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**Subject:** IAM negotiations update – steering team meeting

*\*\*\*This message is being sent by Doug Kight, vice president of Human Resources, to all managers and Human Resources employees in Washington, Oregon and Kansas \*\*\**

## **IAM negotiations update – steering team meeting**

With just one month left before we enter the final phase of bargaining on Aug. 21, we continue to work toward our goal of presenting our best and final offer to the union before Labor Day weekend. This will give IAM-represented employees an adequate opportunity to read the offer and review it with their families before the contract vote and expiration on Sept. 3. The offer, calculators, and other information will be posted on our [external Web site](#) at that time to help employees get the information needed to make an informed decision about the contract.

Today, our joint Boeing/IAM steering team met again to discuss the progress our subcommittees are making. In particular, we focused on incentive pay and the Team Leader program.

### **Incentive Pay**

Our continued success is greatly affected by productivity improvements, day in and day out. Continuous improvement requires all of us to work together. That's why we intend to introduce a plan with achievable goals that rewards employees with a cash payment for their contributions to the company. We are convinced that rewarding employees for productivity gains is the right thing to do. It also will give employees a distinct line of sight on how their performance impacts overall financial performance, quality and safety by paying out extra days of pay if targets are met or exceeded each year. Like most incentive plans, this plan would provide reduced payments if we fall short of our targets. Many employees already are familiar with our proposed plan metrics:

- **Financial performance = economic profit**  
Economic profit is the standard metric Boeing uses to measure financial performance. It is calculated by subtracting the capital charge (“cost of capital” associated with holding inventory and equipment needed to support the business) from net operating profit after taxes. This is the metric used in determining other incentive payouts such as the Employee Incentive Plan and executive compensation for salaried employees.
- **Quality = cost of rework, repair and scrap (CoRRS)**  
CoRRS is a standard metric used to measure the cost of unplanned manufacturing efforts in terms of rework, repair and scrap in relation to the total manufacturing touch labor cost.

- **Safety = lost work day case rate (LWDCR)**

The LWDCR is the actual number of lost workday cases in a year for every 100 employees. A lost work day case is defined as an occupational injury or illness that results in one or more days away from work.

Through our subcommittee meetings and in discussions with the joint Boeing/IAM steering team we will continue to talk about possible ways for the payouts to be calculated and awarded.

### **Team Leader**

The Team Leader program has helped create and maintain a team environment as well as coordinate operational issues. We are proposing that a few enhancements be made to this program:

- We propose to increase the premium each Team Leader is paid beyond his or her base pay from \$1.75 to \$2.00 per hour.
- We listened to the IAM's concerns about how Team Leaders are selected, and we are proposing a process that the union can use to appeal (1) the company's decision to discontinue the assignment of any bargaining unit employee selected for a team leader position; (2) a team leader progress review; and (3) the duration of a temporary team leader assignment.

We believe that Team Leaders bring great value to our ability to compete and become more productive. We look forward to continuing our discussions on this topic with the union leaders.

### **Actions for Managers**

Please take time to share this information with your teams. As a reminder, we will be posting this message Wednesday on our negotiations Web site at [www.boeing.com/2008negotiations/](http://www.boeing.com/2008negotiations/). Also, please continue to read my [innerViews blog](#). You can subscribe by entering your e-mail address in the box on the right of the blog page.

If you have a question, please either submit it to the [blog](#) or send an [e-mail](#).

Thank you for sharing these messages and your leadership in communicating with your teams about negotiations.

Doug