

Boeing Signs Contract to Support C-17s in Australia

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The Boeing Company [NYSE: BA] has reached an agreement with the Royal Australian Air Force (RAAF) to provide logistics support services for Australia's C-17 fleet.

Australia is buying four Globemaster III aircraft with the first delivery planned for December 2006. Under the \$80.7 million contract, Boeing will manage spare parts for the Australian fleet. The RAAF will be responsible for flight line maintenance with Boeing performing heavier, depot-level maintenance. Boeing has similar responsibilities for the U.S. Air Force and the United Kingdom's Royal Air Force C-17 fleets through the Globemaster III Sustainment Partnership (GSP).

By joining the global C-17 support network, Australia will take advantage of the economy of scale for the purchase of spare parts and materials for a fleet of nearly 200 aircraft compared to a fleet of four. Support Systems, a business of Integrated Defense Systems, also will provide technical support, engineering services, engine maintenance and management, technical publications and support equipment management for the RAAF anywhere the aircraft are located.

The RAAF joins the existing performance-based logistics contract where Boeing is paid for an agreed upon level of aircraft availability. Boeing shares part of the risk for maintaining the aircraft and has incentive to sustain the fleet as efficiently as possible.

"By joining the partnership, Australia is significantly reducing its costs," said Bud Matlock, Boeing director of International Product Support for the C-17. "The advantage comes not only in the synergies gained by joining the virtual C-17 fleet, but also in Boeing's experience and infrastructure in sustaining the C-17 around the world for all our customers. We are excited about the RAAF joining the C-17 GSP and encouraged about our international growth opportunities."

The contract to maintain the Australian C-17s mirrors Boeing's agreement with the United Kingdom. Similar partnerships are available to foreign military services that purchase C-17s. Denmark recently signed a letter of intent to join a team of NATO nations that will share a pool of C-17s. The Canadian Department of National Defence in early July said it intends to acquire four C-17s.

A unit of The Boeing Company, Boeing Integrated Defense Systems is one of the world's largest space and defense businesses. Headquartered in St. Louis, Boeing Integrated Defense Systems is a \$30.8 billion business. It provides network-centric system solutions to its global military, government and commercial customers. It is a leading provider of intelligence, surveillance and reconnaissance systems; the world's largest military aircraft manufacturer; the world's largest satellite manufacturer; a foremost developer of advanced concepts and technologies; a leading provider of space-based communications; the primary systems integrator for U.S. missile defense; NASA's largest contractor; and a global leader in sustainment solutions and launch services.

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