Was Boeing listening?

by the St. Louis Post-Dispatch

There will be much bleating in Congress about the Pentagon's decision to buy Airbus refueling tankers instead of those made by Boeing. But the fact of the matter is this: Boeing blew it.

Boeing lost the Air Force's $40 billion refueling-tanker contract because it wasn't listening closely to its most important customer and let itself be outbid by its archrivals.

Boeing offered a tanker based on the 767 airliner. That model has been flying since 1986 and is near the end of its product life span. It's due to be replaced by the new 787 Dreamliner. Boeing actually was counting on the Pentagon contract to keep the 767 line alive after the last commercial orders are filled, suggesting that the company's bid was based more on what would have been good for Boeing than what was good for the Air Force.

EADS, the European aerospace company, teamed with California-based Northrop Grumman Corp. to offer a tanker based on the larger Airbus A330, a plane six years newer than Boeing's 767. Gen. Arthur Lichte, who commands the Air Force's tanker fleet, said that the Airbus plane simply offered more: "More passengers, more cargo, more fuel to off-load, more patients that we can carry, more availability and more dependability."

Boeing almost sewed up the tanker contract four years ago with a highly unusual $23 billion deal that was so sweet it set tongues wagging all over Washington. Then the Air Force's chief procurement officer confessed to greasing the skids for Boeing in exchange for jobs for family members and herself. Both she and Boeing's chief financial officer went to prison, and Boeing's chief executive officer was fired.

Since then, Boeing has worked to restore its ethical compass, but its past misbehavior guaranteed that the Pentagon would keep the company at arms length when the tanker bid came up again.

The Pentagon's decision, meanwhile, made clear that it does not regard military procurement as an American jobs program. The Boeing proposal would have employed 44,000 Americans, compared to the 25,000 U.S. workers whose jobs will result from the EADS-Northrop bid, according to estimates from both companies. The planes will be assembled at a new plant in Alabama, but the major parts will come from Europe.

About 100 Boeing employees worked on the proposal at Boeing's Integrated Defense Systems headquarters in north St. Louis County. Had Boeing earned the tanker contract, most of the new jobs would have been at Boeing facilities in Washington State and Kansas.

The Pentagon's refusal to favor American workers stands in stark contrast to the attitude of its new contractor. The Airbus division of EADS was created by European governments specifically as a jobs program, and it still functions as one. So while the Pentagon is ordering Airbus tankers, the federal government is pursuing trade complaints to stop European governments from subsidizing Airbus through sweetheart loans for aircraft development.

If global trade were a level playing field, the Pentagon would be right to ignore the impact its decisions have on American employment. Taxpayers tend to get more bang for their tax dollars when companies around the world compete for them.

But with other governments subsidizing their countries' firms, the playing field hardly is level. It may be that the EADS-Northrop offer was so superior to Boeing's that concerns about American jobs wouldn't have mattered. But employment at home, especially in a struggling economy, should be one factor taken into consideration when the Pentagon awards contracts.

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