Boeing Joins TAECO Aircraft Maintenance Venture

Boeing Commercial Airplane Group and Taikoo (Xiamen) Aircraft Engineering Co. Ltd., or TAECO, today announced that Boeing has joined the Asian partnership to provide airline customers with aircraft maintenance and modification services.

For an investment of $11 million, Boeing will become a 9.1 percent owner in TAECO, an aircraft heavy-maintenance center based in Xiamen, Fujian province of the People's Republic of China. The TAECO maintenance facility, which has been operating for 18 months, is managed by Hong Kong Aircraft Engineering Co. Ltd., or HAECO, its largest shareholder. TAECO specializes in 747, 737 and 757 maintenance, repair and overhaul services.

In addition to allowing Boeing to expand its aircraft heavy-maintenance and modification business, the joint venture will strengthen relationships with several Boeing customers who are also TAECO partners, including: Cathay Pacific Airways, Singapore Airlines, Japan Airlines and the Civil Aviation Administration of China.

In partnership with Boeing, TAECO will have an annual capability of modifying up to three older 747s from passenger configurations to all-cargo freighter layouts. Jeff Turner, vice president and general manager of the Boeing Commercial Airplane Group, Wichita Division, said TAECO will increase the current Boeing modification capacity of about 13 747 freighter conversions per year. Each modification performed at the Asian operation will involve Boeing employees, who will design and build the conversion kit, supervise the installation and ensure it meets the stringent criteria required of all airplane mod work.

"This provides a terrific new business opportunity for Boeing," Turner said. "We're also glad that this partnership will require additional Boeing Wichita work and help us achieve our objective of becoming a more global company."

TAECO's managing director, P.K. Chan, saw valuable benefits from the Boeing deal as well. "Not only can we expand the range of services provided to our customers by including cargo modifications, but in Boeing we also have a vital new partner to allow us to develop TAECO's maintenance capabilities on Boeing aircraft," Chan said.

According to the Boeing Current Market Outlook, the Asia-Pacific region is projected to outpace all other areas of the world as a market for new airplanes over the next 20 years. As of July 31, TAECO airline members had placed 537 orders for Boeing jetliners, 99 of which are yet to be delivered. The Outlook also projects Asia-Pacific to lead all other areas of the world in traffic growth, which - along with more airplanes - creates greater demand for maintenance work.

"We see this venture as expanding the market for 747 freighter conversions, stimulating replacement orders and generally enhancing market access for Boeing in an important region of the world," said Larry Clarkson, president of Boeing Enterprises, the organization responsible for finalizing the agreement.

Clarkson noted the synergy between maintenance and modification work that will be created for TAECO and Boeing, and said that it would enhance the profit potential of both. Another plus for Boeing, he said, is the potential to stimulate incremental orders for new airplanes since most converted airplanes are replaced to accommodate existing traffic and future growth.

"Boeing is a respected name in aviation circles, and it is our ambition to make TAECO the same for aircraft maintenance," said John Slosar, chairman of TAECO. "This partnership will bring considerable value to the shareholders and employees of both companies."

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