Boeing Announces Additional Consolidations and Realignments

The Boeing Company today announced a series of consolidations and realignments to improve the efficiencies of its operations. Most of the activity will occur in California, Missouri and Washington.

The changes include opening a Next-Generation 737 assembly line in Long Beach, Calif.; consolidating fighter airplane production activities in St. Louis; relocating the headquarters of the Information & Communications Systems business unit to Anaheim, Calif., from Kent, Wash.; and vacating all government-owned space in Downey, Calif.

"We are strategically aligning our operations in response to global business realities. We are reducing costs," said Phil Condit, Boeing chairman and chief executive officer. "The end result is that we are ensuring a stronger, more competitive company that will be able to provide more opportunities for employees over the long term."

Though the actions announced today do not include specific employment reductions, they are included in Boeing's previous projections, which reduce its total workforce by 18,000 to 28,000 from the current level of 238,000 by the end of 1999. That projection also includes portions of the 8,200 job reductions announced in a similar facilities announcement in March and stated plans to reduce the Puget Sound commercial aircraft production work force by 12,000 jobs.

"The additional 737 line will supplement capacity in Renton, Wash., and allow more efficient and productive use of that key final assembly facility," Condit said. "We will begin final assembly of the first Next-Generation 737 in Long Beach in the fourth quarter of this year. The first few airplanes will be Boeing Business Jets. Other variants of the aircraft will be added to the Long Beach workload next year."

By the second quarter of 1999, the company expects to be assembling three Next-Generation 737s per month in Long Beach.

In conjunction with the introduction of the 737 work, the commercial airplane operation in Long Beach is being renamed the Long Beach Division. It has been known as the Douglas Products Division.

Within Information, Space & Defense Systems, the consolidation actions will reduce to one major location each its fighter, satellite, space transportation, information and communication, and military transport activities. Cumulatively, group laboratories will be reduced from 600 to 450 and fabrication centers from 110 to 10.

Company activities currently in Downey will relocate within Southern California. Reusable Space Systems operations move to Huntington Beach, management of the National Missile Defense program and Ground-Based Interceptors goes to Anaheim, and satellite programs transfers to Seal Beach.

The company has decided that St. Louis will be the single site for fighter aircraft production and program management. The Joint Strike Fighter (JSF) will be built in St. Louis, provided the program's stringent cost objectives are satisfied. Program management for the JSF will remain in the Puget Sound area at least through the current phase of the program. Manufacturing for the F-22 Raptor will remain in Seattle, although other options are being studied.

Information, Space & Defense Systems units in the Puget Sound area will be consolidated and concentrated in the Kent West complex and the Seattle Developmental Center. Excess property will be sold.

These moves will add 3 million square feet to the previously announced plans to close a total of more than 18 million square feet of office, warehouse and manufacturing space by the end of the year 2000.

(Selected details of the state-by-state changes and a recap of employment announcements follow.)

California:

An additional Next-Generation 737 final assembly line opens in Long Beach in the fourth quarter of 1998. Initially, the new line will be used primarily for producing Boeing Business Jets. The production rate will increase gradually to three airplanes per month by the second quarter of 1999 with the addition of selected Next-Generation 737s for airline customers. Later in 1999, the new line may begin assembling 737-700Cs (Convertible Freighters). To reflect this change, Douglas Products Division is renamed the Long Beach Division.

Headquarters for ISDS Information & Communications Systems business unit transfers to Anaheim from Kent, Wash.

Program management for National Missile Defense and ground-based interceptors moves from Downey to Anaheim.

Reusable Space Systems manufacturing moves from Downey to Palmdale, and the remainder of its activities relocates to Huntington Beach.

Integrated Defense System activities move from Huntington Beach to Seal Beach, with the exception of Surveillance & Targeting Systems demostration activities, which move to Anaheim.

Teledesic program management transfers to Seal Beach from Washington. Program management for satellites transfers from Downey to Seal Beach.

Multiple laboratories will be closed as part of a companywide consolidation.

Today's announcement includes an additional reduction of 1.3 million square feet, including facilities in Downey, Long Beach, Sunnyvale, Palmdale and Canoga Park.

Missouri:

St. Louis becomes the single location for production and program management of Boeing fighter aircraft. The Joint Strike Fighter will be built in St. Louis, provided the program's affordability goals are satisfied. Management of the JSF program will remain in the Seattle area at least through the concept demonstration phase of program. In addition, F-22 manufacturing will remain in Seattle, although the company continues studying other options for the program.

St. Louis will consolidate staffing within its fighter production programs, and Phantom Works technology groups will share engineering management with the host business unit.

Washington:

Airplane production capability in Renton will be supplemented with an additional Next-Generation 737 final assembly line in Long Beach, Calif.

Headquarters for ISDS Information & Communications Systems business unit transfers from Kent to Anaheim, Calif., since the majority of the unit's business is located in California. Many support functions for this business unit will remain at the Kent Space Center West complex.

A satellite design support center will be located in Kent.

Program management of Teledesic work transfers to Seal Beach, Calif.

Program management of the Joint Strike Fighter (JSF) program remains in the Seattle area, at least through the concept demonstration phase of program. Production for the JSF will be based in St. Louis. Manufacturing for the F-22 remains in Seattle, although the company continues studying other options.

Multiple laboratories will be closed as part of a companywide consolidation.

Actions in today's announcement will result in the reduction of an additional 1.7 million square feet of space.

Employment Recap:

When issuing its second quarter earnings, Boeing projected that employment would decrease by 18,000 to 28,000 people by the end of 1999. Additional employment reductions are anticipated in the year 2000. Currently, Boeing employs 238,000 people.

Today's announcement is in line with those projections. Following is a recap of recent Boeing announcements about anticipated employment reductions:

- In December 1997, Boeing announced it would reduce employment within its commercial airplane operations, mostly within the state of Washington, by 12,000, starting in the second half of 1998.
- In March, the company announced the first round of facilities consolidations. When combined with phasing out production of the MD-80 and MD-90 jetliners, this move is expected to reduce employment by another 8,200 people by the end of the year 2000.
- In June, Boeing announced it is phasing out production of the MD-11 jetliner. This decision will affect another 3,750 employees by the time the last airplane is delivered in the year 2000.
- Today, Boeing announced the second round of facilities consolidations, resulting in employment reductions in California, Missouri and Washington. The exact number of jobs affected is still being determined.

(Details on the March 20 facilities announcement)

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