

# Eads vs boeing: a house divided



At face value, there seems to be nothing wrong in the award of the \$ 35 billion contract to Airbus' parent company, EADS or the European Aerospace Defense and Space Company, and its partner Northrop Grumman.

There should be nothing irregular for a potential customer for a new line of in-flight fuel tankers in getting, in its belief, the best product in the market that money can buy. But this deal has raised a storm in the halls of power in the United States. This deal has effectively split the House of Representatives (Eric Rosenberg, 2008).

It has Congress even warning that the deal may be scrapped altogether if the Air Force brass did not come up with sufficient reasons why the deal was awarded to a foreign instead of a United States business concern, in this case Boeing Co. (David Herszenhron, 2008).

Good Old American vs Across the continent

The United States Air Force sent shockwaves through the aerospace sector after electing to go with the European consortium EADS and U. S-based Northrop Grumman (Rosenberg, 2008) for the acquisition of 179 air refuelling aircraft (AFXNewsLimited, 2008) for a whopping figure of \$35 billion.

Both supporters and detractors of the deal have come up with strong arguments positioning their stands on the deal. Opposition in Congress, especially from representatives will stand to throw away thousands of employment opportunities in the conduct of the deal, aver that this deal poses a threat to national security and even be accused as a factor in the United States outsourcing jobs for their citizens (Rosenberg, 2008).

Lawmakers on Capitol Hill also have qualms about the controversial pact. Pennsylvania lawmaker John Murtha (2008), chairman of the Defense Appropriations subcommittee of the House, says that the deal has raised some considerable issues that would put a vital piece of a military construction scheme under direct control of a foreign business concern (Herszenhron, 2008).

Murtha (2008) further tightens the screws on the Air Force by threatening the contracts' closure (Herszenhron, 2008). In the light of the controversy, Murtha (2008) says that all that is needed to stop this deal from going forward is for his committee to halt funding for the project, since it is his committee that is empowered to allocate resources for the project (Herszenhron, 2008).

The choice of the Air Force to go with EADS was an enormous blow for its rival in the bidding, Boeing Co. (Rosenberg, 2008). Boeing losses at present stand at \$35 billion, but the tag on the project could climb to as high as \$100 billion (Rosenberg, 2008). House Speaker Nancy Pelosi (2008), another critic of the deal, wants some answers to some serious concerns about the deal (Rosenberg, 2008).

Pelosi (2008) wants the Defense department to comment on is whether the Air Force went into serious deliberation on the effects of the deal would have on the employment picture in the United States, expecting the Air Force to spell out how this deal will affect the long-term defense needs of the military and the consequent effect on Americans (Rosenberg, 2008).

Boeing has been grouching over the fact that Airbus has been the recipient of subsidies coming from the EU, thus allowing it to bid lower than Boeing  
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(Rosenberg, 2008). If Boeing had won the deal, the Washington-based company would have built the planes in Everett and finished the planes' alteration once they are moved to Kansas (Turner, 2008).

On top of the loss of jobs in the United States, the new deal would have allowed spending of up to \$ 40 billion and as stated earlier, could go up to as much as \$ 100 billion, when the Air Force puts in the pipeline orders for 400 more of the in-flight " gas stations" over a 30 year period (Herszenhron, 2008).

#### Losing chances for paychecks

Some Hosue officials have described the Air Force's choice as a big mistake (Herszenhron, 2008). Washington Representative Patty Murray (2008), accused the Air Force of continuing the drain that the American economy is already sending abroad, castigating them for the loss of around 44, 000 jobs and serving them on a silver platter to the European labor force (Turner, 2008).

Murray (2008) further lambasts the Air Force of allowing the creation of a European job market while undercutting the security of the United States economy (Turner, 2008). Some even call the project an endowment for European workers paid by American tax money (Rosenberg, 2008). But supporters of the deal paint a better picture for the United States labor force.

To oppose the grim picture that the opponents of the deal would like to paint, supporters of the pact have been saying that instead of losing jobs, the accord would in fact even be generating thousands of new employment

opportunities across America while keeping in service the most suitable tanker (Rosenberg, 2008).

Representatives from Alabama and Mississippi, two of the states that stand to gain the most from the deal, have tried to allay the fears of their House colleagues (Herszenhron, 2008). In their challenge to Rep. Murray's claims, Alabama House representatives have asserted that the winning bidder has stated that 60 percent of the work to be done on the tankers will be done in the United States (Rosenberg, 2008).

Northrop-Grumman, itself an American company, had committed to build their manufacturing base in Mobile, Alabama for the tanker's assembly operations (Rosenberg, 2008). In addition, the deal would generate 25, 000 new jobs scattered around 230 companies around the United States (Rosenberg, 2008).