

Machinists: Onex and AIT Jointly Bidding On Spirit AeroSystems' Fabrication Work

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WICHITA - Equity firm Onex Corp. and Advanced Integration Technology are bidding on Spirit AeroSystems' fabrication unit and plan to build a facility in Kansas to take on the work if they are successful.

Together, they plan to build a new 1 million sq. ft. facility in the Wichita area if they win the bid, said Frank Molina, Machinists Union District Lodge 70 president and directing business representative.

There are multiple bidders for the fabrication work, he said.

Advanced Integration Technology is jointly owned by Onex and AIT's founding management. The successful purchase would keep the work in Wichita and the workforce and scope of the work intact, said a source with knowledge of the negotiations.

Onex and AIT are the only parties that have expressed an interest in building a facility, in Kansas, "with plans to create additional jobs over the next few years," said Molina said in a recent letter to Machinists union members.

The union is in the process of talking with the two parties with the goal of preserving jobs for members, he said. "There are many questions to be asked and rest assured, we are asking them," Molina said. The union plans to meet with Onex and AIT frequently over the next few weeks.

Spirit AeroSystems plans to sell its fabrication work to make room for needed expansion within its facility to keep up with future production-rate increases, Molina said.

The International Association of Machinists and Aerospace Workers represents about 7,200 hourly Spirit employees. More than 900 Machinists would be affected by a sale of Spirit's fabrication work, the union said.

A deal would not include those involved with composites, Molina said. But it would affect those who work on "any kind of part that needs to be manufactured out of raw material." It would include those who build the tools, fixtures and parts and those who support the Machinists in their work, such as material handlers and others, Molina said.

He thinks Spirit is getting close to a deal.



AIT and Onex hired the Hutchison Group to lead negotiations with the unions and support due diligence activities, as they did on the original purchase from Boeing back in 2005.

Onex is the only bidder that has been in contact with the union. Molina said he's worried about job losses should it not be the successful buyer.

There is also a risk that Spirit "chunks this work out to different suppliers outside of Wichita," said the source with knowledge of the negotiations.

Spirit said it is critical that the company build capacity to support demand for its products. It is exploring its make-buy strategy and testing the market, but has nothing to announce at this time, Spirit spokesman Jarrod Bartlett said in an email.

Advanced Integration Technology is based in Plano, Texas, and operates sites in Seattle; Vancouver, British Columbia; Madrid and Umea, Sweden. It has been a prime contractor for Bombardier Learjet, Boeing, Vought Aircraft, Spirit, Lockheed Martin and others.

It specializes in industrial automation and provides turnkey factory automation and aerospace tooling.

Spirit aims to be a Tier One contractor, said Teal Group analyst Richard Aboulafia. In that case, "a lot of manufacturing gets pushed down to a tier below them."

A private-equity firm would also bring discipline to the unit, he said.

Onex bought Boeing's commercial-aircraft division in Wichita, along with facilities in Tulsa and McAlester, Oklahoma, in 2005, which created Spirit AeroSystems. The company became publicly traded in 2006. Onex and its affiliates sold their remaining stake in the company in 2014.
