

# Hawker, union launch contract talks

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High-stakes negotiations between Hawker Beechcraft and the Machinists union open today, with thousands of aviation jobs likely on the line. Talks begin at 1 p.m., a year before the current contract is to expire. Hawker Beechcraft has told the union, which represents about 2,400 hourly workers in Wichita, that the company will move its aircraft production out of Wichita if talks aren't successful, union leaders say. And if production goes, other work is likely to follow, they say.

With so much at stake, union officials call this round of talks the most difficult in the history of the company and the Machinists. Hawker Beechcraft CEO Bill Boisture told The Eagle last month that the company is considering moving work to Louisiana or Mississippi. It's also looking outside the U.S. A series of decisions, including Wichita's future role, will be made over the next six months, Boisture said at the time.

The company is looking for ways to cut costs. The union agreed to reopen talks because the consequences of not doing so could be grim, it said. "The situation with Hawker Beechcraft is serious, and they are looking at several possibilities to move jobs from Wichita," union officials said in a memo to members. The company wants to cut costs and secure a long-term agreement, the union said.

It's too soon to say what specific concessions the company is seeking, Machinist officials say. But sources say the company wants pay cuts and for workers to pay more of the cost of health insurance premiums. Opening negotiations early is unusual, said Machinists spokesman Bob Wood. But "when companies are in trouble, it's not unheard of," Wood said. The union is going to look at doing everything it can to preserve jobs, he said. "But the IAM alone can't save the aircraft industry in Wichita. We need help from our state and local officials." The governor and local officials have said they are meeting with the company to see what can be done. The company declined to comment

Wednesday on the reopening of negotiations. Preserving jobs is "absolutely critical" in Wichita, a city that lost thousands of jobs in the recession, said Martin Perline, Wichita State University economics professor.

In today's economic environment, companies have the advantage when it comes to negotiations, Perline said. "I wouldn't be surprised if the union winds up conceding the most out of this," he said. It doesn't have a lot of choice, he said. Hawker Beechcraft has offers from other states to set up a site, he said. If the company gets enough concessions from the union and incentives from the state, Perline said, it might keep jobs here. "If there was no point in possibly staying, why bother to negotiate?" Perline said. "They could say when the (current) contract's over, we're going; goodbye, that's it."

There are costs to moving operations. "So if they get enough, it won't pay to go anymore," Perline said. "I don't know how much 'enough' is." The company's consideration of moving work outside Kansas is not unlike what Boeing did in moving 787 production to South Carolina, said JSA Research aerospace analyst Paul Nisbet. Other companies are also moving to southern states to avoid unions or to find "more friendly" ones, Nisbet said. "It's a move that the managements are taking to improve their situation with the unions," Nisbet said. "It certainly seems to be working out for others, so why shouldn't (Hawker Beechcraft) try to do the same?"

William Alderman, president and founder of Alderman & Co. Capital, a broker specializing in the aerospace industry, said it's possible Hawker Beechcraft will move some production out of Wichita. Moving is disruptive, but other companies, such as Boeing, have proven that setting up operations in a pro-business state can work out, Alderman said. "I really do think that the Boeing model for the 787 line is the precedence," he said.