronautic excellence would not have done this job.” Obama is a senator from Illinois, the state in which Boeing’s headquarters lies.

Meanwhile, Senator Hillary Clinton, after attempting to attach the Boeing deal to more general concerns about outsourcing, said she was “deeply concerned” about the contract being awarded “to a team that includes a European firm that our government is simultaneously suing at the WTO for receiving illegal subsidies.”

The most flagrantly cynical posturing came from Illinois Representative Rahm Emanuel, who is also Democratic Caucus Chair, the 4th highest-ranking member of the House Democratic Leadership. Emanuel sought to combine an appeal to anti-war sentiment and concern over worsening social conditions in the US with anti-French chauvinism. He claimed, “Having made sure that Iraq gets new schools, roads, bridges and dams that we deny America, now we are making sure that France gets the jobs that Americans used to have.”

In a clear attempt to make the Air Bus deal a presidential campaign issue Emanuel further stated, “We are sending the jobs overseas, all because John McCain demanded it.”

Members of Congress from the state of Washington, where Boeing maintains its largest production facility, were particularly outraged. Democratic Senator Patty Murray of Washington said, “With this Air Force contract, Airbus is not creating American jobs, it’s killing them.”

All of above politicians have, naturally, received campaign contributions from Boeing. Clinton and Obama each received around \$18,000, with the total for both equaling more than the Boeing’s contributions for all of the other candidates combined. Patty Murray alone has received \$35,100 for this election. Tiaht, Emanuel, and Murtha received contributions as well, though for lesser amounts—befitting the lower average cost of an election campaign for the US House of Representatives relative to other

federal offices.

Boeing is no novice at buying off politicians. As one of the largest defense contractors in the country, it is used to getting its way. Democrat Henry “Scoop” Jackson, who for forty years represented Washington state in the Senate, was at times referred to as “the Senator from Boeing.”

If anything, union leaders were less measured and more backward in their criticisms, with Richard Michalski, general vice president of the International Association of Machinists and Aerospace Workers (IAMAW) saying that the general who made the contract announcement should “quit his job, move to France and join the French Foreign Legion.”

While the outrage of politicians and union bureaucrats is very real, it has nothing to do with defending jobs and everything to do with defending Boeing’s profits. Beneath the bitter conflict is the core reality that both Boeing and Airbus are enormous entities which operate globally, and which work with many parts suppliers all over the world. Although Boeing’s planes, and of course its military aircraft, are assembled in the United States, the largest portion of value is actually added by non-US suppliers and partners with operations in low-cost countries like China.

Moreover, years of labor and management collaboration by the trade unions and suppression of class struggle in the United States have created conditions in which it is now not only feasible, but necessary from a competitive standpoint, for European companies such as Airbus to open factories in the US in order to take advantage of low wage and benefit costs relative to those in Western Europe.

As an illustration, a recent study by the Center for Automotive Research found that European workers make nearly \$10 per hour more than American autoworkers. In Airbus’s case producing planes in the US would also help to counteract the drop in value of the US dollar.

Whether or not Boeing’s political representatives are able to overturn this deal, the whole episode has cast a revealing light on corruption and profit making in the “military-industrial complex.”



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