Boeing Responds to European Commission Statement of Objections to Merger

The Boeing Company, which today received the European Commission's (EC) statement of objections to the planned merger with McDonnell Douglas, said it remained confident that the merger would be completed this summer.

Philip M. Condit, chairman and chief executive officer of The Boeing Company, said that Boeing would "continue to work with the EC to help the Commission better understand the data that underlies the process and the benefits that accrue to customers, suppliers, employees and shareholders." "However," Condit added, "the U.S. Federal Trade Commission should be given the lead in this case, as it so obviously concerns key U.S. interests, not the least of which is in the sovereign area of defense."

"While the merger has raised a number of issues in the European Union," Condit said, "there is one fundamental antitrust issue: does the combination of Boeing with McDonnell Douglas' commercial airplane unit have a restrictive effect on competition?"

Condit said that the answer to that question is a "resounding no" because the issue has already been determined by the marketplace. In 1996, the market share for McDonnell Douglas commercial airplanes had fallen to only four percent of new sales. "The fact is," Condit said, "McDonnell Douglas' market share has continued to decline in recent years and Airbus has become a stronger competitor."

"There continues to be debate about 'spill-over' to commercial airplane programs," Condit said. "This issue was dealt with in the1992 bilateral trade agreement," he noted. " We continue to comply with the bilateral. Since 1993, when we have submitted reports to the U.S. government on this issue, there have been no instances of benefits accruing to U.S. commercial airplane programs from currently funded U.S. Department of Defense or National Aeronautics and Space Administration (NASA) contracts."

On the issue of so-called "exclusive" contracts, Condit emphasized that the recent decisions by American Airlines and Delta Air Lines are not related in any way to the planned merger, and, in the case of American Airlines, the exclusive agreement was made public prior to the merger announcement. Condit also emphasized that in the case of both American and Delta, the airlines approached Boeing for the exclusive arrangements following an aggressive sales campaign between Boeing and Airbus.

"These agreements were initiated by American and Delta because airlines are recognizing the value of standardizing their fleets with a smaller number of models, then are using the leverage of their buying power to get the best possible deal," said Condit.

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