

2010

**Bombardier European Works Council
Report of the Employee Reps
Annual Meeting held in Brussels**



Report of the Employee Reps - Annual Meeting 2010

The Employee Reps¹ of the Bombardier EWC met on 16th & 17th June for the Annual Meeting.

During the Preparatory Meeting Juergen Kluthe MEP gave a presentation on the EU Commission's 'Lisbon Strategy' and talked about the impacts of the economic crisis. The key messages given were that the unilateral approach of the EU's economic policy towards competition must stop. An integrated Welfare and Employment Policy is more urgent than ever before. It was stressed that Europe is actually becoming ill because there is no coordination of economic and fiscal politics. Free trading space also needed protection and balance mechanisms.

Sabine Trier from the European Transport Workers Federation also gave a presentation from which the key message was that the debate on sustainable transport will gain more significance against the backdrop of the objectives of the EU's climate policy.

The main topics discussed in the Plenary Meeting with Central Management included:

Bombardier's Financial Results and Outlook (Jean Paul McDonald)

- ≡ Overall the financial performance had come together despite the worldwide capitalistic crisis
- ≡ The recession hurt Aerospace forcing reduced production rates and 4,700 job cuts since 2009
- ≡ Despite this the long-term trend for Business & Commercial Aircraft remains good
- ≡ Transportation is well positioned and offers an attractive marketplace
- ≡ The Zefiro high-speed train will be a key product with a large future role and many opportunities
- ≡ Robust plans are in place for managing in a time of turbulence
- ≡ A 'Local Roots' strategy is in place

For Aerospace the future strategic focus would be the improving Customer Satisfaction levels, expanding purchasing and production in the so called low cost countries and increasing profitability. For Transportation the goal was to increase profitability to 8% within the next 3 years.

Arising from the presentation the following topics were discussed:

Strategy - Local Roots - the Employee Reps felt there is a contradiction between Local Roots and Low Cost Country Sourcing; also Purchasing Centralisation is felt to be weakening regional supplier relationships in Transportation.

Increased Profitability – how the goal of higher profitability is to be achieved was discussed. It is clear there already pressure on employees to improve margin. A 2% point's higher margin will add even more pressure to employees. The fear is this goal could only be achieved by exerting more pressure on employees and the collective agreements and employment packages. This will cause the resistance among employees.

The Company acknowledged getting to 8% EBIT is a huge step. Investors want stronger performance and returns. This goal would be achieved through working smarter and innovation.

Employee Engagement – the Company asserted satisfaction levels amongst employees are developing positively. The Employee Reps said it was not possible for them to fully agree with this.

Financial Information – the point was made it is not sufficient for only general and official financial figures to be presented. As a result it is not possible to make exact analysis of the individual Sectors and Divisions. The Company continue to be evasive about providing in-depth answers to specific questions.

The Employee Reps of the BEWC are:

Anne Adams (United Kingdom – Aero) Tamas Baglyas (Hungary – Trans) Steven Bogaert (Belgium – Trans) Mihaly Bonis (Hungary – Trans) George Burnside (United Kingdom – Aero) Anders Carlson (Sweden – Trans) John Dragun (United Kingdom – Trans) Sjur Feld (Norway – Trans) Rudolf Froesch (Switzerland – Trans) Johannes Hauber (speaker for the works council) Rudolf Hofer (Austria – Trans) Gerd Kaczmarek (Germany – Trans) Jerzy Kweicien (Poland – Trans) David Lundgren (Sweden – Trans) Jim Millen (United Kingdom – Aero) Jacek Murawski (Poland – Trans) James Neill (United Kingdom – Aero) Jan Nielsen (Denmark – Trans) Erhard Peter (Germany – Trans) Michel Poce (France – Trans) Alberto Porchi (Italy – Trans) Michael Roberts (United Kingdom – Trans) Volker Schaarschmidt (Germany – Trans) Mick Stevens (EMF Coordinator) Milan Ursdik (Czech Republic – Trans) José Antonio Valin (Spain) Anita Wild (United Kingdom – Trans) Michael Wobst (Germany – Trans)

Customer Satisfaction – the EWC highlighted Transportation’s credibility had been damaged by the poor performance that resulted from not managing the risks associated with low cost country sourcing. Also in Services performance was hit due to excessive expectation for profits and mistakes around key tenders. Maintaining the credibility is very important issue if new orders are to be won.

Transportation – Update to the EWC (Michael Beckmann)

- ≡ FY10 was a milestone year for BT with delivery of long-term goals
- ≡ Landmark orders were won in Switzerland and France
- ≡ Execution must improve to help lift performance – the goal is Flawless Execution, there must be no surprises
- ≡ In Freight the level of transported goods has been well down but is now coming back
- ≡ Customer cash is tight and this had important impacts
- ≡ BT achieved 6% EBIT as had Alstom & Siemens
- ≡ Strategy focus is on the 5 + 2 Principles – developed to ensure we deliver what we promise
- ≡ The Road to Asia exists with work on partners and competitors – Asia will be a big market
- ≡ Transportation had a Crisis Contingency Plan monitoring national debt situations - the level of state debt is a key concern and monitoring showed increasing levels
- ≡ A detailed approach to Risk Management is in place evaluating both internal and external risks
- ≡ BT research on Services, using UNIFE data, suggested the market was €10,505Mn per year
- ≡ The market is split into 3 components with not all areas open to Transportation
- ≡ Priorities for Services are Flawless Execution & Product Development
- ≡ Developing a “UK Sustainable Business” with Margin Improvement is a key project
- ≡ Services will change the way it addresses the market with a goal of growing the Parts business
- ≡ Improved cooperation with PPC is a goal, as is improved Inter and Intra Divisional cooperation
- ≡ The aim is to grow the business outside of the UK using tools like Orbita to offer improved reliability to customers

Arising from the presentation the following topics were discussed:

The Strategic Goal of Flawless Execution – the EWC repeatedly voices concern over the Procurement Strategy. It is not easy to understand why the Company fail to react to the problems caused by bad purchasing. Urgent change is needed to get away from cheap and non-qualified suppliers. Equally when the phrase ‘execution slippage’ is used it implies failure is the fault of workers. At Derby this was not the case. In truth the components sourced from low cost countries were not fit for purpose. If supplied material is of poor quality then all the sites are left with is to ‘fire fight’. The credibility of Transportation is severely damaged by such instances.

The Company said execution is all about A to Z. Ultimately it is the fault of Transportation when things do not happen as the plan. Transportation’s job is to deliver trains to customers. Lessons were learnt from the bad experiences of Derby. Suppliers must be assessed properly and the Supply Chain optimised. Transportation is investing very strongly to achieve this.

Business Unit Bogies - the Employee Reps demanded an Extraordinary Meeting so information could be shared on the Strategic Plan for BU Bogies. The importance of timely consultation with the EWC on change that might affect the employees has been stressed previously.

Business Unit Locomotives – the Employee Reps highlighted the challenging times being faced by this business. Employees wanted to know if there were any plans to enter new markets, with new factories, while jobs were being cut in Europe. The focus was shifting to North America and Asia. Whilst European demand was presently low it was important to ensure money remained available for future orders.

The Company said everyone was aware of these challenges. Attention focused on new market opportunities. The European market whilst good had been hit hard. There were big orders in the emerging markets including India, North America and Turkey, which offered big opportunities for Transportation. Different geographies stipulated local manufacturing. Transportation could market its locomotive competence and use this to build up markets away from the traditional marketplaces.

The Economic Crisis - concern was expressed over the impact of the economic crisis on the order book. A number of large orders were included in the order book coverage and due to national government austerity plans it was likely there would be delays, or even cancellations, in government projects and spending.

The Company said Transportation is looking in detail at the areas of private and public funding in both the developed and emerging markets. It is important to understand the state of our customers – e.g. the availability of funding for projects. The government in the UK is reviewing public spending for transport projects. On Thameslink it was not possible to be confident the order would go ahead as planned.

The Future of the Bruges Site – following the loss of an order in 2008 negotiations with Management took place on the future of the site. This led to an agreement on concessions and workload guarantees securing employment until 2014. Now continuing attempts to cut costs and changes in the European Management structure led employees to question whether this agreement would be respected. Employees wanted to know if Bruges had a future.

The Company said the agreement would be honored. The goal for Bruges had always been to win the order that was lost but it then became to find alternative work for the site. The focus remained one of filling the site regardless of changes in the Management team.

Transportation - Financial Results FY10 (Andrea Teutenberg)

- ≡ An EBIT of 6.2% was reached in 2009
- ≡ Performance remained a problem – late delivery meant Transportation did not receive customer payment to time
- ≡ Failure to deliver to time caused inventory to be higher than the plan
- ≡ A key focus for the future will be improved cash management.

Arising from the presentation the following topic was discussed:

Product Development – Transportation – whilst welcoming a change to the business policy, regardless of the contracts awarded to develop new products, there were fears that the huge investments in Aerospace could hinder ability to develop new products in Transportation. In Transportation there are great amounts of stage payments from customers. Since 2005 the financial statement no longer detailed a separation between interests for the 2 Sectors. Aerospace in comparison to Transportation shows negative interest results due to high expenditure. By not showing a separation in the Interest it appears that Aerospace is made to look better than it really is at the cost of Transportation. The lack of transparency was hard to understand. Despite many requests Central Management chose to not inform the EWC on the net interest of the 2 Sectors.

Transportation – Research & Development (Dr. Tjark Siefkes)

The key messages in a presentation given to the EWC were that R&D discusses innovation, which translates as 'disruptive change'. Customers buy Transportation products to help their business and want improvement. Issues such as demographics and population mobility are important issues. Societal needs will always drive direction. Transportation's focus is forward looking in respect to technology trends. The issue of timing is an extremely important factor in R&D. The R&D group activity involved analysis of product maturity and development. It was stressed the budget for R&D remained at a stable level even with the economic crisis. The ECO4 initiative offers a suite of solutions that can be added to vehicles.

Transportation – Finance Shared Service (Andrea Teutenberg)

It is clear that differing perceptions exist between the Employee Reps and Central Management on the transfer of Accounting & Reporting to the new sites in the Philippines & Romania. Central Management seem satisfied the transfer took place smoothly, with the Shared Service concept working well. Whilst Central Management accepted there is room for improvement it is worrying that there is nothing on their radar screen about negative experiences.

Numerous irregularities around non-payment of invoices leading to items being placed on stop were highlighted. Production delays result and, in the current economic situation; there is a risk that not paying suppliers on time might cause them difficulties. It appears the routine process works but if there is an unexpected issue things come to a standstill. It appears these negatives are not being reported up the man-

agement structure for some reason. There are similar observations from the Code 30+ Project Low Cost Country Sourcing. Once again negatives in this Project do not appear to be on Central Management's radar screen. This poses serious questions about the culture within Transportation. If employees cannot escalate problems without fear there is a risk the senior decision-makers might lead the business into problems due to wrong assumptions.

The Company said the KPI's for the Finance Shared Services were largely green. However the concerns made would be followed up. If there were problems these would be addressed with corrective actions.

Transportation – HR Transformation (Jean Luc Augustin)

The changed tasks at HR and the possibility that employees may not have a direct person of contact after implementation of the HR Call Centre were discussed. Also the blatant overload of employees in Engineering shows there is inadequate long-term personnel planning in Transportation. HR has the function of a service provider and the persons responsible in the Division are obliged to maintain the short-term, positive EBIT. The EWC will continue to pursue this important issue.

Transportation – HR Connect (Jean Luc Augustin)

- ≡ Lessons had been learnt from addressing the problems encountered in Sweden
- ≡ Communication and Change Management were important issues for successful implementation
- ≡ The project was on track with an appropriate team
- ≡ It was aimed to improve the relationship with ADP

Mr. Augustin explained HR Connect related to the out-sourcing of part of Payroll. Transportation retained experts but now used an outside company – ADP for payroll. The project to outsource Payroll Accounting is now live in some countries. The justification for outsourcing was to provide a uniform accounting system. Any issues affecting the employees would be dealt with in the respective country. Central Management's upmost goal is to ensure there is continuity of a correct payroll system.

Transportation - HR Sigal (Jean Luc Augustin)

- ≡ Using this for Talent Management and Training/Development
- ≡ Checking for Data Protection stipulations
- ≡ Will help with Career Driving for white-collar employees
- ≡ ePMP was too complex and was looking to be simplified
- ≡ There are other things on eSigal that we are not utilising or decided to do yet

The Employee Reps stressed the need for protection of personal information in the new system

PMP - there are issues with PMP. Whilst deadlines are in place some employees did not get to sit down with managers in a constructive way to discuss PMP's. In some areas PMP's are not being treated seriously. Reviews are linked to pay increases and are important to employees. Also PMP Objectives got changed without managers cascading them properly. HR pressured employees to sign off PMP's even if they knew proper process had not been followed.

The Company explained Bombardier was a meritocracy and the chosen method was PMP. There are places where PMP is used – white-collar targets. These objective ensured performance discussions take place to identify achievers and underperformers. It was acknowledged PMP across the organization would be a long march. To be clear if a PMP had not been carried out the employee must not sign it off.

Temporary Contract Employees – a debate took place over the number of temporary contract employees. The Employee Reps stated excessive numbers of employees hired under temporary contract added risk to the business. As a business BT trained temporary people up and then changed them, which did not make sense and created problems. Temporary contract employees often ended up being treated less favourably, which creates strife. The opinion is that true recruitment, with people taken on under open-ended contracts, should be used. In many locations the stated figure of no more than 15% is widely exceeded.

The Company acknowledged the issues identified had some validity and it was sensible to have a reasonable number. It is important to carry out proper workforce planning to know the required population. Problems also exist around different legal constraints. The 15% figure is a reference to the overall agree-

gate. Nevertheless there is a willingness to look at this to see what is sensible going forward. However Divisional and Site Leaders will always make the call.

Software Computrace - in 2009 it was announced certain data from laptops could be transferred via central control to the Absolut Company using the software Computrace. The trace is possible when a laptop connects to the network. Whether or not geographic data is collected to locate the laptop is not clear to the EWC. This installation was performed without the knowledge of the laptop user. The objective of preventing industrial espionage, when compared to hard drive encryption, is hardly effective. The Employee Reps will check whether this activity conforms to National Laws on Data Protection, which have to be in accordance with the EU regulations.

Aerospace – Update to the EWC (John Paul McDonald)

- ≡ C-Series and Lear are important aircraft for Belfast
- ≡ The drop in delivery rates has resulted in reduced production rates and lay-offs
- ≡ There has been a reduction in Free Cash Flow
- ≡ Focus is very much on improving performance ready for the upturn
- ≡ There has been significant business jet cancellation in 2009
- ≡ The business continues to invest and innovate – Lear 85 was in place for the upturn
- ≡ C-Series denotes an entry to a new market area – coast to coast
- ≡ The business is ready for the challenges from Boeing and Airbus
- ≡ The Commercial aircraft segment will grow from \$2Bn to \$8Bn by the end of the decade
- ≡ £520Mn is being invested in Belfast in total

The EWC noted testing is underway in the new Wing Facility and things are moving positively. This is a major new production facility and is hugely impressive.

New Orders - were not materialising and this served to make the workforce nervous. There had been significant investment for example in China and most employees felt some payback from this was needed. Low cost producers were getting investment but there appeared to be no return.

The Company said employee concerns were appreciated. The message was that major efforts with China are on going and this involves pushing for orders. A desire to see some payback was understandable.

All topics which could not be not be treated exhaustively, followed up in the Liaison Committee of the European Works Council (Executive Committee)