International Association of Machinists
& Aerospace Workers

OVERTURN FLAWED TANKER AWARD

In February, the U.S. Air Force awarded a $40 billion contract to the European Aeronautic Defence & Space Company (EADS) of Toulouse, France, and Northrop Grumman to build 179 refueling tankers for the U.S. Air Force based on the Airbus A330. **Over time this European stimulus package will grow in value to over $100 billion as additional tankers are purchased**. Meanwhile, America has shed over three million good paying manufacturing jobs since 2000. The decline in U.S. manufacturing has serious implications for our Nation's defense industrial base. While Boeing has appealed the Air Force's award to the Government Accountability Office, a decision is not expected until mid-June.

Under the guise of "free trade," American workers and producers have long struggled to compete against the unfair trade practices of many of our global trading partners. EADS, the parent company Airbus, is no exception. Their tanker was heavily subsidized by the European Union. The subject of one of the largest lawsuits ever brought before the World Trade Organization by the U.S., these ongoing subsidies total tens of billions of dollars.

A Boeing award will have a significant impact on union jobs. With over 85 percent domestic U.S. content the Boeing KC-767 will support more than 44,000 U.S. jobs and 300 contractors in over forty states. The EADS proposed tanker, based on the Airbus A330, will be constructed of European components that will be shipped to the U.S. for final assembly by a nonunion work force. Prior to the award, Northrop insisted that their tanker, which has only 58 percent domestic content, would support 25,000 jobs in the U.S. Incredibly, they now claim twice that number. The AFL-CIO, UAW, IBEW, and Teamsters all support Boeing's appeal.

The KC-767 is the right plane for a demanding job. Capable of refueling any aircraft, Boeing's plane is a technologically advanced tanker capable of a wide range of missions. EADS' tanker is much larger, with more space for cargo but not much more for fuel (EADS' tanker carries 20% more fuel but also burns 20% more fuel flying). It is so large that it cannot land at many critical military bases, reducing its value as a military support asset.

The best value tanker for the Air Force. Due to its superior fuel efficiency, the KC-767 has lower life cycle costs and will save an estimated $10 billion in fuel costs for the first 179 tankers when compared to the EADS' plane. Additionally, the KC-767 is projected to save $8.5 billion in operating and support costs versus the current KC-135. Only the acquisition costs are the same for the two planes, due to the illegal European subsidies for the A330.

In light of the grievous actions of the Air Force, we ask that Congress do the following:

- **Conduct a full investigation of the circumstance surrounding the awarding of the tanker contract to a foreign contractor. The Air Force must take into account the impact of this award on jobs, the economy, and the defense industrial base, as well as, the use of illegal subsidies by European governments.**
- **Fix the broken Buy American Act. 21 foreign countries are treated as American when it comes to defense procurement and the Bush administration wants to increase that number. The administration has also issued a record number of waivers to foreign contractors not treated as American, costing U.S. jobs. Employment impacts must be part of procurement decisions.**
- **Defund the award of the Air Force's contract to EADS/Northrop.**

International Association of Machinists
& Aerospace Workers

JUST SAY NO TO FAILED TRADE DEALS

The Bush administration has negotiated a series of failed free trade agreements (FTAs) with Columbia, Panama, and South Korea that do little to benefit workers and their families, both here and abroad. These free trade agreements continue the cheap labor globalization model and contain many of the same provisions of the NAFTA and CAFTA, the sole objective being the protection of multinational investors. Any good trade agreement must incorporate the core labor standards of the International Labor Organization (ILO), and these labor standards must be enforceable. None of these FTAs provide for real labor protections.

No to the Columbia FTA

More trade unionists are killed in Columbia than the rest of the world combined—more than 2,600 since 1986. Last year thirty-nine were killed, and this year the steady drip of blood and terror continues with killings of trade unionists averaging one per week. Right wing death squads commit these murders with the complicit approval of the Columbian government. As a result, the percentage of unionized workers in Columbia has shrunk to 2 percent, effectively destroying the Columbian labor movement. There is no acceptable level of violence against trade unionists. The U.S. must adopt a zero tolerance policy towards these killings. Only then will Columbia begin to stop the murders and begin to qualify as a trading partner worthy of a trade agreement.

No to the Panama FTA

With a relatively small economy (Latin America's 14th-largest), Panama has a high degree of imports, not due to local demand, but because of the Colon Free Zone, which is home to the world's second-largest free trade zone. In addition, Panama has Latin America's largest international banking center and one of the world's top offshore company registries. This tax heaven for multinational investor has been the driving force behind the Bush Administration's demand for a FTA.

No to the South Korea FTA

The International Labor Organization has also found that Korea has violated fundamental labor rights, such as, freedom of association. Further, the FTA does not require parity of enforcement between the labor and commercial provisions, which will further erode worker rights. As the world's fifth largest manufacturer, Korea poses stiff competition to U.S. based producers. Korea places significant non-tariff barriers to U.S. products, particularly in the automotive sector. In 2006 Korea exported nearly 700,000 vehicles to the U.S., while accepting a mere 4,000 from our country. Unfortunately, this FTA does little to open up Korean markets and continues to put American jobs at risk.

This is the time to be addressing the most significant challenge we face in the global economy—the rising power of China, a country that has suppressed worker rights and unfairly manipulated its currency to the determent of U.S. manufacturers and service providers.

3

International Association of Machinists
& Aerospace Workers

IAM Supports Brown/Michaud TRADE ACT: Time for a New Model

Trade Reform, Accountability, Development and Employment (*TRADE*) Act

The IAM believes that in order for the global economy to work, it must work for the world's workers. That is why we have led the opposition to NAFTA, and the trade agreements with Columbia, Peru, South Korea, and Panama. Each and every one of these trade agreements fails to recognize and effectively enforce fundamental human rights, like the basic right to form a union.

The IAM has called for the incorporation of human rights in all trade agreements, as well as effective mechanisms to enforce these rights. We have also called for a moratorium of all future trade agreements and most importantly, a timeout to force policymakers to take a hard look at how the current NAFTA-model is destroying jobs and our members' lives. We are witness to the tragedy that occurred when Maytag left Galesburg, Illinois for Mexico and when Freightliner turned its back on so many of the workers that made it such a success.

We want policy makers to truly understand how the current framework costs even more jobs as companies at home transfer production and technology to other countries. We also want them to understand how the threat of moving jobs unfairly distorts the collective bargaining process and is used to crush organizing efforts. We also want lawmakers to realize that the products, components, and services that are performed elsewhere can and do have major and significant safety and quality implications for consumers here at home. Indeed, the issue of product safety extends far beyond toys and tires.

The IAM believes that an entirely new model for trade and the global economy is critical if we are to regain our economic strength in the World. The first step is to throw out the old, failed model. The second step is to begin to craft a new model that is based on fairness and that will result in helping, not devastating, workers here at home.

Senator Brown and Congressman Michaud understand that the old way of negotiating trade agreements is an abysmal failure and that we need a new model. Together, they have introduced, the TRADE (*Trade Reform, Accountability, Development and Employment*) Act. This Bill would accomplish four major objectives:

1. **Stops negotiations on all new trade agreements.**
2. **Mandates a comprehensive review of all past trade agreements, documenting the massive loss of jobs that have occurred, and defines what constitutes a trade agreement beneficial to all Americans.**
3. **Incorporates real and meaningful international labor standards as provided by the International Labor Organization Conventions into the core of any trade agreement.**
4. **Creates meaningful enforcement for violators of international labor, environmental, and public health standards.**

The TRADE Act represents a fresh new start to replacing the failed trade model that continues to destroy jobs, lives, and communities. **Urge your Representative/Senator to sign on as an original cosponsor.**

4

International Association of Machinists
& Aerospace Workers

SUPPORT THE F22

- Our US Air Force has consistently said they need 381 F-22 aircraft to replace our current force of over 500 F-15 fighters , yet the Bush Administration proposes terminating the program early at only 183 aircraft – less than half of what the Air Force says they need.

- If the Bush plan holds, FY2009 would be the last year of DoD-proposed funding for F-22 production, and many key suppliers would be terminating production of vital F-22 parts starting as early as this coming October. Without advance production funding for FY 2010, the Bush plan will be a fait accompli for the next President and we will be forced to live with less than half the planes our military says are needed for the next 30 years.

- We believe the next President deserves the right to take a fresh look at our national security needs and make a determination as to how many F22's are required for the next 30 years. This can be accomplished by tacking on one more year's production to the program and buy another 20-24 aircraft. No military leader doubts that these additional aircraft are not needed, and closing the F-22 production line would be hugely expensive to reopen at a later time.

- From an industrial base perspective, this nation has always had a mature advanced Fighter production line running. Terminating the F-22 line now, causes a 3 year gap before the F-35 will reach similar levels of production. This is the first time in US history we have ever had such a production gap. This gap eliminates any wartime or crisis surge capability to produce significant numbers of 5th generation fighters.

- IAM proudly represents roughly 1,500 machinists who build the F-22. Over 25,000 engineers and hi tech workers in 44 states help build the F-22, and conservative estimates hold that these jobs generate another 70,000 indirect nationwide jobs as well.

- Meanwhile aerospace jobs are disappearing or threatened across the nation with potential line closings threatening the F-18, F-16, C-17, and 767. With the fragile economic state that we are in, it is critical that we act now to protect our nation's highly skilled, high paying, high technology jobs that are the engine for America's continued global aerospace leadership.

Bottom Line:

Support an additional $497M in Advance Procurement for 24 F-22s in the FY08 Supplemental Budget. These funds must be approved by the end of Oct 2008 to prevent the initiation of production line shutdown starting with key long lead suppliers.

5

International Association of Machinists & Aerospace Workers

"Express Carrier Employee Protection"

- **We need a FAA Reauthorization bill that levels the playing field by putting fairness and consistency into the law.** The largest delivery companies have workers who perform virtually identical work: however, some companies' workers are governed under the National Labor Relations Act ("NLRA"), while workers at other companies fall under the Railway Labor Act ("RLA"). For example, the United Parcel Service, which has both airline and trucking components of its business and competes with FedEx, is covered by the RLA for its airline operations and by the NLRA for its trucking operations. Unlike UPS, the current language defining FedEx as an "express carrier" puts all its workers under the RLA. What's the difference? Under the NLRA, workers can act locally in seeking to organize and collectively bargain, whereas under the RLA workers must organize nationally, an enormous challenge in the environment workers find themselves in today.
- **In 1995, the "express carrier" provision was deliberately removed from the RLA in an attempt to clean up "obsolete language."** As part of the act terminating the Interstate Commerce Commission, Congress deleted the term "express carrier" from the Interstate Commerce Act and the RLA. Supporters of the FedEx rider claim that the "express company" term was mistakenly stricken from the RLA and they were making a technical correction. That is False. Congress deleted the term because the last express company, the Railway Express Agency, went bankrupt in the early 1970's. The deletion of "express company" from section 1 of the RLA does not appear to have been inadvertent or mistaken. This was the conclusion of the Congressional Research Service.
- **In 1996, the Senate passed legislation directly aimed at thwarting workers ability to conduct local organizing drives.** FedEx truck drivers are not unionized. However, the truck drivers at the Pennsylvania facilities of FedEx have been trying for years to organize and become members of the UAW. In 1991, about two dozen FedEx employees filed a petition for a union election with the National Labor Relations Board. The employees asked the Board to conduct an election among 1,200 couriers, tractor-trailer drivers and customer-service agents in the Liberty District. FedEx challenged the petition, arguing that the entire company, including its truck drivers, were covered by the RLA, not the NLRA. During the litigation, FedEx usurped the NLRB process by including the "express carrier" amendment in the FAA reauthorization bill to guarantee that its truck drivers are covered by the RLA, and thereby block the local union efforts by its truck drivers in Pennsylvania and elsewhere.

- **The term "express carrier" was inserted into the FAA Reauthorization bill as a favor to FedEx CEO Fred Smith.** In 1996, the term "express carrier" under the RLA was inserted in the FAA reauthorization bill by Sen. Ernest F. Hollings of South Carolina. When Sen. Hollings was asked why he was taking the lead in the Senate to insert the express carrier provision, he said he was trying to repay a decade-old debt to FedEx. He recalled that the FedEx CEO Fred Smith, at his request, had dispatched two airplanes to airlift hay to drought-stricken South Carolina farmers.
- **The "Express Carrier Employee Protection" provision in the House FAA Reauthorization bill will modify the "express carrier" language in the RLA.** Workers who are directly involved with the aircraft operation portion of those companies would continue to be under the jurisdiction of the RLA, while the remaining and likely larger portion of the workforce would then fall under the jurisdiction of the NLRA like their peers in the rest of the industry. For example, FedEx air operations would be governed by the RLA while trucking would fall under the NLRA, as is the case with FedEx's larger rival, UPS and the rest of the parcel delivery companies. FedEx has benefited from this unfair competitive advantage far too long, let's deliver fairness to those who deliver for us.

If you have any questions, please contact the Legislative and Political Director Matt McKinnon at (301) 967-4575.

6

International Association of Machinists
& Aerospace Workers

Machinists Oppose Airline Consolidation

The Machinists Union strongly opposes mergers among the major airlines for the following reasons:

Airline hubs will be eliminated, service frequency will be reduced, competition will be diminished, jobs will be lost, customer service will deteriorate, pension obligations will be jeopardized and fuel prices will remain unaffected by a merger.

Hubs Will Be Eliminated

All the major airlines operate a hub and spoke system. A combination of two airlines will create a redundancy of hubs, forcing the closure or substantial reduction in flights at some hubs. This will lead to a great loss of jobs at not only the airlines involved, but also the dozens of service companies that support airline operations in hub cities.

Service Frequency Will Be Reduced

If two airlines merge and each flew to a particular city four times a day, after the merger the frequency of flights from the combined airline will be fewer than eight flights a day. A major goal of airline mergers is to reduce capacity, which means fewer seats available.

Competition Will Be Diminished

Fewer airlines and fewer flights mean fewer choices for consumers. This leads to higher fares.

Jobs Will Be Lost

Airline employees lost jobs after the attacks of 9/11, they lost jobs after painful bankruptcies, and mergers are just another avenue for airlines to cut more jobs. This will lead to an increase in the nation's already high unemployment rate, as well as a reduction in taxes airline workers pay the government and in the money they spend in their communities.

Customer Service Will Deteriorate Further

Customer service in the airline industry is legendary – legendarily poor. Merging two major airlines will force executives to pour resources into integrating the two companies and two different corporate cultures. This means customer service will not be a focus the combined airline for many years.

Pension Obligations Will Be Jeopardized

Many airlines have frozen or terminated pension plans. If a merger takes place between two major airlines with company-sponsored pension plans, and the combined airline ultimately fails, the pensions will be forced onto the Pension Benefit Guaranty Corporation (PBGC). If, for example, a Delta-Northwest combination failed, the PBGC would be burdened with more than $7 billion in liabilities. The PBGC has already expressed concerns about such a scenario.

A Merger Will Do Nothing To Lower Fuel Prices

Airlines cite high fuel prices as a reason to merge, but the cost of fuel for two individual airlines will be the same as for one large airline.

7

International Association of Machinists & Aerospace Workers

Privatization of Federal Jobs

Position: **The Office of Management and Budget's (OMB) privatization effort is not about making federal services more efficient; rather, it is designed to replace hundreds of thousands of federal employees with contractors. OMB is still forcing agencies to use privatization quotas, the A-76 process remains extremely pro-contractor, and OMB justifies its unprecedented wholesale privatization effort with unsubstantiated savings claims. We encourage Congress to adopt rules that will level the playing field for all federal workers in A-76 competitions, and where appropriate, eliminate competitive sourcing altogether.**

Competitive sourcing is the method by which federal agencies attempt to move work performed by federal workers into the private sector. Competitive sourcing is one of the five elements of the President's Management Agenda. While competitive sourcing may seem like a good way to save the government money in principle, any savings that the Office of Management and Budget (OMB) claims are unsubstantiated. For example, a recent Government Accountability Office (GAO) study found that a Forest Service estimate of $35.2 million in savings from competitive sourcing in fiscal years 2005 and 2006 excluded $40 million in transition costs. Other agencies are using similarly questionable criteria in generating savings estimates, and GAO has repeatedly questioned OMB's historically grandiose savings claims. Moreover, OMB officials acknowledge that:

- Only a very small percentage of OMB's *estimated* savings from competitive sourcing, if any at all, result in *actual* savings. Estimated net savings have not been independently verified.
- Claims of 40% savings are completely false. Any such estimates are qualified with hedge words that demonstrate the subjectivity of the claims.
- Agencies deliberately use criteria that exaggerate savings from and minimize costs of conducting privatization reviews. Costs of conducting a study can run into the tens of millions with no guarantee of any savings at all.

Government-wide Reform

Last year, Congress included some significant contracting out reforms in the FY08 Defense Authorization Bill and the FY08 Omnibus Appropriation Bill. While these reforms were a good start, many of the provisions only apply to the Department of Defense (DoD). We believe these provisions should be expanded to apply to all federal agencies. They include the following:

- **Encourage all agencies to begin plans to bring new work and outsourced work back in-house where appropriate:** The Pentagon is charged with writing guidelines and procedures "to ensure that consideration is given to using, on a regular basis, DoD civilian employees to perform new functions and functions that are performed by contractors and could be performed by DoD civilian employees." This should be expanded to apply to non-DoD agencies so that employees in those agencies would have opportunities to perform new and outsourced work.
- **Make it easier for civilian employees at all agencies to acquire and retain work:** Another terrible inequity in the A-76 process is its requirement that federal employees, but not contractors, must always undergo a public-private competition in order to acquire new work. This also applies when the scope of the work federal employees are already performing increases by a certain amount. Last year's legislation eliminated this problem for DoD employees. Managers, who in the past may have been reluctant to bring in new work for fear of having to first conduct an A-76

competition that might be long and costly, or who simply automatically contracted out new work because it was quicker, can now bring that work in-house without worrying about the A-76 process. This reform should be expanded to cover the non-DoD agencies.

- **Establish contractor inventories at all agencies:** An inventory of work performed by DoD contractors is being established, in part, to help promote insourcing. Every year, the Pentagon must submit an inventory to Congress, which will soon thereafter be made public, covering every service contract. For each contract, we will know, among other things, what work is being done, how much it costs, and how many contractor employees are performing the work. Every year, DoD must review that inventory to, among other things, look for contracted out work that should be converted to performance by DoD employees. Every agency should be developing its own contractor inventory.
- **Prohibiting automatic recompetition in all agencies:** One of the many inequities in the OMB Circular A-76 privatization process is that it requires federal employees, but not contractor employees, to be automatically recompeted at the end of their performance periods. For DoD employees, that problem has been fixed. Congress simply eliminated the automatic recompetition requirement, although DoD officials can decide on their own to recompete a function. Automatic recompetition should be eliminated in non-DoD agencies as well.

Direct Conversions - Agencies continue to engage in direct conversions, giving work performed by federal employees to contractors, without public-private competition. This is contrary to the interests of taxpayers as well as federal employees. Section 739(a) requires public-private competitions for functions performed by ten or more federal employees. Agencies are directly converting smaller functions and breaking up larger functions in order to get under this threshold. The threshold should be reduced to zero. Agencies also let federal employees retire and then replace them with contractors, again without competition. Whether genuinely commercial functions should be contracted out should be decided by a fair competition process, not by whether the federal employees currently performing the work are of retirement age.

HPOs - OMB is requiring agencies that can't or won't conduct A-76 privatization reviews to instead achieve their federal employee quotas with High Performing Organization (HPO) reorganizations. Because HPOs, as internal reorganization efforts, can involve both commercial and inherently governmental employees, they are usually larger and more extensive than A-76 studies and thus can have far more wide-ranging consequences for the delivery of services. A serious flaw with HPOs is that there is practically no guidance for agencies to follow in devising their HPO reorganization plans. As much as unions sometimes object to A-76 studies, there is at least an established process in place that Congress is informed about and agency employees can count on. For HPOs, no such process or guidance exists. There is no paper trail or Congressional reporting requirement for committees or affected federal employees to follow. In fact, we have been told by the top competitive sourcing officers that their entire guidance for a specific HPO review impacting 3,500 workers is a set of bullet points that fits on one side of a sheet of paper. Agencies are conducting multi-million dollar reorganizations of critical government functions, and yet neither employee representatives nor Congress know anything about the process they are using.

Agency Exclusions - In some agencies, competitive sourcing simply does not make sense. Two such agencies are the Forest Service and the Department of Defense (DoD). At the Forest Service (FS), in addition to performing land management work, the majority of employees serve a critical homeland security function. These workers serve in the FS militia, in which they respond at a moment's notice to wildfires and a wide variety of emergency incidents. Outsource the forest planner and you lose the highly trained rapid responder as well. To outsource this workforce would be to decimate the nation's emergency response capabilities. At DoD, the agency has refused to comply with A-76 changes Congress has demanded, and they continue to spend millions of dollars on outsourcing government jobs when those resources are being diverted from the war effort.

Summary of Requested Congressional Action

The IAM encourages Congress to improve the competitive sourcing program by:

1. Applying last year's DoD reforms to the rest of the federal government.
2. Eliminating direct conversions.
3. Eliminating the use of HPOs.
4. Suspending the competitive sourcing program in agencies that have a poor record on A-76.