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Aero-engine overhaul centre planned

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LANGKAWI, Wed: Malaysia Airlines, through partnership with General Electric Company of the US, is establishing an Aero Centre of Excellence in aircraft engine overhaul which is expected to reap revenue of some US\$2 billion (US\$1 = RM2.62) over a 5- to 10-year span.

The strategic alliance - the first of its kind in the South-East Asia region - will substantially reduce cost as well as increase the national airlines' revenue, Malaysia Airlines managing director Datuk Wan Malek Ibrahim said.

He said this is because the centre, which costs a total investment of US\$25 million, will not merely be able to service its own fleet but also that of GE's Asia Pacific customers which are currently being serviced in the US and Europe.

"GE has the necessary technology to assist us, also the partnership will be able to bring GE's regional market to us," he told reporters at a press briefing.

The focus of the joint venture will be the overhaul and repair of CFM56 engines manufactured by CFM International and other engine types in the Malaysia Airlines fleet.

The CFM56 engines are largely used in Asia in aircraft such as the 737, A3 20, A340 and several military aircraft.

The centre will be located at the Malaysia Airlines Aero facility in Subang for at least the next four years and will have a workforce of some 230.

The joint-venture company will be called Aircraft Engine Repair and Overhaul (1997) Sdn Bhd, in short Aero '97 and is 70 per cent owned by GE and 30 per cent by Malaysia Airlines.

The joint venture is expected to commence operations in early September 1997 while initial plans will include providing support for the overhaul and fleet management of Malaysia Airlines' engines.

He said works on engine overhaul were previously carried out in limited numbers as it had to be done overseas and as such was more costly.

"So there will be a significant reduction of cost from the economies of scale point of view," he added.

GE President South-East Asia Ken Brown said the partnership will also enable GE to "take advantage of the superb location and workforce in the country and the region" as Asia represents 35 per cent of the world's air traffic market.

Stressing this point, he added that by the year 2010, Asia is expected to represent half of the world's aircraft engine and traffic market.

"This partnership will also serve as a great magnet for other kinds of small and medium-size related enterprises as it becomes a strong source of export, productivity and training," he said.

As for GE, he said the South-East Asia region is vital as it represents a large market.

Turnover for GE's operations in the Asia Pacific region is at about US\$8 billion while some US\$2.7-US\$3 billion is reaped from aircraft engine services worldwide.

Later, the agreement was signed yesterday by Malaysia Airlines and GE yesterday during the third Langkawi International Dialogue '97 and was witnessed by Prime Minister Datuk Seri Dr Mahathir Mohamad.

Malaysia Airlines executive chairman Tan Sri Tajudin Ramli who was

present at the ceremony said that through the partnership, "Malaysia's current aerospace technological capability will be upgraded, accelerating our ability to develop indigenous technology and moving us towards becoming an aerospace hub."

GE President and chief executive officer Bill Vareschi said "through GE investment and by combining resources with Malaysia Airlines, we can make the Kuala Lumpur shop a world-class operation."

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