

March 29, 2004

Re: File No. S7-19-03

Mr. Jonathan G. Katz
Secretary
Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Dear Secretary Katz:

SPEEA/IFPTE is a labor union representing over 20,000 engineers, scientists, professional and technical employees, primarily at Boeing facilities in 7 states. Our bargaining unit members and retired members actively invest in common shares through personal savings and retirement savings plans. Collectively, union members own a significant fraction of Boeing shares.

We welcome the opportunity to comment in favor of the Securities and Exchange Commission proposal S7-19-03 regarding security holder director nominations. The proposed rule has stimulated a vigorous and healthy public discussion regarding corporate governance.

Balance of Interests

We have consistently argued for a balance of interests in corporate decision-making. However, the process for nomination and election of directors is almost entirely closed and easily dominated by inside directors. As a result, Board dynamics are often self-perpetuating and highly resistant to outside points of view.

This creates a highly asymmetric decision-making process in which information is supplied primarily by executives and inside directors. In many cases, outside sources of information are explicitly or implicitly excluded. The closed nomination process may become a mechanism for enforcing uniformity of opinion, discouraging directors from expressing interest in outside sources of information.

Safeguards

We recognize certain legitimate concerns regarding shareholder nominated candidates. Therefore, we support safeguards such including significant ownership and holding period requirements, and limitations on the number of shareholder nominees. These conditions would discourage corporate raids and help limit potentially frivolous nominees.

However, we argue that some of the conditions are too restrictive. For instance, the proposed triggers entail a two-year process. This is an untenable delay for a company or board in crisis. Second, the proposed 1% ownership requirement for shareholders to submit a triggering proposal is far too high. Instead, any shareholder who meets the

existing 14a-8 requirements should be able to sponsor such a proposal. Third, the proposed 35% director withhold threshold is out of reach in practical terms, as measured against recent historical experience.

In addition, while we support a significant ownership requirement for placing nominees in the proxy, the proposed 5% threshold is too high. We encourage the Commission to lower the threshold to 3%, a level that would more fairly balance the Commission's concerns with the interests of corporations and their shareholders.

Consensual Process

Finally, the Commission should consider steps to strengthen direct interaction between corporate nominating committees and shareholders. According to the March 22, 2004 Wall Street Journal, 71% of public companies use nominating committees. However, these committees have no specific obligation to listen to shareholders who wish to bring forward consensual candidates.

Direct interaction between shareholder groups and nominating committees or greater access in general to outside directors would be more productive and less disruptive than public campaigns between opposing slates of candidates. Such a consensual process can open communications, introduce different perspectives, and bring a better balance into decision-making, even when a consensual candidate is not nominated. Contested elections would remain an option, when the consensual process fails to meet the needs of shareholders and nominating committees.

We thank you for this opportunity to offer our strong support for this historic proposal, and encourage the Commission to adopt final rules that are responsive to these concerns.

Sincerely,

Charles Bofferding
SPEEA/IFPTE Executive Director