

The Boeing Company's Proposed Platform for Discussions

2008 SPEEA Professional and Technical Contract Negotiations

September 17, 2008

Introduction

In preparation for the main-table stage of negotiations, discussions have been under way for several months through regular meetings of the subcommittees that Boeing and SPEEA have in place. These discussions have been constructive and have provided both Boeing and SPEEA with opportunities to thoughtfully present our positions. We believe this ongoing engagement puts us in a good position to understand one another and reach agreement on new contracts.

On September 10, SPEEA presented Boeing with its opening proposals regarding new Professional and Technical contracts. We are reviewing these proposals carefully. As a foundation for our response, this "Platform for Discussion" summarizes our thinking on many of the issues that Boeing believes to be important in these negotiations. Throughout these negotiations, Boeing will refer back to this document as providing the overall framework for our talks with SPEEA.

Boeing recently has experienced great success in the market. Our order backlog spreads over many product lines, creating stability for our recurring programs and enabling us to focus on further product and efficiency improvements. We still have significant work to do on our developmental programs, which requires the focus and expertise of our engineering and technical teams as we complete the designs for our new and derivative airplanes. If we succeed together, we'll stay competitive, fulfill our customer commitments and provide good jobs for generations to come.

We recognize that our engineering and technical employees provide Boeing with a competitive advantage through their efforts in research and development, designing market-leading commercial and military aerospace products, developing and improving processes, and supporting our customers' products in the field. We intend to negotiate contracts that both reward our engineering and technical workforce for their contributions to Boeing's success and enables Boeing to remain competitive well into the future.

This Platform for Discussion outlines some of the issues Boeing would like to discuss during the 2008 SPEEA negotiations. We also have included a list of contractual provisions that we do not intend to propose changing substantively. We intend to be clear and open in our communication, toward the goal of understanding each other better and ultimately reaching agreement.

Undoubtedly, our discussions over the coming weeks will uncover additional subjects for our negotiations. As we discuss, listen, and seek to understand each others' positions, we want to be respectful in consideration of all ideas. Ultimately, we seek solutions that are in the best interest of employees, our customers, our communities and our company.

Pay and Benefits

Boeing is committed to attracting and retaining the talented engineering and technical people we need to design, support and improve the world's finest aerospace products. In our view, we have worked effectively with SPEEA to put in place a strong market-based approach to compensation and benefits. We continually monitor salaries to ensure that we are competitive, and we employ measures such as market adjustment funding to raise salaries when appropriate.

We intend to continue to provide (1) salaries that are aligned to market; (2) health care plans that provide employees and their dependents with excellent medical, dental and vision care at lower costs to employees than most other large companies; and (3) a premium retirement program that offers employees an opportunity for significant income replacement at retirement.

Although it may be possible to identify other employers that offer individual compensation or benefits elements that are more attractive than the specific plan elements offered by Boeing, the total value of our package of pay and benefits enables us to effectively compete for engineering and technical talent.

Competitive Pay: Boeing is committed to continuing to analyze the market and maintaining pay ranges that provide for market competitive salaries. Boeing participates in a comprehensive salary survey of some 200 high-technology companies that employ similar types of engineering and technical skills. This survey examines current compensation levels as well as projected growth. Boeing uses this data to establish compensation levels for our engineering and technical workforce throughout the enterprise. Consistent with our past practice, Boeing intends to review market data with SPEEA in October.

While the market is composed of a broad distribution of salaries, Boeing considers a job family to be market competitive when the average salary for a job family falls within a band of +/-10% from the market reference. This band allows Boeing to take into consideration differences in employee populations while still remaining market competitive.

We will be discussing the selective and market adjustment funds as well as the minimum promotion increase to ensure those elements support our overall compensation philosophy. As in past negotiations, discussions about pay will be based on objective market data.

Entering into these negotiations, the average salaries for both the SPEEA Professional and Technical units are well placed within the national market and in a favorable position to attract and retain the talent required to design, support and improve the world's leading aerospace products.

Relative to the national market, our position is further enhanced considering the fact that Boeing provides engineering employees with an overtime premium for work outside the normal work schedule – at a level rarely offered by other companies.

It is Boeing's intention to maintain our position relative to the market by offering competitive compensation levels that keep pace with anticipated salary growth for engineers and technical employees nationwide.

In addition, individual contribution and pay for performance are important elements of the Boeing Salary Management Objectives. The company will be discussing the appropriateness of the general wage increase as it relates to pay for performance and the [Boeing Salary Management Objectives](#) (which is available online on the company's intranet).

Incentive Pay: Boeing plans to continue to offer eligible employees the Employee Incentive Plan (EIP) as an important element of the company's total compensation package. Since being included in this plan, SPEEA-represented employees have earned 41 additional days of pay – 14 additional days of pay based on 2005 performance, 12 additional days of pay based on 2006 performance, and 15 additional days of pay based on 2007 performance. In addition to EIP, the company will propose to continue to offer the ShareValue Trust through the final investment period (June 30, 2010).

Common Pay Practices: Balancing employee needs, attracting and retaining employees, efficient administration, and market competitiveness are key objectives of having common pay practices across Boeing. We will be discussing ways to align several bargaining unit and Boeing pay practices. Practices we intend to discuss include moving away from PERBUS/Non Industrial Sick Leave and toward the common Paid Time Off (PTO) Policy (Professional Unit); moving away from the use of overtime and PTO in the same pay period; alignment of the jury duty practice; evaluating travel time practices (Technical Unit); evaluating pay practices associated with 24/7 operations; and evaluating shift incentives.

In its initial proposal to the company, SPEEA requested changes in the company's overtime pay and vacation-accrual practices. In reviewing the union's proposal, we will consider these in light of Boeing's long-term goal to create a consistent set of pay practices for salaried employees throughout the company.

Retirement Plans: Boeing cares about the financial well-being of employees and their futures. We also believe that planning for retirement is a shared responsibility between the company and employees.

The combination of Boeing pension benefits, when added to employee savings in the Boeing Voluntary Investment Plan and Social Security payments, allows SPEEA-represented employees the opportunity to retire with more income in retirement than in the last year of employment. This estimate is based on three factors: (1) projections of monthly pension benefits, taking into account current salaries for engineering and technical employees and assuming average salary growth over time;

(2) current fund balances for engineering and technical employees participating in the Boeing Voluntary Investment Plan, assuming that employees will take full advantage of the company match in future years and that these investments will earn average returns over time; and (3) government projections of monthly Social Security payments.

The company intends to propose continuation of the Boeing Company Employee Retirement Plan (BCERP) for current employees. We also intend to propose a substantial increase in the basic benefit level, which currently is set at \$70 per month per year of credited company service.

For employees who retire under the alternate pension benefit formula, pension increases are based on individual salary growth and continued service over time. Pension benefits can be directly affected by increases proposed in the salary adjustment fund (*see section above addressing “**Competitive Pay**”*) and by annual EIP awards.

To address the long-term liabilities posed by traditional defined benefit pension plans and the short-term financial volatility that funding obligations bring, and to better respond to the changing expectations of our future workforce, the company plans to discuss a new type of retirement plan for future employees in lieu of participation in the BCERP. The new plan would be designed only for individuals who join the company in the future and would not affect the pension plan for current employees.

We believe new employees will appreciate a retirement plan that is easy to understand, where they have the freedom to invest their funds as they choose, where they could vest in the retirement plan immediately, and where the funds can be taken with the employee if he or she leaves the company. Additionally, for new employees who spend their entire career with the company, this plan will provide an excellent opportunity for financial security in retirement. This new plan will be like the plan for salaried nonunion employees, including newly hired executives, announced earlier this year and taking effect on January 1, 2009. Many of our competitors offer similar plans to newly-hired employees. The company has also negotiated this type of plan with several unions representing Boeing employees.

Savings Plan: The company will propose to increase the maximum percentage of base pay that each employee can contribute to the Voluntary Investment Plan from 20 percent to 25 percent.

Health Care and Insurance: Boeing currently offers our employees a variety of competitive and effective health care options. Our health care plans provide employees and their dependents with outstanding medical, dental and vision care benefits at lower costs to employees than most other large companies. We intend to continue to offer outstanding medical, dental and vision care benefits at a very affordable cost.

Understandably, both Boeing and SPEEA are concerned about rising health care costs. Even though jumps in national health care costs have slowed from recent double-digit increases, the company’s costs are projected to increase by more than 7

percent in 2008. The Boeing and SPEEA subcommittees discussing health care issues have been very active in looking at the best approaches for dealing with these higher costs. As a result of these ongoing discussions between the company and the union, Boeing believes that some solid foundations for understanding are in place.

Boeing intends to identify at least one “no contribution” health care plan at each location. These will remain the “no contribution” plans for the duration of the contract.

Keeping with our long-term goal of having common pay and benefit practices for salaried employees across the enterprise, Boeing will propose that SPEEA-represented employees switch to a calendar-year enrollment for health care benefits effective January 1, 2010. To accommodate this, Boeing will propose a transition period from July 1, 2009, through December 31, 2009. During this period, the medical plan out-of-pocket maximum will be half the annual maximum, and the medical and dental plan deductibles will be half the annual deductible amounts.

As part of our increased emphasis on wellness and preventive care, we are interested in discussing enhanced medical plan features that will help promote wellness and preventive care, help employees identify and reduce health risks, and help employees manage their health to avoid preventable illness or injury. Specific options may include improvements in routine physical exams (including free or low-cost X-rays, laboratory and diagnostic screenings and well-child care), and improvements to vision care and mental health treatment. Over the long term, we expect that this increased emphasis on wellness will help hold down cost increases for both employees and the company.

Boeing still plans to absorb most of the higher health care costs, but we also believe that employees should pay a greater percentage of this cost. It is our intention that any additional costs for employees will be modest and will be more than offset by the overall value of proposed contract enhancements, including salary increases in both the Professional and Technical contracts.

We intend to discuss revised medical plan features as one method of containing the significant rate of growth in health care costs. Additional subjects for our discussions related to health care will include updating plan design features such as deductibles, the prescription drug program, and preventive care. New plan options for our discussion will include a health care plan option with a health savings account.

Our intention is to continue our existing life and disability insurance programs.

Workforce

The dynamic business environment we are in places importance on identifying, attracting, developing and retaining the talent needed to meet our objectives. Since the end of 2003, when we were at the lowest employment level in the last 10 years, we have hired a substantial number of engineering and technical employees to meet the demands of our business. Current SPEEA-represented staffing is significantly greater than our pre-9/11 levels. With multiple development programs in work on both

the commercial and defense sides of our business, we continue to recruit heavily for key disciplines such as structures.

We remain focused on building our core technical capability and on stabilizing our employment levels through our business cycles to improve employee engagement and productivity. We believe that strong performance management and job-posting processes are essential to providing challenging work and career growth. We are committed to improvements in these processes being addressed in our Workforce Subcommittee.

We would like to continue working with SPEEA to take steps that will mitigate cyclic influences on our workforce, helping us to maintain our competitive momentum. To accomplish these goals, we must recognize the staffing impact of the large developmental programs, and have in place practices that accomplish our program objectives while minimizing dramatic increases and decreases in our engineering and technical workforce. We view our performance management, job posting, retention, and recall processes as key elements of our stabilization goals.

Another enabler to stability has been the use of non-Boeing labor to mitigate some of the staffing impacts of large development programs. The use of such labor also has served as a buffer to layoffs of our core talent. Our ability to call on those resources will remain an essential element of our business plan. Given (1) the ongoing skill shortage – particularly in the United States – that all employers in our industry face, (2) the need to use international suppliers to address offset requirements attached to the sale of Boeing products, (3) the need to place work in some customer countries to gain greater market access or to address critical strategic objectives (e.g., access to raw materials), and (4) the cost advantage that certain suppliers provide, particularly for less complex work, we are simply unable to accomplish our business plan absent use of various sources of talent. We do appreciate the union's sensitivity in this area, and are committed to doing a more timely and thorough job of reporting the use of non-Boeing labor through our Workforce Subcommittee.

We look forward to discussing these and other stabilization measures with SPEEA during the course of our negotiations.

Ed Wells Partnership

Boeing values the benefits that Ed Wells Partnership provides employees. The Ed Wells Partnership has been instrumental in improving educational and specialized training opportunities. Recognizing recent improvements in the efficiency of delivery and availability of Ed Wells offerings, the company wants to continue funding the Ed Wells Partnership at approximately the current levels described in our collective bargaining agreement. This funding has enabled the Ed Wells Partnership to deliver high quality services to our employees.

Duration of the Contract

Employees, customers and communities will benefit from greater stability in our relationship. We are in a much better position today to sustain our success through the ups and downs of the business cycles. To further the goal of stability, we want to explore a contract duration of greater than three years.

No Substantive Changes

We do not currently intend to propose substantive changes to the following provisions of our collective bargaining agreement. Included below are provisions with no changes as well as those with administrative changes only. Unless otherwise noted, all sections listed below apply to both the Professional and Technical Units.

CBA Section	Title
Section 2.1	Rights of Management
Section 3.1	Grievance and Arbitration Procedure
Section 3.2	Employee Grievances
Section 3.3	Union Versus Company and Company Versus Union Grievances
Section 3.4	Selection of Arbiter – from Arbitration Panel
Section 3.5	Selection of Arbiter – by Agreement
Section 3.6	Arbitration – Rules of Procedure
Section 3.7	Binding Effect of Award
Section 3.8	Time Limitation as to Back Pay
Section 3.9	Extension of Time Limits by Agreement
Section 3.10	Conferences During Working Hours
Section 3.11	Signing Grievance Does Not Concede Arbitrable Issue
Section 3.12	Jurisdictional Disputes
Section 4.3	Process Revision
Section 5.1	Vacation Plan – General
Section 5.2	Accumulation of Vacation
Section 5.3	Use of Vacation Credits
Section 5.4	Vacation Payment on Termination
Section 5.5	Vacation Credits When Payroll Is Changed
Section 6.1	Establishment of Initial Eligibility for Sick Leave
Section 6.2	Accumulation of Sick Leave
Section 6.3	Use of Sick Leave
Section 6.4	Reserve Account
Section 6.5	Financial Security Plan
Section 6.6	Unreserved Sick Leave Credits
Section 6.7	Current Sick Leave Account, Unused Sick Leave Account, and Financial Security Plan
Section 7.1	Holidays – Dates on Which Observed
Section 7.2	Unworked Holidays
Section 7.3	Worked Holidays
Section 7.4	Holidays During Vacation
Section 7.5	Employees Prevented from Working Because of Local Holidays
Section 10.1	Joint Meetings
Section 11.6	Work Schedules - Temporary Military Leave
Section 11.8	Overtime
Section 12.1	Union Officials – Accredited Representatives

CBA Section	Title
Section 12.2	Union Staff Representatives and Non-Employee Executive Board Members – Access to Plants
Section 12.3	Union Staff Representative, Executive Board Member or Council Representative Security Interviews
Section 13.1	Union Membership
Section 13.2	Satisfaction of Obligation
Section 13.3	Failure to Satisfy Obligations
Section 13.4	State Laws
Section 13.5	Payroll Deduction for Union Dues
Section 13.6	Carry-over of Authorizations between Bargaining Units
Section 13.7	Indemnity and Waiver of Claims
Section 14.1	Strikes and Lockouts
Section 18.1	Non-Discrimination
Section 18.2	Non-Discrimination Grievances
Section 19.1	Separability
Section 21.5	Layoff Benefits
Section 22.1	Authorized Job Classifications
Section 22.2	Definition of Job Classification
Section 22.3	Application and Intent of Job Descriptions
Section 22.4	New or Revised Job Family, Level Guides, and SMC Descriptions
Section 22.5	Individual Employee Job Classification
Section 22.6	Reclassification to a Lower Level
Section 22.7	Sections 22.4, 22.5 and 22.6 not subject to grievance and arbitration
Letter of Understanding 1	Sex Crimes
Letter of Understanding 2	Child/Elder Care and Child Development Programs
Letter of Understanding 5	Health and Safety in the Workplace
Letter of Understanding 6	Data Reports
Letter of Understanding 7	Printing of Contracts
Letter of Understanding 9	Article 20 – Confidentiality of Information
Letter of Understanding 12	Voluntary Benefits
Letter of Understanding 13	Temporary Recall
Letter of Understanding 14	Joint Benefits Discussion Group
Letter of Understanding 15	Part-time Employment
Letter of Understanding 16	Joint Compensation Discussion Group
Letter of Understanding 17	Share Value Program
Letter of Understanding 18	Virtual Office / Telecommuting
Letter of Understanding 19	The Travel Card Process
Letter of Understanding 20	Frequent Flyer Mileage
Letter of Understanding 21	SPEEA Access to the Boeing Web
Letter of Understanding 22	Salary Review Consideration Upon Return from Leave of Absence
Letter of Understanding 24	The Use of Employee Skills Inventory
Letter of Understanding 25	Technical Excellence Program
Letter of Understanding 28	Overtime
Letter of Understanding 32 (Tech Unit Only)	AOG Assignments