Boeing Reaches $4.3 Billion Agreement With Aluminum Mills

Boeing Commercial Airplane Group announced today that it has selected five mills to supply all the commercial airplane manufacturer's aluminum flat-rolled products, and small and intermediate extrusions for the next 10 years. The agreements, which will have an estimated value of $4.3 billion when finalized, are part of the new "lean" procurement strategy that Boeing announced July 6. Under the strategy, Boeing will buy aluminum directly from the mills, then provide it through a single distributor to external suppliers and internal parts shops.

The strategy will allow Boeing to better forecast aluminum requirements, which will help ensure that an adequate supply of aluminum is available to Boeing and to its external suppliers at a reasonable price. The strategy is expected to result in significant cost savings across the entire supply chain during the next decade.

Boeing will be contracting with the following five mills:

- Aluminum Company of America (ALCOA), Pittsburgh, Pa. (flat-rolled products and extrusion).
- Century Aluminum Co., Monterey, Calif. (flat-rolled products only).
- Hoogovens Aluminium Walzprodukte GmbH, Koblenz, Germany, owned by Koninklijke Hoogovens NV, Ijmuiden, Netherlands (flat-rolled products only).
- Kaiser Aluminum Corp., Houston, Texas (flat-rolled products only).
- Universal Alloys Co., Canton, Ga., owned by ALU Menziken Industrie AG, Menziken, Switzerland (extrusion only).

Boeing previously announced that it has signed a contract with distributor TMX - a subsidiary of Detroit-based Thyssen, Inc., N.A., which is owned by Thyssen A.G., of Dusseldorf, Germany.

"By restructuring the supply chain, we are eliminating speculative demand and ensuring a continuous supply of raw material to Boeing internal operations and external suppliers at the lowest possible cost," said Russ Bunio, vice president and general manager of Boeing Commercial Airplane Group's Materiel Division.

Currently, Boeing and 500-plus aerostructures suppliers, as well as other smaller users of aluminum, deal individually with seven flat-rolled product mills, 14 extrusion mills and more than 50 distributors.

Contracts under the new procurement strategy will be finalized shortly, with delivery of aluminum beginning in late 1998. Parts suppliers will be phased into the new procurement strategy as current contracts with mills and distributors expire, which Boeing estimates will take 30 months.

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