Defense Budget Cuts and Shifting Customer Needs Lead to Restructuring and Layoffs for Boeing Wichita

Boeing [NYSE: BA] officials today announced a restructuring of the company's Wichita operations and approximately 900 additional layoffs during 2006 due to defense budget cuts, program delays and contract completions.

Boeing Wichita will change its business to focus primarily on military 747 and wide-body aircraft modifications and upgrades, as well as continuing as an engineering center, said Derek McLuckey, general manager of the site, which is part of the company's Integrated Defense Systems (IDS) business.

"There has been much speculation about the future of Boeing in Wichita in recent months," McLuckey said. "Today we are telling our employees that we must right-size our operations for available work performed in Wichita. And we are telling them that we now have to execute a revised business plan in order to ensure our future."

McLuckey said that Boeing will provide assistance to all employees impacted by the layoffs. "We will establish an employee transition center. Our employees who receive layoff notices will be offered outplacement services by Boeing human resource professionals. Those services include resume writing, job coaching and assistance with identifying jobs opportunities both inside Boeing and in the local Wichita market. We also will work with the United Way of the Plains to identify community resources," he said.

McLuckey also said that the layoffs have resulted from a review of the U.S. Defense Department budget for the current and future years, and a reassessment of the site's future business plan.

"Since December 2005, our customers have informed us of significant shifts in their budget and programs," he said. "This has a profound impact on the work we perform and has forced us to refocus our business in Wichita."

As a result, 60-day layoff notices will be issued on April 18, 2006, to 360 workers in Wichita. Those affected are primarily salaried and management support employees within IDS. Some hourly workers also will receive layoff notices. Those receiving layoff notices on April 18 will leave the company on June 19, 2006.

"The layoffs we are announcing are unfortunate but necessary to meet the challenges of our business," McLuckey said. "We must right-size our operations for today's available work performed in Wichita. We now have to execute the business plan in order to ensure our future."

The site will reduce by another 240 employees at the end of July and another 300 jobs in mid-November.

McLuckey said that in addition to military modifications and upgrades for 747s and other wide-body aircraft, Boeing Wichita will focus its business on engineering for the B-52 Stratofortress and other defense and civil aviation related businesses.

Boeing will move management of the KC-135 program and a number of light engineering jobs that support the program to the company's Oklahoma City, Okla., site later this year in order to better service the customer. Wichita employees are in the final phases of a 20-year contract to install new engines on the U.S. Air Force's KC-135 fleet.

McLuckey said that the Wichita site will employ approximately 2,700 workers by the beginning of 2007.

Today, Boeing in Wichita provides sophisticated engineering, design, logistics support and modifications for the nation's military aircraft fleet and international customers. The site is part of Support Systems, a business unit of Boeing Integrated Defense Systems. Wichita key programs include design and upgrades for the KC-135 tanker, 767 tankers, B-52 Stratofortress, the nation's executive fleet, Airborne Laser and international programs.

A unit of The Boeing Company, Boeing Integrated Defense Systems is one of the world's largest space and defense businesses. Headquartered in St. Louis, Boeing Integrated Defense Systems is a $30.8 billion business. It provides network-centric system solutions to its global military, government, and commercial customers. It is a leading provider of intelligence, surveillance and reconnaissance systems; the world's largest military aircraft manufacturer; the world's largest satellite manufacturer and a leading provider of space-based communications; the primary systems integrator for U.S. missile defense; NASA's largest contractor; and a global leader in sustainment solutions and launch services.
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