

## **Boeing and KLM Sign Contract for Global Airline Inventory Network**

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The Boeing Company and KLM Engineering and Maintenance (E&M) announced today that KLM is the European launch customer for the Global Airline Inventory Network <sup>SM</sup>.

The E&M division is the maintenance, repair and overhaul (MRO) organization of KLM Royal Dutch Airlines. It provides total care, airframe, component and engine maintenance services to KLM and more than 50 other airlines and operators around the world.

The Global Airline Inventory Network is a value-added service in which Boeing will manage the supply chain for expendable airframe spare parts. The parts are used to maintain KLM's fleet of Boeing airplanes and the fleets of other airlines who contract for maintenance services from KLM E&M. The program initially will involve Boeing parts and will expand to include other standard and vendor parts.

The Global Airline Inventory Network is designed to eliminate costly inventory inefficiencies in the airline industry, where both airlines and suppliers incur extra costs because of duplicated distribution channels and unnecessary inventory levels. The airline industry worldwide consumes \$7 billion a year in airframe spare parts to support Boeing airplanes.

"We are very pleased to have KLM E&M join the Global Airline Inventory Network," said Mark Owen, Boeing vice president of Spares. "KLM E&M is one of the world's leading airline MRO providers and has been instrumental in developing this Network concept with us. This long-term agreement provides the foundation for expansion of the network throughout Europe and leverages our growing distribution capability in Amsterdam."

Highlights of the network are: Airframe parts will be "forward deployed" by Boeing at or near the airline's point of use. Depending on the part, forward deployment may be to a Boeing regional distribution center or within the airline's facility.

- Boeing will be responsible for the purchasing, inventory management and logistics for an airline's expendable airframe parts.
- Boeing and other suppliers will own the airframe parts that are forward deployed until they actually are used or consumed. The airline will only pay for parts as it uses them, significantly reducing inventory holding costs and improving the return on assets.
- A supply-chain management system will serve as the "command center" for the network, monitoring airline inventory use and allowing suppliers to improve demand forecasting and plan production accordingly.
- To support the program, Boeing is developing a new computing system that will integrate supply and consumption information from the airlines and their maintenance facilities.

"Our decision to join the Global Airline Inventory Network is another example of the innovation taking place within KLM E&M," said Ron van Manen, vice president of Business Development for KLM E&M. "We are focused on delivering improved service and cost-effectiveness to our maintenance customers. The improved material service levels and supply chain efficiency we expect from the Network will create opportunities for us to speed our maintenance processes and reduce inventory turn times."

"One of the most exciting features of the Global Airline Inventory Network was the opportunity to shift ownership of our inventory assets to our supply base. This affords us the opportunity to significantly improve return on capital employed," van Manen said.

Mark Owen of Boeing said, "The prime focus of Boeing's effort to grow the services business is to offer enhanced value to our customers.

"The Global Airline Inventory Network allows us to offer value by increasing material service levels, enabling smaller infrastructures and freeing capital for higher value investment. As the network grows, customers will benefit as Boeing integrates information and knowledge about the engineering, systems and fleet-wide spare parts usage for our aircraft. We are working with several other operators to expand the program domestically and around the world."

In February 2001 Japan Airlines joined the Network as the Asian launch customer. Implementation of the first phase of the Global Airline Inventory Network<sup>SM</sup> at KLM will begin in September 2001. Boeing plans to grow the network over the next few years by adding customers while raising service levels and ensuring customer satisfaction with the program.

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