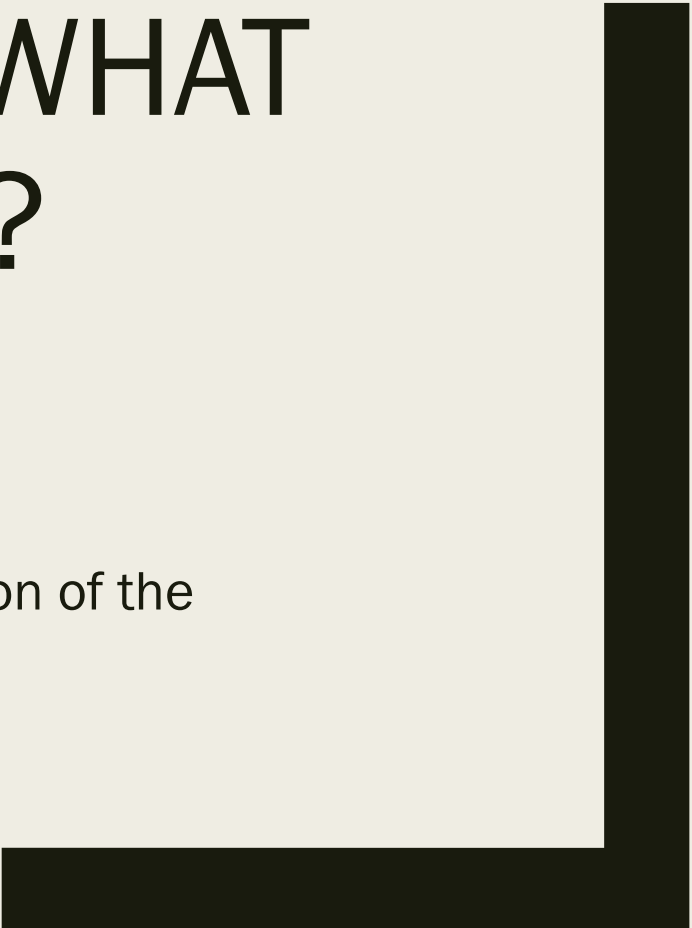


# BOEING QUALITY - WHAT WENT WRONG? CODA

Jeff Parnes – 10 July 2024

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# Boeing agrees to plead guilty to a felony charge

- Boeing agreed to plead guilty to a felony charge of conspiring to defraud the federal government over two fatal crashes of the 737 Max in 2018 and 2019, according to a late-night court filing.
- In the deal with the Justice Department, outlined in part in the court filing, Boeing also agreed to pay a \$487.2 million fine — the maximum allowed by law — and invest at least \$455 million over the next three years to strengthen its compliance and safety programs.
- The company will be put on probation, supervised by the Federal District Court for the Northern District of Texas, for three years. As part of the probation, the Justice Department will appoint an independent compliance monitor who will make sure that safety measures are in place and followed, submitting annual reports to the government. The company will face additional penalties if any of the terms are violated. The company's board of directors will also be required to meet with crash victims' families.
- The decision by Boeing to plead guilty is significant because the company has not been convicted of a federal felony in decades. In the filing, the department described the charge of conspiring to defraud the federal government as “the most serious readily provable offense.”

# Boeing violated Justice Department agreement

- The deal reached stems from violations of an agreement that Boeing had reached with the Justice Department in 2021 that it would make significant safety changes after the two deadly crashes. The department, during the Biden administration, has made it a priority to ensure that companies like Boeing follow through on such agreements.
- The department and Boeing made a joint filing on Sunday night, notifying the District Court that they had agreed in principle. In the next week or so, the formal agreement will be filed. The court will then set a hearing for the company to formally enter its guilty plea. Victims' families will be able to speak during that hearing.
- Families of the victims, who were briefed a week ago on the general outlines of the deal, had said it did not go far enough. Paul G. Cassell, a lawyer for more than a dozen of the families, said the families had sought an admission of fault in the deaths of 346 people who were killed in the crashes, which involved Boeing's troubled 737 Max plane in Indonesia and Ethiopia in late 2018 and early 2019. The families had hoped for stiffer consequences for the company and its executives, including a trial.

# The families' position

- The Justice Department acknowledged the families' position in its court filing on Sunday. In a separate document, the families said they will object to the deal and “intend to argue that the plea deal with Boeing unfairly makes concessions to Boeing that other criminal defendants would never receive and fails to hold Boeing accountable for the deaths of 346 persons.”
- Mr. Cassell said the government's agreement with Boeing is “clearly not in the public interest.”
- “This sweetheart deal fails to recognize that because of Boeing's conspiracy, 346 people died,” Mr. Cassell said. “Through crafty lawyering between Boeing and D.O.J., the deadly consequences of Boeing's crime are being hidden.”

# Agreement does not provide immunity.

- Boeing's decision to plead guilty does not provide immunity to any employees or corporate executives. And the deal does not protect it from charges that might come from other investigations, including one into a Jan. 5 episode on Alaska Airlines in which a panel blew off a Boeing 737 Max jet soon after the plane took off from the airport serving Portland, Ore. Though the blowout did not cause any major injuries, the incident could have been catastrophic had it happened minutes later when the plane had reached cruising altitude and flight attendants and passengers were moving around the cabin.
- The deal updates a 2021 deferred prosecution agreement, reached in the last days of the Trump administration, that allowed Boeing to avoid criminal charges in the two deadly crashes. The company has already paid \$500 million in restitution to the families of the victims and \$243.6 million in fines.
- Boeing's 2021 settlement required that the company not engage in wrongdoing over a three-year period. In May, the Justice Department said Boeing broke the agreement because the company failed to "design, implement and enforce" an ethics and compliance program into its operation to prevent and detect violations of U.S. fraud laws.
- As part of the 2021 agreement, the Justice Department said Boeing would have to pay only \$243.6 million more if the company was in violation. But a judge will ultimately decide whether the 2021 payment counts toward the total fine, a Justice Department official said, speaking on the condition of anonymity to discuss the deal. The judge will also decide on how much more restitution should be paid during sentencing.

# Bibliography

- **From the New York Times: Boeing Agrees to Plead Guilty to Felony in Deal With Justice Department**
  - *As part of the deal, stemming from fatal 737 Max crashes in 2018 and 2019, the company agreed to pay a fine of nearly half a billion dollars and strengthen its safety programs.*
    - <https://www.nytimes.com/2024/07/08/business/boeing-justice-department-plea-deal.html>