

## Push for more local aerospace players

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KUALA LUMPUR: Malaysia's aerospace industry is seeing an increased number of orders for aircraft parts post Covid-19 pandemic with a strong push by the original equipment manufacturers (OEMs) to localise the work in the country.

Malaysia Aerospace Industry Association (MAIA) president Naguib Mohd Nor said the same was being observed for the maintenance, repair and overhaul (MRO) industry with GE Engine Services Malaysia Sdn Bhd already achieving full pre-pandemic capacity.

He also said there was a need for more local aerospace manufacturers to meet the global demand for aircraft parts.

"As the industry recovers from the pandemic, the OEMs are pressing for higher rates of production against a landscape of high global manufacturing business casualties."

"We have to increase the number or capacity of our suppliers to cope with this demand. There was around RM2 billion of request for quote (RFQ) throughout the Covid-19 pandemic period partly due to incumbent players in the West not being able to fulfil their obligations."

"We're getting more work but we need to be more competitive and be prepared for the new Environmental Social and Governance (ESG) requirements to continue winning work," Naguib told the New Straits Times in an interview recently.

ESG is a standard to evaluate how organisations manage and respond to risks and opportunities around sustainability issues.

Naguib said the current challenge in the aerospace industry was to evolve the sub-part manufacturers who were at the lower level of the supply chain (Tier 3, Tier 4 and Tier 5) and ensure these companies were structured to be more competitive, resilient and ESG-compliant.

"Ironically, we have strong Tier 1 and Tier 2 companies manufacturing larger sub-assemblies but a significant amount of sub-parts for these are not made here.

"If we can do that, we can localise the sub-part work that we currently outsource often back to Europe and the US and increase the value-add of our country. The pressure is on now to do that."

He added that some of the sub-component works were also currently outsourced to Vietnam, Thailand and Singapore all of whom are growing their capacity.

The reason for the outsource, said Naguib, was due to the lack of capacity and competitiveness of the SME supply chain in Malaysia. In the past, South Korean SMEs had often beaten Malaysian ones on price.

He said Malaysian SMEs were also burdened with unstable workforce issues albeit most labour associated with aerospace production are Malaysian.

"There is a need to have even less dependency on labour headcount by evolving the manufacturing processes and adopting more automation. This will reduce the physical labour content but inevitably increase the thinking content of the processes, thereby creating higher value jobs."

Currently, MAIA is overseeing a plan to upgrade the sub-part aerospace manufacturers as well as searching for more opportunities for Malaysia to produce higher number of quality aerospace parts.

Returning from the Farnborough International Airshow 2022, Naguib said the association members had identified about RM500 million a year of new metal parts work based on the high demand for new aircraft globally.

"There is RM500 million a year of extra work that we could put into our SMEs but those SMEs and their supporting ecosystem need to be upgraded."

"MAIA is also working with the Advanced Manufacturing and Robotics Accelerator (AMRACE), Malaysia Productivity Corporation and Universiti Malaya to understand and bridge these efficiency gaps," he added.

Meanwhile, drone technology is another sector in the aerospace industry that Malaysia can tap into with MAIA now working as part of PEMUDAH to reduce the number of days to approve a drone flight from 21 days to one day by leveraging the use of Unmanned Traffic Management systems (UTM).

Naguib said drones were previously used as a hobby as well as to take photographs and videos at various events.

However, it can now be used to provide great efficiencies to many traditional industries such as asset inspection, geographic mapping and agricultural spraying, to name a few.

"The drone industry is growing globally. This is an example of an emerging industry based on aerospace technology."

"Can Malaysia produce this technology because of our aerospace heritage? Yes," Naguib said, adding that drones would disrupt many other industries such as healthcare, transportation, logistics and asset management.

In April this year, Minister of Science, Technology and Innovation, Datuk Seri Adham Baba said the government was targeting to create 100,000 employment opportunities through the drone industry worth RM50 billion by 2030.