

25/05/2000

Need for more incentives to fuel aerospace industry

Fauziah Ismail

THINGS do not seem to be working in favour of the aerospace sector. Since the launch of the National Aerospace Blueprint in 1997, the aerospace sector does not seem to progress as fast as it should.

It took four years since the launch of the blueprint for the Malaysian Industry-Government Group for High Technology (Might) to finalise membership of the Malaysian Aerospace Council. To be chaired by Prime Minister Datuk Seri Dr Mahathir Mohamad and placed under the Chief Secretary to the Government's office, it is expected to play a pivotal role in coordinating aerospace development in Malaysia.

The private sector, too, took an equally long time to get together. The Malaysian Aerospace Industries Association was launched only last year during the Langkawi International Maritime and Aerospace show. And, for the first time this year, the association was included in the International Trade and Industry Ministry's annual trade and industry dialogue.

The excitement about the industry died down during the economic crisis. Now that the economy is on the path to recovery, it is about time the public and private sectors consider leapfrogging the development of the sector.

Undoubtedly, a number of new aerospace companies have been formed, including those in partnership with Malaysia Airlines and Naluri Bhd, two companies which are dovetailing government efforts in the aerospace sector. Its joint ventures include with world-class operators such as Boeing, General Electric, Honeywell, MTU and Hamilton Sunstrand.

Malaysia Airlines and Naluri are negotiating with several others.

The two companies estimated that when the projects mature, the potential savings in foreign exchange due to work being done in the country will be RM250 million a year and the revenue generated from export sales, RM1 billion a year.

But things are not as smooth-sailing as expected. For one thing, Naluri cannot deliver land to the prospective foreign partners at the proposed RM500 million Subang International Aviation and Aerospace Park (SIAP) at the Sultan Abdul Aziz Shah International Airport.

On Tuesday, Business Times reported that the land which had been designated for SIAP has been given instead to Malaysia Airports Bhd to be developed into a world-standard convention centre. It is understood that Naluri, the developer of SIAP, had already obtained the necessary approvals from 14 authorities to acquire the land. Naluri had also spent some RM700,000 for, among others, environmental impact assessment for the land.

While it is scouting for other possible sites for SIAP, Naluri is fearful that it will not be able to retain the interest of its prospective partners which have agreed to set up facilities at the park.

This fear is justified. Countries like Indonesia, Thailand, Taiwan, South Korea, India and China are aggressively courting the aerospace players.

Early this month, Rolls-Royce told this newspaper that it is planning for a ground-breaking ceremony of its SIAP facility at the end of the year. It is hoped that due to the recent developments, the UK aeroengine maker will be a little more patient and defer its plans instead of considering moving out of the country.

Land acquisition is a complicated matter. Naluri officials said it would take a minimum of another six months for the company to acquire another plot of land for the proposed park. And, it may be six months too late for its prospective partners.

This aside, its prospective foreign partners - some big names in the aerospace industry - are worried over the red tape it has to deal with.

One company, which has been in operations in Malaysia for the past five years, lamented that it continues to be bogged down with unnecessary paperwork.

"We deal with little components and tiny parts which are used in our overhaul activities. These components and parts are brought into the country, used in the engines that are brought into this country for overhaul, and shipped out after the process is done. These components and parts are not used locally.

"Everytime we want to bring these parts in, we have to apply for Customs' exemption. And we have to list every little one. This is a tedious process. Half our time is spent applying for exemptions and trying to convince the Customs guys that we are not using these parts locally.

"Why can't they give us a blanket exemption? This would certainly do wonders. We can also go ahead with our expansion plans to include a logistics and spares distribution centre," he said.

During the crisis, this particular company was not affected at all by the downturn in the economy. In fact, it saw an annual growth of between 10 per cent and 15 per cent since it began operations in Malaysia.

"Airlines in the region realised the value of the currency. Instead of sending their aircraft or engines outside (the region), they turned to overhaul facilities closer to home. We saw the volume coming in," he said.

The Malaysian-American joint venture said it is benefitting through Malaysia's political stability and racial harmony, affordable real estate and readily-available natural resources and educated and skilled labour force.

He acknowledged that the Government also adopts a business-conducive vision but he said "if the Government has a way to attract other players in the aviation sector, it would be helpful as they would support the existing aerospace community here.

"With little encouragement (in terms of incentives), the country will take a long time to play catch up (with the other countries)," he said.

(END)