

Boeing's High Stakes Strategy to Flee Collective Bargaining with the IAM



See How Chicago Boeing Is Risking It All



Boeing's Unlawful Work Transfer Threatens The Rights Of American Workers To Unionize And Collectively Bargain For a Better Future

If Unchecked by Law Enforcement, Boeing's Strategy To "Phase Out" Its Production Lines at Union facilities in the Puget Sound To Punish Workers for Striking Undermines the Federal Protections American Workers Have Enjoyed For 76 years.

What's At Stake in the NLRB Case:

- Can an Employer now justify discriminating against Union members by arguing that workers' concerted activity (grievances, negotiations, striking) that are protected by the National Labor Relations Act costs the Employer too much money?
- May an Employer divert jobs away from Union employees because they may strike?
- May an Employer chill workers' attempts to organize by telling them during an organizing drive that it may move elsewhere if they vote to unionize?

In October 2009, Boeing's Board of Directors Decided To Move An Assembly Line Out Of Everett.

In March 2010, the President of Boeing Commercial Airplanes Admitted That The Decision To Move Was Based on Strikes. He Said:

"[T]he overriding factor" for the decision to move, "was not the business climate" and "not the wages we are paying today. It was that **we can't afford to have a work stoppage every three years.** And we can't afford to continue the rate of escalation of wages." *



* Video of interview available on the Seattle Times website – March 2, 2004.

Labor Law Professors Agree: the NLRB's Case Against Boeing Is Straightforward Under the Law.

“Relocating work away from a plant because of too much lawful union activity would be a classic violation of...the Act. James J. Brudney, Ohio State University's Moritz College of Law

“[This is a] relatively Straightforward Case Of An Employer Punishing Workers For Striking.” Jeffery Hirsch, Labor Law Professor University of Tennessee College of Law

“Such comments amount to an admission from the company that it was intentionally retaliating against employees and trying to limit their rights — a clear affront to the law that the NLRB is charged with enforcing. The agency is simply enforcing the law, providing balance and fairness for workers and businesses alike.” Paul Secunda, Labor Law Professor Marquette University Law School

“[If the allegations in the Complaint are true, it is an] absolutely standard violation of Section 8(a)(1), which has been in the statute since 1935 and prohibits retaliation against employees for protected activities.” Catherine Fisk, University of California-Irvine Chancellor's Professor of Law

**Boeing Cannot Win Its Case On The Law:
Its Attempt To Dismiss The Case Was Swiftly Denied in June
2011.**

The Administrative Law Judge Held:

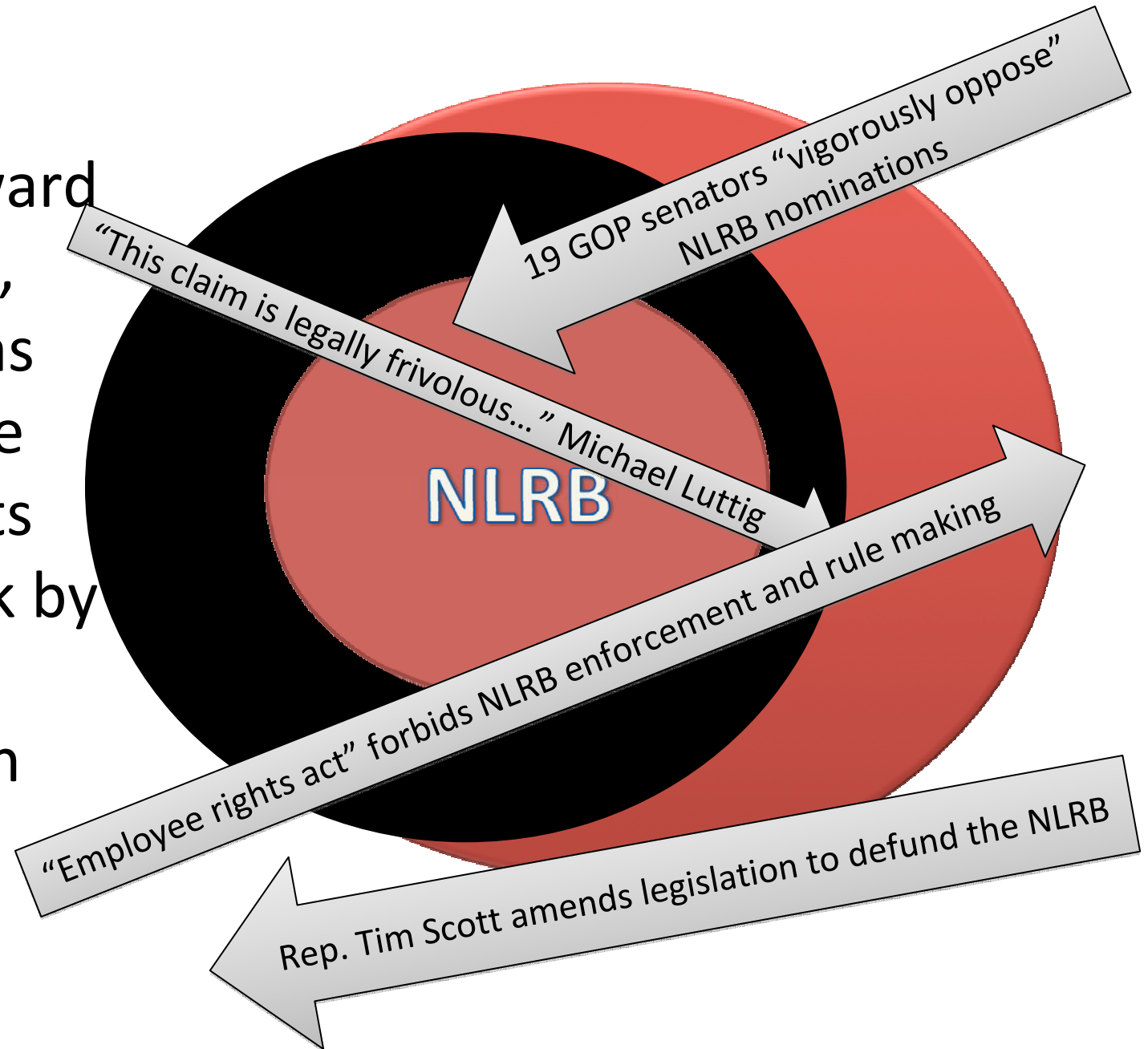
“[Legal precedents] convince me that if a work producing improvement such as a new press or expansion of assembly line is forgone or transferred away from the facility so that its benefit never arrives, in appropriate circumstances a violation of Section 8(a)(3) of the Act may be found.”

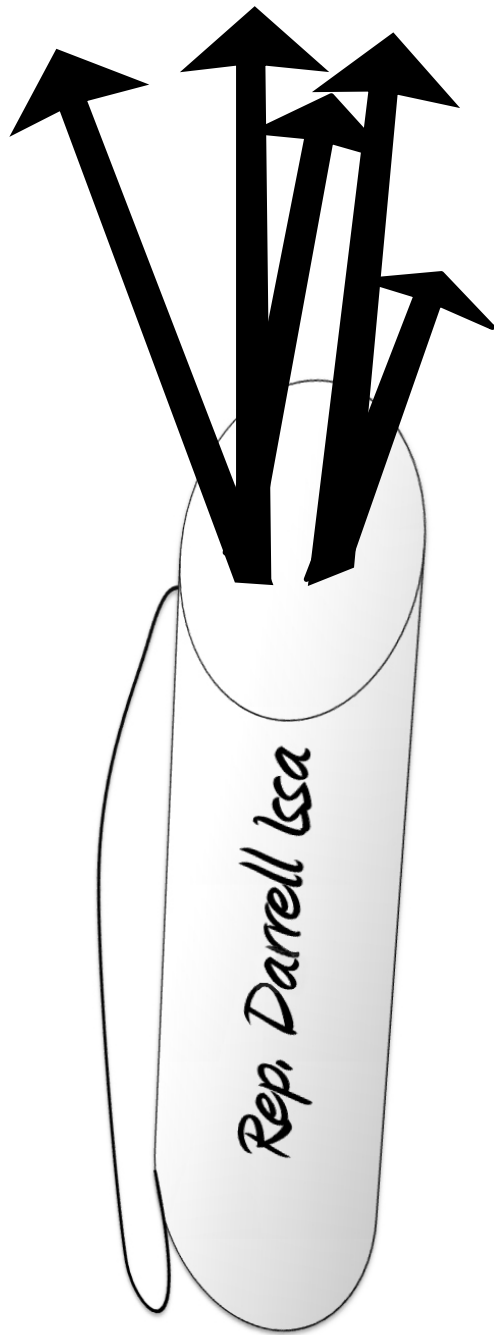
“A contract clause allowing an employer to locate work as it sees fit does not authorize that employer to do so for a reason prohibited by the Act.”

“Having considered the entirety of [Boeing’s] motion and found and concluded as noted above, I find the motion is without merit and should be denied in its entirety.”

- A copy of the decision is available at www.iamdistrict751.org

The NLRB's straightforward judicial case, however, has brought core federal rights under attack by anti-union extremists in Congress.





Forces NLRB General Counsel to testify at hearing

"We could eliminate the NLRB"

Subpoenas NLRB active case documents

Threatens to hold NLRB staff attorneys in contempt of Congress

Warns NLRB lawyers with "severe consequences" and bringing them "to the attention of your licensing bar."

**The following 13 slides are
“Project Gemini”
documents obtained from
Boeing as part of the
evidence in the NLRB Case.**



BOEING PROPRIETARY
Limited to Boeing Personnel

Commercial Airplanes

Business Environment, Project Phoenix, Supply Chain Alignment

Scott Carson

Boeing Commercial Airplanes

April 27, 2009

NLRB-004245

Boeing Proprietary - Limited to Boeing Personnel

Supply Chain Alignment Project Gemini

Commercial Airplanes | Supply Chain Management and Operations

▪ Strategy / Purpose

- Solution for establishing long-term manufacturing capability outside of Puget Sound, starting with a second 787 final assembly line and progressing to the next new airplane program

▪ Considerations

- Investment
- Skills and capability requirements
- Production system efficiency/capacity
- Labor relations considerations
- Political considerations

Next Steps

- Finalize site selection and develop labor and political engagement strategy and communications plan

Developing solutions for a 787 second line

NLRB-004265



Commercial Airplanes

Board of Directors Meeting

Board of Directors Meeting

BCA Strategy

Scott Carson

President and CEO
Boeing Commercial Airplanes

August 24, 2009

NLRB-004290

BOEING PROPRIETARY - Limited to Boeing Personnel

Project Gemini

Commercial Airplanes | Business Strategy and Marketing

Red Team (South Carolina)

Benefits

- Alternative site for Final Assembly and Delivery capability
- Synergy to other coded projects (Secretariat, Horseshoes 2)
- Baseline for future programs

Blue Team (Washington)

- Reduced leadtime to achieve production rate
- Less overhead support structure required
- Ability to move crews from line-to-line more efficiently
- Alternative tied to union concessions

Costs

(Preliminary*)

*Further review required

- [REDACTED] NR investment
- [REDACTED] NPV delta
- [REDACTED] Margin impact

Dual Source:

- [REDACTED] est. investment

- [REDACTED] NR investment
- LRBP Baseline NPV
- LRBP Baseline margin impact

Next Steps

- Aug 26th - Initial permit filing
- Retention of legal and engineering firms
- Negotiations with state over incentives
- Sep 10th - IAM decertification election
- Sep 28th - Contractor selection

- Aug 26th - Inform elected officials and union leadership of permit filing
- Aug 27th - Meeting with IAM leadership
- Sep - Negotiations with IAM

NLRB-004307

Project Gemini

Commercial Airplanes | Business Strategy and Marketing

Red Team (South Carolina)

Risks

- Production ramp-up duration while introducing significant derivative (787-9)
- Capability and capacity of dual source suppliers
- Inexperienced workforce
- Limited delivery management experience
- Duplication of Boeing technical support
- Continued support of favorable tax incentives in WA state
- Labor morale/disruptions on existing programs
- Customer acceptance

Blue Team (Washington)

- Union dependence
- Cost competitiveness
- Business continuity (all major production at single site)
- Relocation of 767 Final Assembly
- Relationship with S. Carolina elected officials

Red risks achieving timely rate requirements...while Blue would not create long-term change in union leverage

NLRB-004309

BOEING PROPRIETARY



Board of Directors

Gemini Update

October 19, 2009

NLRB-004281

BOEING PROPRIETARY

Objectives

Commercial Airplanes | Board of Directors

- **Regain customer reputation for reliable products, deliveries, & support**
- **Improve company cost competitiveness, short & long term**
- **Leverage 787 final assembly placement decision by rebalancing an unbalanced & uncompetitive labor relationship**

NLRB-004282

Rationale

Commercial Airplanes | Board of Directors

- **Creates a non-union, competitive labor choice**
 - Lowers labor costs and avoids current hostage situation
 - Anticipates global competition
- **Establishes a differentiated center of excellence for large, composite commercial aircraft**
- **Captures logistical efficiency**
 - Proximity to Boeing Charleston, Global Aeronautica, and Dreamlifter
- **Develops capability to transfer final assembly & delivery operations**
 - Current and future programs
- **Adds geographic diversity to operations**
- **Adds important political support from a key state**

NLRB-004286

Cons

Commercial Airplanes | Board of Directors

- **Skill dilution**
 - Management, engineering, manufacturing support
- **Short term productivity hit**
 - Achieving learning curve effects in a Greenfield facility
- **Startup costs**
 - Significantly greater than incremental capacity increase to Everett
- **Introduces additional schedule, customer mitigation risk**
- **Negative impact to 787 program profitability**
- **Political backlash from important DC and Washington State players**
- **Management distraction and capacity**

NLRB-004287

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Commercial Airplanes

787 Second Line Decision

Jim Albaugh
October 26, 2009

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Albaugh BoD 10-26-09 | 1

NLRB_004314

Objectives

Commercial Airplanes

- Support customer with reliable products, deliveries and support
- Improve company cost competitiveness, short & long-term
- Leverage 787 final assembly placement decision by rebalancing an unbalanced and uncompetitive labor relationship

Everett 2nd Line

Commercial Airplanes

- Pro's
 - Experienced workforce on 787 with ability to draw from other programs
 - Dedicated line for introduction of 787-9
 - Lowest cost of implementation
 - Facilitates a centralized management focus
 - Simplified supply chain
 - Washington delegation and IAM support for C-17
- Con's
 - Perpetuate an unbalanced relationship with IAM and out of market economics
 - South Carolina delegation relationship
 - No diversification of final assembly and delivery capability

Charleston 2nd Line & Surge Capacity

Commercial Airplanes

- Pro's
 - Establishes Center of Composite Manufacturing, Final Assembly and Delivery outside of Puget Sound increasing geographic diversity of operations
 - Creates a competitive labor choice and counterbalance to Union leverage
 - Adds political support from a key state and region
 - Increases options for future workplace decisions
 - Customer perception
- Con's
 - Cost \$1.5B in cash and reduces earnings on 1/3 of backlog
 - Potential labor issues – work to rule, strike and Tanker support
 - Washington delegation relationship – C-17
 - Additional supply chain complexity
 - Management bandwidth
 - Customer perception

Gemini | Program Risk Summary

Commercial Airplanes

1. Greenfield Site

- Executability of a greenfield final assembly and delivery site for a major program that is not rate capable or stable
- Introduction of first commercial final assembly and delivery site outside of Puget Sound
- Achieving supply chain performance with reduced Boeing oversight
 - Six rate breaks
 - Concurrent introduction of 787-9, a major derivative
 - Capture of production system efficiency

2. Skill Dilution

- Satisfying demand for skills outside Puget Sound high risk due to peak requirements in Puget Sound for airplane deliveries [REDACTED], engineering (staffing for 787-9, Tanker, [REDACTED]) manufacturing support (management, IE, ME, delivery expertise)

3. Dual Rate Build-Up (Everett & Charleston)

- Ability to increase rate at two final assembly sites

4. Outsourcing of 787 Internally Fabricated Parts

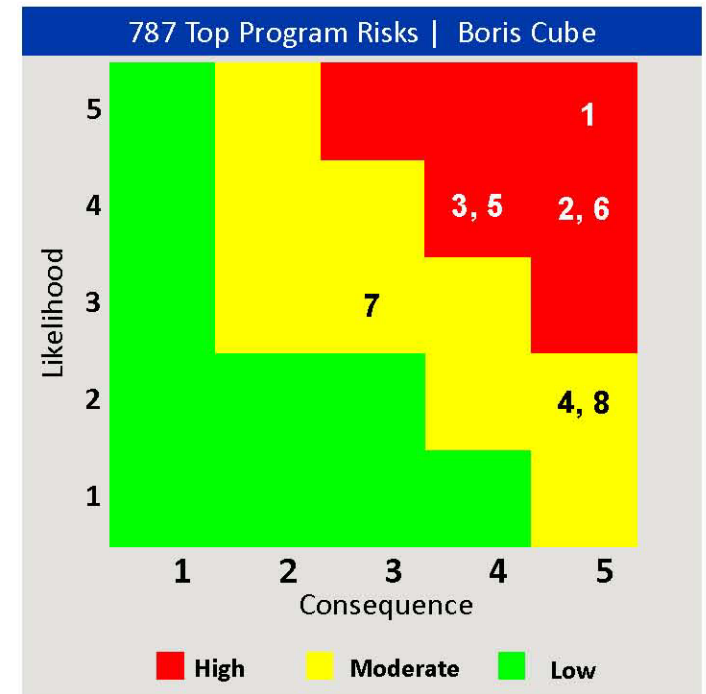
- Standing up second sources in a timely and efficient manner without impact to final assembly

5. Mixed Model Production on a Single-Line in Everett

6. "Payback" Strike in 2012

7. Leadership Team Fatigued and Subject to Burnout

8. If Poorly Executed, Additional Loss of Reputation with Customer



High Risk to Program Execution
 Limited to those cleared on Project Gemini

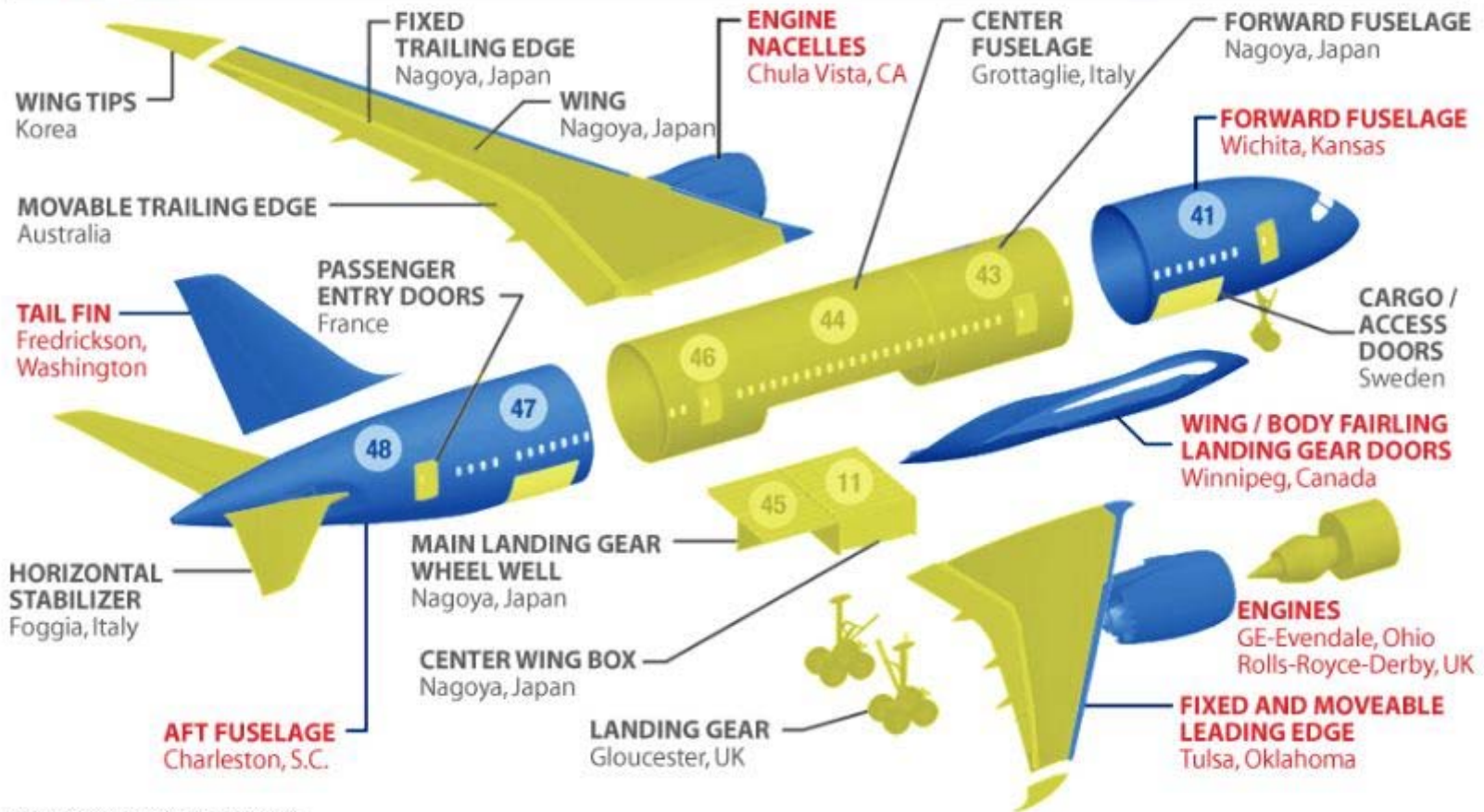
What's At Stake For Washington? GOOD JOBS.

Boeing projected closure of Everett 2nd 787 assembly line:
May 2014

Resulting Projected loss of Middle Class Jobs:
1,800 to 3,000



While most of Boeing's market-leading 737 airplane is built and assembled by IAM members in Washington, Oregon and Kansas, Boeing spread much of the 787 production around the globe, resulting in unprecedented program delays.



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KEY: Yellow = foreign made Blue = American made

Boeing's Washington State Tax Incentives for the 787 Airplane Program

2003 “Project Olympus” Washington State 20-Year Incentive Package, estimated value: \$3.92 Billion, for the 787 program.

Estimated Value of “Project Olympus” Tax Reduction For Boeing (Business & Occupation tax only) Since 2005

Year	B&O Tax Reduction
2005	\$3,865,345*
2006	\$17,221,325
2007	\$42,990,634**
2008	\$54,717,168
2009	\$64,922,736
2010	\$61,630,624

*The B&O tax reduction went into effect Oct. 1, 2005 covering the last quarter of BCA revenues.

**In 2007 Boeing's B&O tax through June 30 was .4235% and then reduced to .2904% on July 1

Evaluation of South Carolina Incentive Offer

Commercial Airplanes | Board of Directors

Dollars in Millions

STATE INCENTIVES / CREDITS

STATUTORY SALES TAX INCENTIVES

TRAINING

LOCAL INCENTIVES - PROPERTY TAX

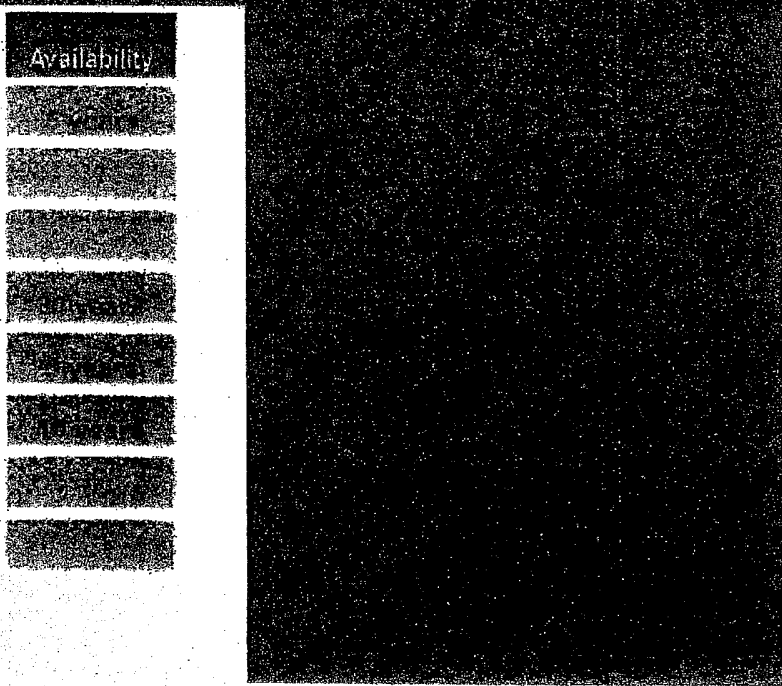
SPECIAL LEGISLATION

100% ABATEMENT OF THE LCF's

PREVIOUS APPLICABLE INCENTIVES

Bonds

TOTAL



- State Incentive enacted either:
 - Week of October 26th, 2009 via special session
 - Week of January 12th, 2010
- Incentives tied to purchase of goods or as training is performed

NLRB-004283