



Federal Aviation Administration

Press Release – Boeing Agrees to Pay \$12 Million and Enhance its Compliance Systems to Settle Enforcement Cases

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WASHINGTON – The U.S. Department of Transportation’s Federal Aviation Administration today announced a comprehensive settlement agreement with Boeing Commercial Airplanes (BCA) that resolves multiple pending and potential enforcement cases.

Under the agreement, BCA pledged to implement and improve several certification processes to further enhance the airworthiness and continued compliance of all BCA products.

“It is imperative that everyone complies with our aviation system’s high safety standards,” said U.S. Transportation Secretary Anthony Foxx. “This agreement is an important step toward ensuring that Boeing fully meets all applicable compliance standards going forward.”

“Compliance requires all certificate holders to develop and implement internal controls that ensure they’re operating according to the highest standards,” said FAA Administrator Michael Huerta. “Boeing has agreed to implement improvements in its design, planning, production and maintenance planning processes, and has already implemented several of these improvements.”

BCA’s obligations commit the company to meeting specific performance targets. They are designed to enhance BCA’s early discovery and self-disclosure of potential regulatory compliance problems, as well as the timely development and implementation of effective corrective actions.

The company also must make an immediate payment to the United States Treasury in the amount of \$12 million and faces stiff penalties for failing to follow through on its commitments.

BCA’s obligations include:

Improved Management Oversight and Accountability

- Implement the Safety Management Systems (SMS) plan BCA has developed to meet internationally accepted standards, throughout the company's activities.
- Use the FAA's safety analysis modeling, in addition to BCA's proprietary risk modeling, to assess all identified compliance issues.
- Comply with a new Regulatory Compliance Plan, which requires BCA to assign each compliance matter to a manager-level employee for resolution and accountability.
- Require review of the regulatory compliance performance of BCA managers.

Internal Auditing

- To improve its internal audit processes, audit teams will be required to report directly to BCA's Vice President of Quality, and conduct audits across all processes (Engineering, Supplier Management, Production, Modification, Repair and Customer Support) at all sites.
- Assess the effectiveness of its internal auditing systems.
- Appoint audit team members with appropriate technical expertise to assess the extent of regulatory compliance.
- Conduct an evaluation of regulatory compliance procedures among different facilities and programs.
- Implement risk-based criteria for selecting the subjects of audits.

Enhanced Supplier Management

- To determine whether incomplete work is being accepted, conduct an initial set of audits of its suppliers, analyze the results and consult with the FAA on audit findings.
- Based upon risk analysis, conduct a second, more extensive set of audits, again reporting the results to the FAA and providing the FAA with a summary of any corrective actions.

Quality and Timeliness Regulatory Submissions

- Meet progressively more stringent performance metrics in the quality and timeliness of its written submissions to the FAA.

Specification Simplification

- Annually for the next five years, review and simplify at least 15 process specifications used in the design, build, delivery and support of BCA products.

First-Article Verification

- Implement improvements to processes to ensure that assembly installations that have been affected by process or design changes continue to conform to type design.

Stampings and Other Verification Records Accuracy

- Conduct mandatory training of all manufacturing and quality employees who exercise stamping approval authority, and conduct recurrent training at least every 24 months.
- Conduct mandatory training of all engineering employees on their regulatory compliance obligations.
- During each year of the agreement, conduct at least three internal audits of each product line and at least

one audit of each BCA fabrication site.

- Prevent any repeat findings of improper stamping.

Corrective Action Development, Implementation and Sustainment

- Apply the “Boeing Problem-Solving Model” to a wide variety of analyses that BCA submits to the FAA.
- For future violations that the FAA identifies, conduct a second, follow-up audit within 12 months of the original incident to ensure that corrective actions were effective at the time and continue to be effective.

BCA’s Reporting Obligations

- Report to the FAA at least annually about the effectiveness of BCA’s regulatory compliance activities, including a final and comprehensive report after the fifth year of the agreement.
- Report to the FAA each quarter the results of any internal audits pertaining to safety management, regulatory compliance, corrective action implementation and sustainment, process compliance and conforming products.

BCA will face up to \$24 million in additional penalties over the next five years if it fails to implement its obligations under the agreement.

The performance period for BCA’s commitments begins Jan. 1, 2016 and will continue for five years unless the FAA and BCA agree to an extension.

The agreement settles two initiated cases and 11 other matters that were opened during the last several years.

The first initiated case involved BCA’s tardiness in developing information for the installation of fuel tank flammability reduction equipment (http://www.faa.gov/news/press_releases/news_story.cfm?newsId=13776) on Boeing 747 and 757 aircraft. The second initiated case involved the company’s insufficient corrective action after discovering that a supplier had been providing incorrectly shaped fasteners (http://www.faa.gov/news/press_releases/news_story.cfm?newsId=14954). The FAA did not allege that these issues created unsafe conditions.

The uninitiated matters involved allegations of delays in submitting required safety information, production quality control problems, and failures to implement corrective actions for those production problems.

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