Boeing Jetliner Head Steps Down Amid 787 Faults

Daniel Lovering, AP Manufacturing Writer

Boeing Co. said Monday that Scott Carson will step down as head of its commercial airplane division, ending a tenure marked by costly problems with the company's much-delayed 787 jetliner.

The Chicago-based company said Carson will be succeeded Tuesday by the head of its defense business, Jim Albaugh. Carson will help with special projects until the end of the year, when he will retire after 38 years with the company.

Carson's departure comes as Boeing struggles with sharply lower orders amid the global economic downturn, which has hurt demand for air travel. It's also grappled with its forthcoming 787, a next-generation aircraft that's been delayed five times due to parts shortages, supplier glitches and other production problems. Its shares, which topped $100 just two years ago, have been pummelled by the problems and market collapse, falling below $30 earlier this year.

Last week, Boeing said the plane, designed for fuel efficiency and built with carbon composite parts, will be ready for its maiden test flight by the end of the year. Initial deliveries are due by late 2010 — more than two years behind schedule.

The delays are expected to cost Boeing billions of dollars in penalties and additional expenses, but the company says the 787 program remains profitable.

Despite the 787's troubles, the plane remains Boeing's best-selling new aircraft to date and a priority for the company. Boeing has taken a new approach to building planes with the 787, relying on suppliers around the world to produce large sections of the aircraft that are later assembled at Boeing's facilities in Everett, Wash.

Carson, 63, has led Boeing's commercial plane division since 2006 and spent two years leading the unit's sales organization. Previously, he was executive vice president and chief financial officer of the division.

In a conference call, Boeing CEO Jim McNerney said Carson and Albaugh will work together to ensure a smooth transition.

"The decision to retire was Scott's, and he said it was based on many factors, the most important of which was resetting the 787 schedule last week and giving his successor a clear path forward on the program," he said.

But the timing of Carson's exit and Albaugh's move to the commercial airplane business puzzled some analysts.

It seems Boeing would want to keep Albaugh, a solid and highly regarded leader, at the top of its defense business, which is facing its own difficulties, said Peter Jacobs,

an analyst with Ragen MacKenzie, a division of Wells Fargo Investments.

Albaugh, a 34-year Boeing veteran, has led the company's defense, space and related businesses since 2002. The division's revenue has grown in recent years and now accounts for roughly half Boeing's overall annual sales. He began his career with Rockwell's aerospace and defense businesses, which Boeing acquired in 1996.

Carson's retirement also comes at a curious time — shortly before the planned inaugural test flight of the 787 — and Boeing's explanation that Carson himself had chosen to step down "doesn't fully resonate with me," he added.

"It seems to me that he's retiring midstream, when we have yet to see how this movie ends," Jacobs said, referring to the 787's first flight and delivery to Japan's All Nippon Airways Co.

Boeing said Dennis Muilenburg, president of its military support and services business, will succeed Albaugh as president and CEO of the company's defense business, Integrated Defense Systems. A replacement for Muilenburg will be named at a later date.

Shares of Boeing dropped $1.37, or 2.7 percent, to close the regular session at $49.67. They dipped 2 cents in aftermarket trading.

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