BOEING TAKES SPARE-PART MAKING FROM SPIRIT AEROSYSTEMS

News / Manufacturer

Boeing Co said it is ending an agreement with one of its largest suppliers, Spirit AeroSystems Holdings Inc , effectively taking away manufacturing of profitable spare parts used in aircraft repairs.

"Spirit's contract with Boeing allowing them to make and sell spare parts using Boeing intellectual property expired February 29 and will not be renewed," Boeing said in response to questions from Reuters.

The spare parts Spirit makes under license will be shifted to Boeing over about two years, according to two people familiar with the matter. The agreements cover thousands of components on a variety of Boeing models, one of the sources said.

About 26 people are expected to be laid off at Spirit, an announcement that could come as early as Friday, two sources said, noting that dozens of other affected workers are being absorbed in different jobs at Spirit.

The change marks the loss of a small but lucrative segment of Spirit's business and a potential gain for Boeing, which has been building up its aftermarket sales to help lift profit margins, partly through its Aviall unit based in Dallas.

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Chicago-based Boeing said it was changing the longstanding licensing agreement with Spirit because it was "best positioned to support our customers with aftermarket parts and repair."

Boeing said it was "providing that support directly to customers instead of licensing suppliers to do it, in a timely manner that supports their operations and at market competitive prices.

Spirit, based in Wichita, Kansas, was not immediately available to comment. The company was formed from a Boeing division that was spun off in 2005, allowing it to bid for work with other plane makers.

"This is the first time Boeing has really taken something back from Spirit," said one of the sources.

Spirit's spares business involves wing, fuselage and propulsion systems and it manufactures the parts under license from Boeing and under so-called part manufacturing approval from the Federal Aviation Administration.

Sales of spares are less than 5 percent of Sprit's $6.6 billion in annual revenue, and are a part of the market that struggled last year as airlines cut back on stocking spare parts, said Ken Herbert, an aerospace analyst at Canaccord Genuity. But the business is important and helps supply Spirit's own repair operations with replacement parts at low cost.

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