

3.0 OTHER KEY PLAYERS IN THE AEROSPACE INDUSTRY IN MALAYSIA

3.1 Malaysian Helicopter Services Bhd

Malaysian Helicopter Services Berhad (MHS) was incorporated on October 1st, 1981 with the aim of filling the gap for helicopter air transport requirements. The principal activity of the company currently is the provision of helicopter and other air transportation services to the offshore oil industry, government agencies and the private sector. The equity participation by the shareholders are as follows :

Malaysian Airline System	41.40%
Trengganu State Economic Development Corporation	31.05%
Hornbill Skyways Sdn Bhd	12.02%
Sabah Air Sdn Bhd	15.53%

Being the only local helicopter operator supporting the oil industry, MHS enjoys certain monopolistic benefits. It is unlikely that the oil corporations, which constitute MHS's existing clientele, will set up their own helicopter services. The threat of new entrants to its business is minimal due to the high initial capital outlay required and the need for relevant skilled labour. Furthermore, new entrants will be subject to scrutiny by the Government before any permit is issued (in other words, there is some degree of government protection).

MHS's aircraft inventory is summarized below :

Sikorsky S61N	7	(1 leased)
Sikorsky S76A	2	
Puma SA 330J	4	
Twin Otter	2	
HS 125-700 B	1	
Bell 412	3	(2 leased)

Total Number of Aircraft = 19

On November 3rd, 1989 MHS the company announced a C\$87 million plan to modernize the fleet over a three to five year period. This will be an on going programme to meet the increasing and technically demanding helicopter requirements. MHS purchased two additional helicopters in 1989 and may be in the market for another two medium size helicopters this year.

Some of the Sikorsky S61N's are at least 20 years old. Even though they are still operational, new regulations may render the aircraft obsolete. If the proposed regulations are enforced, MHS has a choice of either (i) modernizing and upgrading the S61N's by replacing the engines or (ii) buying new helicopters to replace them. The decision to upgrade or to replace will have to be made jointly by MHS and its clients, the oil corporations. It is important that an agreement be reached between MHS and the oil corporations since MHS will only go ahead and purchase new aircraft if the clients are willing to pay the additional premium to cover the extra cost. If the clients are prepared to pay only