Boeing Consolidates Manufacturing Operations, Keeps Significant Space And Defense Work In Puget Sound

Commercial Airplanes consolidates some Puget Sound/Wichita operations

Key defense and space work stays in region, infrastructure costs to be cut

Reassignments and retraining will be offered to affected employees

Estimated reduction of 1.5 million sq. ft. - in line with value scorecard goal

In an effort to further streamline its operations, The Boeing Company (NYSE: BA) today announced consolidation plans for several manufacturing areas in Puget Sound and told employees of key defense and space programs that much of their work will remain in the region.

"We are fulfilling our promise to let employees and our communities know as soon as possible about decisions that affect them," said Fred Mitchell, executive vice president and leader of the companywide asset utilization effort. "The steps we're announcing today support our goals to run a healthy business, offer stability to our employees, and enhance shareholder value. Given normal attrition and an improved business forecast for Commercial Airplanes - and to the extent that our employees are open to retraining for new opportunities and internal job transfers - we expect to be able to move all affected employees to other positions in the company."

The moves come as part of Boeing's ongoing efforts to focus its business base on core competencies, reduce costs, gain efficiencies and improve profitability.

"Today's announcements will reduce Boeing's facilities footprint by more than 1.5 million square feet in keeping with our value scorecard goal of substantially reducing overall square footage," Mitchell added. "This effort has involved high-level management focus across the company, and a thorough and rigorous evaluation based on existing business conditions."

The consolidations eventually will affect about 3,500 Puget Sound employees whose job assignments will transfer or otherwise change by varying degrees over the next three years. The company is committed to honoring all of its labor agreements.

"We have considerable capacity challenges in our factories; some are running at only 30-50 percent of capacity," said Mitchell. "Operating as efficiently as possible, and focusing our resources on our core competencies are two keys to the future growth and competitiveness of Boeing. Consolidating operations that have underused capacity will help us achieve our goals."

Announcements made today include:

- Boeing will move work from four sub-assembly shops within its Commercial Airplanes group to other suppliers inside and outside the company. These shops, commonly known as "lot-time," produce bench-top-sized sub-assemblies used in airplanes. The shops are located in Harbour Pointe, Wash.; Auburn, Wash.; Renton, Wash.; and Wichita, Kan. The move will take about two years to complete and affect approximately 900 factory and support employees.
- The company will consolidate its new-tool-fabrication activities in Wichita, which will become its center for new-tool fabrication. Support to production tools will continue at several locations in the Puget Sound area and elsewhere. The move primarily affects Puget Sound. Of about 2,400 tooling employees there, approximately 2,050 will remain to provide support for production tools. About 350 will be retrained as necessary for other work.
- Boeing will move machining and chemical processing work now done at its Military Aircraft and Missiles shop in Kent, Wash., to other locations inside and outside of the company. The shop's commercial airplane work will be transferred to Auburn and to external suppliers. As currently planned, its military work will be moved to St. Louis. Movement of this work will be carried out over the next two years. About 500 employees eventually will be affected.
- Except for machining and chemical processing as outlined above, work on the following defense and space programs remains unchanged in Puget Sound:
    - F-22
    - Joint Strike Fighter (JSF)
    - B-1B/B-2 consolidated program (currently contracted tasks)
    - C-32 and C-40
    - ALCM/CALCM Block 1A and Penetrator program (with related engineering services)
    - Multimission Maritime Aircraft
    - Airborne Mission Systems programs, such as AWACS, 737 AEW&C, Airborne Surveillance Testbed, and E-6
    - Phased Array antenna activity
    - Electronic Systems ASIC and MMIC design engineers, who will provide continued support to Connexion by BoeingSM, JSF, F-22, 777 and RAH-66. In addition, once the Hughes Space and Communications acquisition has closed, these engineers will provide support to the new Boeing Satellite Systems organization.

    - Phantom Works programs, including current-phase activity on the Unmanned Combat Air Vehicle. St. Louis will be the center for unmanned vehicles.
    - Commercial Avionics Systems will remain in Puget Sound and be relocated from Kent
    - Inertial Upper Stage will remain in Kent as a fly-out program until its completion

- Boeing has decided to move certain follow-on work related to the above programs, including:
    - Extended Range Cruise Missile (the next phase of the ALCM/CALCM program) engineering and support will be located at the Weapons Programs facilities in St. Charles, Mo., where CALCM is manufactured and where all other Boeing tactical weapons are designed and produced.
    - B-1B/B-2 program management has been moved to Long Beach, Calif., consistent with a prior announcement. Future program engineering and support will move to Long Beach and/or Oklahoma City when the currently contracted activities in Puget Sound have been completed.
    - Some future growth for Integrated Defense Systems work will take place in Southern California.

- In other Commercial Airplanes consolidations, the Process Assembly manufacturing business unit in Auburn, which houses one of the lot-time shops, will be phased out of operation over the next three years. The group employs about 800 people in lot-time work and the manufacture of composite and thermoplastic components. The work will be placed at suppliers inside and outside of the company.
- Commercial Airplanes also announced the move of its Renton emergent manufacturing or "blue streak" shop to its Emergent Manufacturing Facility in Auburn and its intention to move its Everett, Wash., blue streak facility to Auburn. The Renton move will affect about 120 employees and be completed by year-end 2000. The Everett move is expected to affect about 150 employees and be completed by the end of the first quarter 2001.

Boeing has been studying a variety of alternatives for its space and defense programs in Puget Sound, Mitchell said. "The preferred option at this point is to leave much of the work in place and to focus on reducing infrastructure and overhead costs. Our plan is to streamline and align our business systems by providing the majority of the site's functional support from Southern California and St. Louis," he added.

Mitchell said that asset utilization studies will continue throughout the company. "It's our responsibility to run this business well - and that includes constantly searching for ways to improve our performance and deliver greater value to our customers. Today's business environment changes rapidly, and we must adapt continuously to remain competitive," he said. "Every decision we make will take our employees' futures into consideration. And as additional decisions are made, it will be our priority to announce them to our employees first then share them with the communities in which we do business."

###

C1770

For further information:
Peter Conte
Company Offices
206-655-6123
John Kvasnosky
Commercial Airplanes
206-766-2913
Chuck Cadena
Commercial Airplanes
425-234-6442
Bob Smith
Seattle Site (space and defense)
253-773-0983