FORUM

COMMENTARY

Boeing strikers have leverage to make changes

Thomas Black

It's hard to overstate the damage that a machinists' strike could do to Boeing Co. and, more important, to the plane maker's fragile supply chain. Suppliers had already been whiplashed by the groundings of the 737 MAX and the 787 and then the pandemic.

Boeing was just beginning to get back to building planes in an orderly fashion and keeping work steady for its supply base, which is key for its financial health and the production of high-quality parts.

The overwhelming support to go on strike — 96% of the 33,000 members of the machinists' union in Seattle voted to take to the streets — is an ominous sign for Boeing. This walkout could drag on for weeks, and Boeing will have to pay a high cost it can ill afford to satisfy workers. The company is burning through its $12.6 billion of cash and has a huge $58 billion debt burden, raising concern it could lose its investment-grade ratings. In fact, Moody's Ratings said on Friday that it had placed the company's debt rating on review for a potential downgrade to junk.

Unfortunately, Boeing's new chief executive officer, Kelly Ortberg, is reaping what was sown a decade ago when the company thought it was smart to put the screws to union workers with the threat of moving more production to its nonunion South Carolina facility. That 10-year contract extension, reached in 2014, froze pension benefits, among other things, planting the seeds of this thorny conflict.

The union now has the upper hand, because Boeing desperately needs to ramp up plane production to help heal its supply chain and stem its losses. The company offered a general wage increase of 25% over four years and a $3,000 bonus for approving a new contract. Workers wanted a 40% raise and annual performance bonuses.

How does Boeing pay up without breaking its finances? Here's a quirky suggestion, providing an opportunity for the union to ensure management doesn't go on another massive stock buyback spree.

From 2014 to 2018, Boeing repurchased $38 billion worth of shares, juicing up the stock price temporarily. That cash, which Boeing could certainly use now, just went up in smoke after the two fatal crashes of the 737 MAX and the quality issues exposed during the pandemic caused shares to plummet.

Wall Street, of course, loves share buybacks. The large investment banks are often involved in the repurchases, and the earnings-per-share boost that results from shrinking the number of outstanding shares fits with the short-term mentality that emphasizes the next quarter's targets rather than the long-term strategy.

On the flip side, Wall Street isn't a huge fan of dividends. Those payments carry a higher tax rate than the capital gains from selling shares. Dividends also lock in the use of cash because cutting that payment generates negative publicity.

The union should set a precedent and demand its workers receive a bonus tied to a percentage of any share repurchases — say 5% or 10%, to create a disincentive for Boeing executives to burn up more cash when the good times return, if they ever do. If the board just can't wean itself off the buyback steroids, then at least the workers would share in the largesse.

Yes, this idea is a bit far-fetched. The union likely won't want to waste its newfound bargaining power on something that doesn't provide an immediate payout. Boeing's management would resist it at all costs, because it would tie its hands on one of Wall Street's favorite financial tools.

Still, Boeing's workers are in a rare position to think outside the box and bring important changes to the company.

Black is a Bloomberg Opinion columnist focused on the industrial and transportation sectors. This column does not necessarily reflect the opinion of Bloomberg LP and its owners.

COMMENTARY

The spirit of fracking comes to lithium mining

Liam Denning

"Fracking" is an expletive in environmental circles. Yet the spirit of shale is creeping into a business with transformational potential for the energy transition.

Schlumberger NV, the industrial giant best known for sucking oil and gas from shale, the seabed (and other places besides), last week announced a breakthrough in direct lithium extraction, or DLE.

Lithium is the essential metal in the batteries that power electric vehicles and store energy on the grid, both pillars of decarbonization. Roughly a third of current production involves pumping lithium-rich brines into giant pools and using natural evaporation to leave concentrated salts. This method is cheaper than mining, the other main method. But it needs a lot of land and water and it is slow. Plus, evaporation typically captures only about 40% to 60% of lithium in the brine, whereas mining recovers more like 70%.

DLE offers a way to address evaporation's shortcomings, mainly by speeding things up. Rather than being pumped into big pools for months and months of evaporation, DLE uses membranes, adsorbents and other technologies to directly extract lithium from brines far quicker and with a much smaller footprint. Schlumberger claims its demonstration plant in Nevada times faster than traditional evaporation while using only 10% as much land.

Efficiencies of this magnitude have the potential to unlock vast lithium resources in the United States, ultimately reordering the global playing field in an echo of how shale challenged oil's power structure over the past two decades.

Addressing the obvious caveat: All Schlumberger disclosed are some headline figures from a pilot that didn't include the all-important one of cost. All such announcements should be treated with caution.

Yet Schlumberger is hardly some junior miner. Schlumberger's DNA is coded with crude but it clearly sees electric vehicles and grid batteries as viable long-term bets and seeks to capitalize on the associated lithium demand.

Any part of the oil complex muscling into transition territory is liable to draw skepticism. Exxon Mobil Corp.'s foray into DLE with the acquisition of 120,000 acres in Arkansas raised eyebrows last year because, well, it's Exxon.

Then, in June, Exxon signed a preliminary agreement with a serious battery-maker, South Korea's SK On Co., to begin supplying lithium from 2027.

DLE technology has been around for decades, but given the variability of brine concentrations and geology, getting it to territory of the United States will require money, patience and a willingness to experiment with different extraction technologies.

The U.S. Geological Survey estimates domestic lithium resources at about 14 million tons, or 13% of the global total. As of today, however, there is only one small U.S. lithium production site in operation, Albemarle Corp.'s Silver Peak brine facility in Nevada, producing around 5,000 tons annually.

While DLE as a technique isn't as homogeneous as fracking, it has the potential to disrupt the current lithium ecosystem centered on China, Australia and South America, as shale did with global oil. But its quicker timelines, smaller environmental impact and higher capture rates offer avenues that companies such as Schlumberger can work with to try to cut costs and get DLE to a point where it competes with traditional projects.

From the perspective of energy transition, the prospect of oil industry dollars fueling innovation, and a deflationary fight for market share, in critical minerals should be welcomed.

Denning is a Bloomberg Opinion columnist covering energy. A former banker, he edited the Wall Street Journal's Heard on the Street column and wrote the Financial

LETTERS TO THE EDITOR

Leaning on liberal arts helps colleges succeed

Elad Granot's Sept. 8 column, "Reimagining higher education," offers a toolkit to rescue American higher education. However, his recommendations have already been implemented extensively over the past 30 years and have not led to success.

For example, Granot recommends a "focus on outcomes," yet outcomes assessment has been, for over two decades, a requirement for continuing accreditation of U.S. colleges.

Technology is used everywhere in coursework and in student advising, but promised increases in student engagement and learning have not materialized, while the costs of purchasing and maintaining technology are high.

"Expanding access" and "diversifying revenue streams" seem promising ways of increasing revenues. However, their implementation also results in considerable costs. Nursing, computer and technology programs are especially costly, requiring expenses in lab equipment and faculty salaries.

International, nontraditional and first-generation students require additional supports to succeed, which requires hiring additional staff. Ever-expanding athletic scholarships require costs in coaches, facilities, and equipment. These costs eat up the projected revenue streams and can worsen deficits.

A better solution would be to focus anew on the unique mission of liberal arts education: to develop a person who is able to think and act in new situations and solve problems not encountered before.

Charlotte Pressler, Lakewood. The writer was a professor and honors director at South Florida State College.

Vote to defeat scary Trump/Vance agenda

No need to wait for Halloween to be frightened. The presidential ticket of Donald Trump and JD Vance has managed to stir fear in every corner of Ohio, most recently in Springfield. They have a scary list with no shortage of who gets put on it.

A few examples: Immigrants are vermin and will be deported; Haitians are killing pet cats and dogs for food; Jews voting Democratic are anti-Israel; women are murdering their babies after birth; kids go to school and return home with a sex-change operation; and books that mention slavery will corrupt our children.

Also: Retired grandparents are expected to provide full-time care for their grandkids, eliminating need for a child tax credit.

Beware, next week you could fit into their warped agenda. It all sounds terrifying and impossible, yet these lies are being promoted by Trump and Vance.

A president should be looked up to as a role model, demonstrating integrity, honesty, empathy and inclusiveness. Ohioans who believe in decency must ask themselves which candidates they want to represent them.

Early voting in Ohio begins Oct. 8. Don't say "boo." Vote for candidates who best emulate your values.

Eileen Kilbane Gordon, Shaker Heights
Teri Mills, Tulatin, Oregon
The writers are core leaders in Nurses for America, the Ohio Chapter.

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