BOEING PLANS TO CUT UP TO 8,000 AIRPLANE JOBS: SOURCES

News / Manufacturer

Boeing announced Wednesday plans to cut about 4,000 jobs by mid-year, and another 550 jobs in lab testing unit.

Boeing Co plans to cut up to 8,000 jobs this year at its commercial airplane division, according to two people familiar with the matter, a move that could slash $1 billion in costs and help it battle for sales against European rival Airbus.

Boeing on Wednesday acknowledged plans to cut about 4,000 jobs in its commercial airplanes division by mid-year, and another 550 jobs in a unit that conducts flight and lab testing.

Sources said the company's broad goal is to cut jobs by 10 percent at its commercial airplane unit, which has about 80,000 employees.

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Boeing said the 8,000 figure is hypothetical and that it does not have a specific goal for job cuts.

"There is no employment reduction target," spokesman Doug Alder said. "The more we can control costs as a whole, the less impact there will be to employment."

Competition

Boeing said the job reductions are part of a broad cost-cutting drive to keep the Chicago-based aerospace and defense company competitive.

But Boeing's stock posted the biggest decline in the Dow Jones Industrial Average on Wednesday, falling 1.88 percent to $128.58.

Boeing is enjoying the biggest peacetime boom in its 100-year history, increasing jetliner output to historic levels.

But it is using fewer workers than in the past, and cutting other costs to compete with Airbus.

The savings are necessary to "win in the market, fund our growth and operate as a healthy business," Ray Conner, chief executive of the airplane business, told employees last month.

Boeing booked 70 new plane orders through February compared with 18 for Airbus, but the tally included 40 discounted 737s to United Airlines.

On Wednesday, investors said they saw the large job cuts as a harried response to a slowing business cycle and tough competition from Airbus, rather than a part of an orderly plan to adjust labour to match output.

"It sounds reactive, not proactive," said a fund manager with a large stake in Boeing.

Some analysts said investors unfairly penalised Boeing for adjusting employment to reality.

Boeing has been upfront about plans to ship fewer planes this year as it slows the 747 line and brings its 737 MAX into production.

It will cut 777 production by 15 percent in 2017. But it also has taken steps to boost output of 737s and 787s in later years, and its assembly lines are more efficient, thanks in part to robots.

"They're building a better product and building it faster," said Howard Rubel, an analyst at Jefferies. "Some of that success means you have to cut jobs."

Managers, executives

A reduction of 8,000 jobs, including managers and executives, could save the company $1 billion in labour costs, said Peter Arment, analyst at Sterne Agee CRT. The airplane unit "is targeting 'billions' of cost reduction by year-end," which will help the company remain competitive, he said.

The 4,000 job cuts in the commercial airplanes division by mid-year will include about 1,600 through voluntary layoffs and 2,400 by leaving open positions unfilled, Alder said. The company doesn't plan involuntary layoffs, he added.

The numbers disclosed on Wednesday caught the company's unions by surprise.

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"We have not been notified of these types of reduction numbers," said Jon Holden, president of the International Association of Machinists District 751. The union said more than 1,000 members applied for voluntary layoffs.

Boeing's other major union, the Society of Professional Engineering Employees in Aerospace, said some members had been told they might be eligible for buyouts but none were approved.

Both unions said job reductions showed the need for Washington state lawmakers to enact measures to ensure Boeing maintains or increases its workforce in the state in exchange for $8.7 billion in tax incentives granted in 2013.

Reuters reported last month that Boeing was considering offering voluntary layoffs to its professional engineers and technical workers.

The *Seattle Times* first reported Boeing's job cuts could reach 8,000 this year.

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