Boeing President & CEO Harry Stonecipher Statement to Employees on the US Air Force Tanker Program

In a message to employees today, Boeing President & CEO Harry Stonecipher provided the following update on the U.S. Air Force 767 Tanker program:

"Secretary of Defense Rumsfeld has implemented a pause in discussions between the U.S. Air Force and Boeing [NYSE: BA] on the Air Force tanker program while a series of reviews is undertaken. It is important that these reviews be completed so the Department of Defense, the Congress, and the American public can have confidence in any final decision on the 767 tanker program. The process that the Secretary of Defense has put in place to review the tanker program is fair and reasonable and has my full support.

"It is important that sufficient time be built into the 767 tanker program schedule to accommodate the Secretary of Defense's reviews. Consequently, starting on February 23, Boeing will slow the development efforts on the Air Force 767 tanker. We will implement this slowdown in a manner that will keep key program elements intact in the months ahead. (Production on the Japanese and Italian tanker programs will not be affected by this slowdown.) As we stated in our most recent quarterly earnings report, through the end of 2003 Boeing had spent $270 million of company money on the Air Force 767 tanker program and has been spending approximately one million dollars per day since then. Because important and detailed day-to-day dialogue with our customer is necessary to refine program requirements, we do not believe that continuing development work at the current level of effort is prudent for either the Air Force or Boeing.

"The slowdown will result in the releasing of approximately 100 contract employees in Wichita and could result in layoffs of up to 50 employees in Puget Sound as well as the redeployment of approximately 600 Boeing employees across both sites. We deeply regret the difficulties that this slowdown will pose for our Boeing employees and those of our teammates.

"Further, the slowdown will cause the Air Force 767 tanker program schedule to slip. The extent of any schedule slippage will be based upon the date of the eventual contract award and customer requirements.

"I am supportive of the process that the Department of Defense has put in place and am prepared to accept the results. In the end, I remain convinced that these reviews represent the best path toward restoring full confidence in the program and validating the need to get new tankers into the Air Force inventory as quickly as possible. Boeing remains committed to the Air Force 767 tanker program, our Air Force customer and our dedicated employees."

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