Beat: Technology

Aircraft maker Hawker Beechcraft says talks with Chinese firm fail

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USPA News - Aircraft manufacturer Hawker Beechcraft on Thursday said negotiations to sell its business jet and general aviation operations to a Chinese firm have collapsed and that it will instead seek to emerge from bankruptcy as a standalone company. The aircraft manufacturer entered talks in July to sell its business jet and general aviation operations to Chinese firm Superior Aviation Beijing for approximately $1.8 billion.

Such a sale would have given Hawker Beechcraft greater access to the Chinese aviation marketplace, which is expected to grow considerably during the next few decades. But CEO Steve Miller on Thursday said the exclusive talks have collapsed because the two parties could not reach an agreement on the terms of a Plan Sponsorship Agreement. Representatives earlier said any deal with the Chinese firm would have excluded Hawker Beechcraft Defense Company (HBDC). "We made the decision to proceed with the standalone Plan of Reorganization after determining that, despite our best efforts, the proposed transaction with Superior could not be completed on terms acceptable to the company," Miller said in a statement. "We are disappointed that the transaction did not come to fruition, but we protected ourselves by obtaining a $50 million deposit from Superior that is now fully non-refundable and property of the company." When the aircraft manufacturer emerges from bankruptcy, the company plans to rename itself Beechcraft Corporation and implement a business plan that focuses on its turboprop, piston, special mission and trainer/attack aircraft. The company will also focus on high margin parts, maintenance, repairs and refurbishment businesses, all which Hawker Beechcraft believes have high growth potential. "Beechcraft Corporation will emerge as the world`s leading designer and manufacturer of turboprop, piston and trainer/attack aircraft with the largest global customer support network in the industry," Chairman Bill Boisture said. "Our business strategy will focus on growing our key existing product lines [..] as well as the product development opportunities within these segments." However, as part of this plan which sees the company emerging from bankruptcy in the first quarter of 2013, Hawker Beechcraft will evaluate its product lines in consultation with key creditor constituents. This could lead to a sale of some or all of those product lines, or a closure of the entire jet business if no satisfactory bids are received. Hawker Beechcraft, which has suffered from a decline in the demand for business jets due to the global financial crisis, voluntary filed for Chapter 11 bankruptcy in early May. Its senior secured lenders and bondholders also agreed to a financial restructuring plan which aims to eliminate approximately $2.5 billion in debt and approximately $125 million of annual cash interest expense. In early August, Hawker Beechcraft told its employees that it plans to lay off 170 employees across multiple levels and functions, both hourly and salaried workers, throughout its completion center in Little Rock, Arkansas. The facility, which performs repairs and maintenance but also puts the final touch on planes before they are delivered to customers, currently employs about 450 people.

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UPA United Press Agency LTD

483 Green Lanes
UK, London N13NV 4BS
contact (at) unitedpressagency.com
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