

US plane makers teaming with Chinese firms

July 16 2012, by ROXANA HEGEMAN

(AP) — Walter Beech was one of America's greatest aviation pioneers, a former World War I flyer who spent three years after the war touring the country as a barnstorming exhibition pilot. That experience spawned ideas for aircraft design, inspiration that came to fruition in 1932 when he and his wife founded Beech Aircraft Co.

Today, the airplane maker that traces its roots to that iconic Kansas company is fighting for its very survival in bankruptcy court. Hawker Beechcraft — one of the lynchpin companies that helped make Wichita the "Aviation Capital of the World" — is now betting its future on Chinese industrialist Shenzong Cheng and his wife, Qin Wang.

The announcement last week that Hawker Beechcraft had reached an agreement to sell its business jet and general aviation operations to Cheng's company exemplifies emerging realities in what had been one of the last remaining strongholds of American manufacturing. The Great Recession was hard on the industry, and Chinese firms are showing an interest in some of the beleaguered companies.

Many of the companies are in Wichita, where [plane](#) makers build more than half of all general aviation aircraft delivered around the world each year. It's home not only to Hawker Beechcraft but also Cessna, Bombardier, Boeing, Spirit AeroSystems, and more than a hundred smaller aerospace suppliers.

Hawker Beechcraft, which filed for bankruptcy protection in May, plans to sell its civilian aircraft operations to Beijing-based Superior Aviation

Beijing Co. Ltd. for \$1.79 billion. Sixty percent of Superior is owned by a private entity entirely owned by Cheng and his wife. The other 40 percent is held by an economic development company controlled by the Beijing municipal government.

Questions loom about what will happen to workers and facilities in Wichita. Superior says it has no plans to relocate or terminate any manufacturing facilities or product lines, but union officials say such talk has to be backed up with solid guarantees. Most of the fears workers have stem from the fact that so much is unknown, said machinists' union spokesman Frank Larkin.

Sales of the small and mid-size business jets made by three of Wichita's major manufacturing facilities plummeted during the Great Recession. More than 13,000 aircraft workers in the city have lost their jobs since the recession started in 2008. Another blow to Wichita came earlier this year when Boeing announced it was closing its local defense plant.

Meanwhile, Wichita-based Cessna Aircraft Co. said earlier this year that it foresees China becoming one of the top 10 countries for business jet ownership globally by 2025.

Cessna signed agreements in March with Aviation Industry Corp. of China, or AVIC, and the Chengdu government, saying the deal would pave the way for light and mid-size business jets, utility single-engine turboprops and single-engine piston aircraft to be manufactured and certified in China.

That deal was followed in May with another agreement Cessna signed with AVIC subsidiary China Aviation Industry General Aircraft Co. Ltd., or CAIGA, and the Shijiazhuang municipal government. The deal was a step for the final assembly, sales and customer support for the Cessna Caravan in China for the Chinese market.

The planes would be built in Kansas and shipped to Shijiazhuang, China, to undergo final assembly before being sold in China.

CAIGA last year bought the parent company of Cirrus Aircraft in the United States. Not only did the Chinese-based firm keep its U.S. employees, but it pumped in \$150 million in development costs to boost its light jet production. The plane — whose development had been slowed for years by lack of money — will be built in Cirrus' hometown of Duluth and in Grand Forks, North Dakota.

Analyst Cai von Rumohr of Cowen and Co. said if Superior is interested in Hawker Beechcraft's civilian operations as a strategic investment, as it claims, then it is probably going to get into the business jet business. But he is skeptical Superior really is going to keep all manufacturing in the United States because the company would be at a cost disadvantage.

However, it's also unlikely Superior would move its entire production line to China because it then would lose its Federal Aviation Administration production certificate, said Richard Aboulafia, an aviation analyst with Teal Group, a Fairfax, Virginia-based aerospace and defense analysis company. Ultimately Superior may keep just some operations, such as Hawker's parts and distribution business.

Superior is not a major aerospace player in China, and it is not clear whether its investors have the necessary connections to open up that market, he said.

"Now if AVIC or CAIGA say, 'Great idea. We are joining in,' then that would be a very strong message that the China market was opening up," Aboulafia said. "Until then, these are just some people with a business with grand plans."

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