

16/02/1998

Plane parts venture a long-term boost (HL)

David Ong-Yeoh

ASIAN Composite Manufacturing Sdn Bhd - a joint venture between The Boeing Co, Hexcel Corp, Sime Darby Bhd and Malaysian Helicopter Services to manufacture composite aircraft parts - expects to break even after its second year of production.

Its first shipment of parts - fabricated parts for secondary structural assemblies on commercial aircraft, including assemblies of wing fairings, fixed or movable surfaces and inspection-access doors and similar parts - is expected in mid-2000.

Construction of its RM153 million plant at the Bukit Kayu Hitam Industrial Park in Kedah will begin next month.

It is expected to be completed within 18 to 22 months and will eventually have a capacity of 300,000 hours of production per year. It will employ more than 300 Malaysians.

The Boeing Co, Hexcel Corp, Sime Darby Bhd and Malaysian Helicopter Services signed on Saturday an agreement for the establishment of Asian Composite Manufacturing Sdn Bhd.

The ceremony was witnessed by Prime Minister Datuk Seri Dr Mahathir Mohamad, who described Asian Composite Manufacturing as "an investment in the future".

"What is happening in Malaysia will not last forever. We are quite sure that the businesses that are long-term in nature will find that they can not only survive, but succeed," he added.

It will be financed by way of issued and paid-up capital of RM95 million, shareholders' loans of RM38 million and the balance by external borrowings.

Under the agreement, Asian Composite Manufacturing will manufacture, sell and distribute composite parts for secondary structures for commercial aircraft.

It will supply these parts to Hexcel's facility located in the US west coast state of Washington for assembly and shipment to Boeing (also in Washington) and to other customers worldwide.

Boeing's chairman and chief executive officer Phil Condit said the Bukit Kayu Hitam facility will be just one of the many component suppliers to the company.

Boeing and Hexcel is finalising discussions with Aviation Industries of China (AVIC) for the manufacture of composite parts for secondary structures and interior applications for commercial aircraft at the Tanggu marine high-technology development zone in Tianjin, China.

Condit stressed that Asian Composite Manufacturing Sdn Bhd is not an offset programme resulting from Malaysia's purchase of the US manufacturer's aircraft.

"It is definitely an investment by Boeing in the long-term future," Condit said after the signing ceremony.

The only offset programme Boeing has with Malaysia is through McDonnell Douglas Corp, which merged with it in 1997.

Under the offset programme which was initiated through purchase of eight F/A-18 Hornets from McDonnell Douglas in 1993, both parties undertake primary technology projects which include rapid prototyping, computer-aided design/computer-aided manufacturing and high-speed machining.

While Boeing purchases parts from a number of different places, he said there are a lot of opportunities for the new facility.

"Malaysia has been a long-time Boeing customer, and its vision to become a high-technology hub for Asia clearly positions the country to be a leader.

"The creation of a comprehensive composites facility in Malaysia will generate substantial benefits for all four partners and Boeing customers as well."

The decision by Boeing and Hexcel to invest in Malaysia, he added, is based on the US investors' confidence in the strength of the country's long-term fundamentals.

He said Malaysia is an obvious choice location for such an investment due to several factors. "The availability of trainable work force and R and D personnel, and the existence of excellent infrastructure are some of the motivating factors."

Hexcel's president and chief executive officer John J. Lee said the participation in the joint venture fitted in with the company's long-term growth strategy.

"Hexcel is enthusiastic about establishing a presence in Malaysia and expanding its activities in the Pacific Rim, a commercial aerospace market of enormous long-term potential."

Tan Sri Nik Mohamed Yaacob, chief executive officer of Sime Darby which manufactures aircraft tyres, described the joint venture as an "opportunity to diversify into other areas of aircraft component manufacturing".

Malaysian Helicopter Services' executive chairman Tan Sri Saw Huat Lye said the joint venture will stimulate technology development and create export opportunities.

(END)