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Mexico Quietly Building Aviation Industry

by LADB Staff

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Mexico has been quietly building an aeronautics industry during the last few years, with plants in Puebla, Queretaro, Baja California, and Nuevo Leon states all involved in producing parts for aircraft. One company, Canada's Bombardier Aerospace, is hoping to begin producing small aircraft at its facility in Queretaro state in the next few years. But the Mexican aeronautics industry is expanding beyond simple manufacturing, with many operations also involved in consulting, testing, and other services for aeronautics companies in the US and Canada.

The growth of the Mexican aeronautics industry has occurred primarily in the past decade, with Mexican exports of aerospace products increasing by 60% in 2006 relative to 2000. The Secretaria de Economia (SE) estimates that the aeronautics sector now employs about 10,000 workers and is responsible for about US\$500 million in exports annually. Officials say Mexico's aerospace industry comprises about 125 companies.

Some industry observers say heavy industry such as aeronautics and automobile assembly offer new options for Mexico, which is rapidly losing other types of manufacturing operations to China and other low-wage countries in Asia and Central America. "Mexico has no choice," said the Los Angeles Times. "It's fast losing basic industries such as textiles to nations with cheaper labor."

The growth of the aeronautics industry could also attract other types of high-impact investment into Mexico, such as electronics and metallurgy, supporters say. Still, the industry is fairly young. Among the most prominent operations is the Avipro Aircraft Ltd. plant in Puebla state, which produces parts for Bearhawk airplanes. Others are the McDonnell Douglas plant in Monterrey, which has manufactured fuselages for helicopters for just a few years. In Queretaro, Bombardier Aerospace has manufactured tail rudders and stabilizers for executive aircraft for less than two years.

European companies also view Mexico as fertile ground to establish operations. The SE said French-based Labinal plans to establish a plant in Chihuahua to manufacture electronic components for the European aerospace giant Airbus. Similarly, British aerospace manufacturer Smiths plans to invest about US\$25 million in a plant in Monterrey to manufacture aerospace components to be shipped to a facility in England. The SE said the French company Messier Services is planning to construct a plant in Queretaro to restore landing gear for A320 and A340 Airbus aircraft.

Canada's Bombardier may build full aircraft in Mexico

Still, some observers say Bombardier's decision to invest heavily in its plant in Queretaro, near the international airport in Queretaro City, two years ago was a major advancement for the Mexican aeronautics industry. The company, which has assembled tail rudders and stabilizers for executive aircraft at temporary facilities for the past year, recently broke ground on a new massive complex that will allow the company to greatly expand its operations. The new plant will allow the Canadian company to assemble wiring harnesses, fuselages, and flight controls. The move toward expansion

would allow the company to hire 1,200 workers by the end of the year, compared with its current work force of 450 employees. Company officials estimate that the total work force at the Queretaro facility could reach 1,800 by 2009.

Bombardier plans to eventually turn the Queretaro facility into the main source for electrical wiring for its CRJ 700 and CRJ 900 regional jets and for Challenger 300 and Global Express executive jets. The ultimate goal, said Bombardier executives, is to convert the Queretaro facility into a plant capable of manufacturing full aircraft. To meet that goal, perhaps in five or six years, the company plans to spend another US\$200 million at the facility, said Pierre Beaudoin, Bombardier's president and chief executive officer, in August 2006.

While the plan to construct full aircraft remains tentative, company officials say they have no doubt that the Mexican facility could have the capacity to produce aircraft such as the Challenger 850 y el CRJ200, the Canadian company's two most popular models. Bombardier is the world's third-largest manufacturer of aircraft, surpassed only by industry giants Boeing Co. and Airbus. "There is no doubt in my mind that if we stay focused the way we are now...[we] can do the same [in Mexico] as we do in Canada or Europe or the United States," Real Gervais, director general of Bombardier's Mexican operations, told the Los Angeles Times. But he added, "We need to build the base of the aerospace industry [in Mexico] before we start designing planes and manufacturing complete planes."

Officials at Bombardier's headquarters in Montreal were also guarded about the prospects of manufacturing aircraft in Mexico. "Before we can do final aircraft assembly in Mexico, we would need three basic conditions to be met: education, infrastructure, and a government-certification system for products manufactured in the country," Bombardier spokeswoman Sylvie Gauthier told the Mexico City English-language newspaper The Herald.

Some industry analysts remain skeptical of Bombardier's intentions, suggesting that proposing manufacturing aircraft in Mexico is a strategy to gain concessions from unionized workers in Canada. Still, if the company does move forward with manufacturing aircraft in Queretaro, Mexico would become one of the few countries in the world to become involved in the process.

The biggest manufacturer of aircraft in Latin America is Brazil's Embraer, a direct competitor with Bombardier for the small and medium-sized aircraft market. "[Manufacturing aircraft] is the great objective that we all have, not only Queretaro, but the nation," said Renato Lopez Otamendi, Queretaro's secretary of sustainable development.

New operations also offer specialized services

The aviation industry in Mexico is expanding beyond manufacture and assembly. One company, a subsidiary of US-based General Electric Corp., employs 500 workers in various aspects of aviation research and development at its plant in Queretaro. Another industry giant, Honeywell's Aerospace division, initiated construction of a US\$40 million systems-integration laboratory in Mexicali, Baja California state, in May 2006. Honeywell Aerospace's most important customers include Boeing, Airbus, and Bombardier.

The facility, which will work closely with the company's division headquarters in Phoenix, expects to employ Mexican engineers to develop technologies for future commercial aircraft. "[This laboratory] was designed to demonstrate a wide range of electric-power subsystems and components and will have full-scale simulation of multiple aircraft systems," Bill Reavis, a spokesman for Honeywell Aerospace, said in an interview. "The lab represents a significant jump up the technological ladder for foreign investment in Baja California," said the San Diego-Union Tribune. "Instead of manufacturing, like that performed by more than 1,000 maquiladora factories in the state, the Honeywell lab will develop and test a wide range of airplane flight systems."

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