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Boeing Q2 2006 Earnings Conference Call Transcript (BA)

Question-and-Answer Session

Operator

Thank you.

(Operator Instructions)

Our first question comes from Heidi Wood of Morgan Stanley.

Heidi Wood - Morgan Stanley Dean Witter

Good morning. Jim, I have a question for you. It is actually a big picture question, if you do not mind, but when we look at a quarter like this, with the charge on the Delta 4 because of the [buy-three] on the EELV, the AEW&C charge, potential disposition of Connexion and again another potential charge for that -- now that you have been CEO at Boeing for a year and you said in your comments that business execution is a main focus, can you give us some specifics about how you are addressing the risk mitigation efforts through the company, so the issues come to you earlier and the charges are smaller?

W. James McNerney

I think, Heidi, part of the increased focus on risk management and program execution has been to service some issues over the last year. I think that is part of the result of this focus.

Having said that, we have had more things to deal with than I would have liked. AEW&C we have talked about. The Delta charge is associated with restructuring the business into a far more viable entity going forward. I think you can talk your way through that one as a way to better position your business for the longer term. I think Connexion would fall into the same category.

But that does leave you with a couple of things that we are not proud of, that in part were surfaced by I think an increased focus on accountability and execution.

That is not a perfect answer for you, but maybe by way of explanation that helps a bit.

Heidi Wood - Morgan Stanley Dean Witter

Thank you.

Operator

Thank you. Our next question comes from Howard Rubel of Jefferies.

Howard Rubel - Jefferies & Co.

Thank you very much. Could you explain a little bit how you can increase your revenue forecast in commercial business but not change the expected delivery schedule?

James A. Bell

Yes, Howard. I think what you are seeing in both years is the fact that we are doing better in features, options and things of that nature. In '07, we are seeing some increase in the service business. That is really where it is coming from.

If you look at the increase, particularly in '07, it is about 3%. It is not unusual to see that as you get closer to delivery, the customer gets more specific about what are the special features and options they want on their airplanes.

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