Boeing Extends "Fair and Competitive" Offer to Machinists

Wage package maintains competitive pay with COLA protection

Includes ratification bonus of 8 percent

Retirement benefits significantly improved

Quality health-care program continues with competitive cost-sharing

The Boeing Company concluded contract negotiations today with the International Association of Machinists and Aerospace Workers (IAM) union that represents some 25,000 Boeing employees in the Seattle area, Spokane, Wash.; Portland, Ore.; and Wichita, Kan.

The conclusion of contract talks follows 13 days of bargaining that produced a contract offer the company characterized as fair and competitive for its IAM-represented employees. Boeing machinists will vote on the proposed contract Aug. 29. The current contract expires at midnight on Sept. 1.

"Our goal during these negotiations has been to reach a contract agreement that works for everyone with a stake in the future of Boeing," said Alan Mulally, president and CEO of Boeing Commercial Airplanes. "This contract provides for the interests of our IAM-represented employees and will enable us to become more competitive in support of our customers. It will help us grow our business and retain thousands of the best employees and best jobs in the aerospace industry."

The contract would cover employees in multiple Boeing business units in the specified locations, with the majority of them belonging to the company's Commercial Airplanes business unit.

"We are presenting a fair and competitive offer in the middle of the worst downturn in commercial aviation history," Mulally said. "It's a contract that recognizes the contributions of employees by enhancing their industry-leading provisions for wages and retirement benefits, while maintaining high-quality health care options and existing job security provisions. It also is grounded in the realities of our current business environment."

Wages: The offer provides a wage package that continues to reward employees' contributions with competitive, market-based pay. If ratified, the contract would grant employees a one-time ratification bonus of 8 percent in the first year along with general wage increases of 2 percent in the second year and 2.5 percent in the third year of the contract.

	Year 1	Year 2	Year 3
Ratification Bonus	8%		
GWI	0.0%	2.0%	2.5%

In addition to the ratification bonus and general wage increases, current cost of living adjustment (COLA) formulas and all other pay premiums would be continued through the life of the new contract.

Retirement Benefits: The contract retains the company's current pension plan and significantly improves its benefit level. The monthly minimum benefit under the plan would be increased by 20 percent by the end of the contract, stepping from $58 per year of service in year one to $59 per year in year two and $60 per year in year three. This increase places the pension plan at the top in the aerospace industry, with increases since the 1995 contract totaling 50 percent.

The offer also allows employees to better prepare for retirement by increasing the amount of money they can contribute to their 401k (VIP) savings plan. Employees would be able to contribute up to 20 percent of yearly income, up from the current 15 percent, with the company continuing to match 50 percent of the first 8 percent of employee savings contributions.

Health Care: The proposal continues a generous health-care package including at least one plan option at each location that does not require monthly contributions. To help deal with escalating health-care costs, the proposal offers a variety of cost sharing options and slides the effective date for the contributions to January 2004. Boeing will continue to pay more than 85 percent of employee health-care costs.

Job Security: The proposal recommits the company to job security protections around subcontracting and offloading of work that were jointly agreed to in the previous contract.

"There has never been a more important time or a more critical vote in the long relationship between the IAM and Boeing," Mulally said. "The pressures on our industry, our customers and our business are tremendous. We have worked together to produce an offer that is competitive and positions us for long-term growth when the market returns. It's important that each of our employees fully evaluates this offer, and we ask them to help us move forward together by voting to ratify it."

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