Three European Airlines First To Sign For New Boeing Service

Spares Exchange Program Continues Boeing Expansion Into Aftermarket

As part of an ongoing effort to expand aftermarket services, Boeing today announced that KLM Royal Dutch Airlines, Transavia Airlines of the Netherlands, and Braathens of Norway are the launch customers for a new program that frees the carriers from costly fleet-support tasks while maintaining high levels of airplane schedule reliability.

The new Spares Exchange Program reduces the costs of providing what are known in the air transport industry as line replaceable units, or LRUs. These are high-value items such as complex avionics boxes or precision mechanical assemblies. The program is being offered to operators of Next-Generation 737 airplanes (737-600 through -900 models).

"We anticipate the three launch customers will experience substantial savings during the first decade of spares exchange coverage in their growing fleets of new Boeing 737s," said Darce Lamb, vice president and chief operating officer of Boeing Airplane Services. "This new service program is one way Boeing can help its customers find practical solutions to real operating issues."

Typically, if an LRU fails to function properly, it is removed and replaced with a spare. Restoring the out-of-service unit to airworthy condition requires skilled technicians and sophisticated test and repair equipment, either at the airline or at an outside vendor. Repairs can take from 10 days to more than a month.

As a hedge, airlines usually keep multiple spares in case additional LRUs are needed while repairs are under way. However, inventory holding costs for these expensive replacements can run into millions of dollars.

Under the Spares Exchange Program, airlines need only a minimal inventory of these units because Boeing will ship an exchange replacement within one day of receiving an order. The removed unit then is sent to Boeing, which arranges for repair, modification or overhaul by a network of approved service providers. Restored to airworthy condition, upgraded to reflect design changes, and returned to the exchange inventory pool, the unit is ready once again for any customer in the program.

Customers sign up for an initial term of up to 10 years, and pay a rate that covers replacement of about 300 different LRUs at any time during that period. The rate is based on fleet size and flight hours.

Service under the program began Dec. 1 at Transavia Airlines, and will start on Jan. 1, 2000, at KLM and Braathens.

Lamb noted that in addition to reducing inventory holdings and repair expenses, customers would benefit from the long-term stability the program brings to maintenance budget planning. Another benefit is that an airline won't need to make separate payments for work performed by outside suppliers or concern itself with managing warranty coverage, since these items are already factored into the flight-hour rate.

Lamb said the program is a logical extension of the existing LRU repair and overhaul service offered by Boeing.

"Until now, this part of our business has been limited to a standard repair-and-return type of service for airlines choosing not to manage the work themselves," he said. "Each repair was a one-time transaction. Under our new program, we're moving to a larger and steadier revenue stream."

He added that the program is consistent with a long-term company effort to provide expanded services for customer airlines.

"Many airlines prefer to obtain support services from a single source," Lamb said. "It simplifies business planning and is often more economical. Our Spares Exchange Program is a reflection of this trend."

The program is the latest in a series of new aftermarket products and services Boeing has announced this year. Others include programs to replace floor panels and insulation blankets, new digital information tools to speed up maintenance and troubleshooting, on-site management of airline expendable spare parts, and a comprehensive program to modify, maintain and lease airplanes for cargo operations.

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For further information:
Dick Schleh
206-544-9528