



## PILARSKI SAYS...

# Mutual misunderstanding is toxic to negotiation

A clash of egos could eventually prove disastrous for Boeing and the State of Washington, writes Adam Pilarski, senior vice-president at Avitas.

Right now we are facing up to three important events, which occurred in November, that may have some degree of irrational behaviour in them. One was the US government agreeing to drop its opposition to the proposed merger of American Airlines and US Airways. Many analysts believed that the opposition was not based on reason but on other irrational factors.

A second event was the phenomenal shopping moment in Dubai when about \$150 billion in new aircraft orders were placed in a market that some analysts believe already suffers from significant over-ordering.

The event I want to comment on, though, is the unions' rejection of a new contract offered by Boeing to ensure the newest widebody 777 will be produced in Seattle in the State of Washington.

Aviation from the beginning of time has had some irrational elements in it. Who but the dreamers could imagine that humans could fly like birds? Those who pushed our industry forward were enthusiasts who often had egos at 40,000 feet that made objective decisions difficult to achieve.

Let us look at the underlying logic of the labour conflict in Seattle, and the interests of the parties involved. The new 777X was launched in November with more than 200 orders. It keeps the basic fuselage but, with a new wing and new engines, promises to be an outstanding product, assured of longevity and a substantial production run.

Although a new product, it has commonality with the traditional 777, which has been manufactured in Seattle for about two decades. Simple logic dictates that the new 777X should have been produced in Seattle by the existing experienced labour force.

The objectives of both the union and management have been known for a long time. The union wanted job security, the management wanted no disruptions (read: no strikes) and lower costs. In the case of the 787, negotiations did not lead to a positive result, with management deciding to open an extra line in Charleston, South Carolina. This increased the risk (not knowing how a greenfield facility would perform) but also deprived Seattle labour of many jobs.

At that time the arguments were as follows. Union: we want guarantees that we will retain a certain number of jobs. Management: we cannot guarantee jobs unless we have promises of

no disruptions and lower costs. There was no trust between the two parties and no real agreement could be achieved that would benefit both.

In line with these objectives, the November proposal contained job guarantees but also a pension scheme involving a move from defined benefits to defined contributions, in line with similar developments in many other industries. One might argue that the proposal had it all: help keep thousands of jobs in Seattle making the union happy, while reducing costs and obtaining sizeable Washington State financial benefits helping Boeing achieve its goals. Additionally, the risks would be minimized because experienced workers and subcontractors would be used – and this is important for Boeing, which cannot afford the problems that plagued the introduction of the 787.

So, if the proposal addressed the interests of both parties, how come it was initially soundly rejected by two-thirds of the union membership? It was approved by the slimmest of margin even though many objective analysts believed that to move the 777 production line out of Seattle was bad for Boeing?

Here comes the irrational part. The negotiation process was done in about the worse way imaginable. Both sides negotiated in the press instead of with each other. Boeing threatened the union with statements that a “no” vote would mean the loss of jobs, and immediately after the vote moved to talk to officials in other states seeking alternative sites.

The process was one of the “take-it-or-leave-it” kind, not one of trying to find the best mutually beneficial situation. The union assumed that Boeing was bluffing and had no real alternatives and, hence, would have to come back to modify its proposal.

Taunting and insults on both sides are not conducive to a successful agreement. Both sides played a game of chicken in which cars were going at each other at high speed challenging the other to blink and get out of the way to avoid a terrible collision. This time the union blinked.

The outcome was quintessential aviation. A situation which we call a “no-brainer” evolved into high drama. At the end sanity carried the day but the tradition of irrational and combative behavior so endemic to our industry remains a critical element in decision making. We can all hope that eventually sound analysis and a will for cooperation will prevail over high flying egos and guide us to a brighter future. ▲