

DEFENDING THE CORPORATE “FREEDOM TO RELOCATE”

I wasn't entirely fair when I quipped on Twitter that, if Obama asserts that “as a general proposition, companies need to have the freedom to relocate,” then shouldn't people, too, be able to flout laws—like mortgage contract laws or immigration laws—to assert their “freedom to relocate.” Obama *does* say that Boeing has to follow the law.

Nevertheless, Obama does seem to suggest that Boeing's choice to relocate a plant in South Carolina—allegedly in retaliation for past strikes in Washington State—is a good thing, because “jobs are being created here in the United States.”

With that stance in mind, I'm particularly interested in Obama's assertion that, “the airplane industry is an area where we still have a huge advantage, I want to make sure we keep it.” That's true—we are competitive in aerospace. And ignoring labor laws is one way to convince corporations to keep (not recreate, but shift from expensive to cheap states) jobs in the US.

There are other ways, of course, like direct incentives and requirements on American made goods. Obama has been better than recent presidents, but has done nothing near what the countries we compete against have done. But there are affirmative ways to make this happy rather than asking workers to forgo their rights in the name of everyone getting along.

I was thinking of this as I read this follow-up post at POGO. An earlier POGO report—based on a liberated IG Report—had detailed how Boeing had massively overcharged the US for helicopter spare parts.

The DoD OIG scrutinized Army Aviation and Missile Life Cycle Management Command (AMCOM) transactions with Boeing that were in support of the Corpus Christi Army Depot (CCAD) in Texas. The audit focused on 24 “high-dollar” parts. Boeing had won two sole-source contracts (the second was a follow-on contract awarded last year) to provide the Army with logistics support—one of those support functions meant Boeing would help buy and/or make spare parts for the Army—for two weapons systems: the Boeing AH-64 Apache and Boeing CH-47 Chinook helicopters.

Overall, for 18 of 24 parts reviewed, the DoD OIG found that the Army should have only paid \$10 million instead of the nearly \$23 million it paid to Boeing for these parts—overall, taxpayers were overpaying 131.5 percent above “fair and reasonable” prices. The audit says Boeing needs to refund approximately \$13 million Boeing overcharged for the 18 parts. Boeing had, as of the issuance of the audit, refunded approximately \$1.3 million after the DoD OIG issued the draft version of its report. Boeing also provided a “credit” to the Army for another part for \$324,616. The Army has resisted obtaining refunds worth several million dollars on some of the overpriced spare parts, in opposition to the DoD IG’s recommendations. For instance, one of the IG’s recommendations was that the Army should request a \$6 million refund from Boeing for charging the Army for higher subcontractor prices even though Boeing negotiated lower prices from those subcontractors. In response, the Army said that “there is no justification to request a refund.”

Note that last bit: the Army is, in some cases,

refusing to ask for its (our!) money back.

To which a POGO reader asks,

POGO reader Mike offers his two cents on Boeing's taxpayer ripoff:

The real question is when will the Army be held accountable? The Army was permitted to ignore billions in DCAA [Defense Contract Audit Agency] findings on contracts with KBR for war related contracts. The Army and DoD in general will continue to permit contractors to rip off the taxpayers because the contractors hold the power. Nothing will change as long as the Army and other services get away with it.

Any guesses whether the Army will be held accountable for its \$71.01 straight pins?

Again, I'm not saying I want the government to outsource purchase of straight pins to China. But if we're going to subsidize strategically chosen corporations in this way—and, potentially, by ignoring our own labor laws—then aren't there better, more honest ways to subsidize these companies, ones that offer workers more say than just a plaintive "can't we all get along"?