



## China May Assemble Airbus A320

By CK Wong 2005.12.04

<http://www.ck-wong.ca/china/china%20may%20assemble%20airbus%20a380.pdf>

### Introduction

Chinese Premier Wen Jaibao signed an agreement with Airbus to carry out a feasibility for the potential of a U\$5B order including 70 A320-family. As part of the feasibility, it also investigates the possibility of setting up a second A320-family assembly plant in China. The assembly plant is a huge advantage to boost the Chinese aviation industry. It can also be read as another defeat of American who keeps on setting up roadblock for Chinese to state of art technologies. Once the flood gate opens, Boeing and MacDonald Douglas could follow. As the result Canada's Bombardier could do the same to further reduce its cost of production.

### Cost, Cost, Cost

Cost of production in North America and Europe are at a premium price. So far the labor skill in East Asia (except Japan) is not considered to be at the proficiency level to handle the rock science stuff. This could change as the money is now sitting at Asia. Japan could very possibly be the location of an airliner assembly plant but the cost of labor is at prohibitive scale. The optical pioneer JDS Uniphase opened a laser assembly production plant in China to take advantage of the labor which is about one tenth of the North America. The optical assembly is a small and labor intensive operation which still requires sophisticated skill. This engagement demonstrated it is possible to train the labor to the desirable skill level.

Japan is recovering from the deflation period. Economy is rising with the help of heavy industry such as Toyota and Mitsubishi. The demand for civil air travel is expected to increase. China has to retire the fleet of old plane with some of it inherited from the 1970's. The demand for high speed transportation that results from the growing of the high tech industry at the western part of China will continue to have a strong demand on new planes. The potential order from these two economic super power could dominate other areas. It is desirable to assemble the plane in Asia to reduce the cost of labor as well as the cost of delivery. After the delivery, the maintenance under warranty could further reduced by serving within Asia. For low cost labor, the service has to be delivered in China.

### An Under the Gun Decision?

In order to compete with Boeing which has received order from China earlier price is not the only factor. China's economic advancement has to extend to the weak areas. Build a rocket to delivery two men to earth orbit is a one off thing. To build a plane with millions of parts is another thing. This is when the rubber hits the road. The logistics, the planning,

the quality control and many other non-high tech skills will move China's industry to world class.

The highly competitive nature of the doing business with China has driven many international companies into love and hate complex. The technology embargo imposed by US Congress to US companies has been not extremely successful but at least effective in certain degree. US has been continuous pressure the EU to do the same. However, everyone follows the money. There is not much choice for Airbus not to set up an assembly plant in China. Other than saving money, it would have the possibility of dominate the plane standard in China which will provide an advantage over Boeing.

As I mentioned earlier, once it has started it will become a trend. Perhaps in 10-15 years, China's aviation industry will be booming and compete with Airbus and Boeing. In 20 years, China may compete for military aircraft which has been self-production over 20 years.

## **Resources**

[1] Airbus mulls plane assembly in China,  
[http://www.chinadaily.com.cn/english/doc/2005-12/05/content\\_500321.htm](http://www.chinadaily.com.cn/english/doc/2005-12/05/content_500321.htm)