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Boom time about to take off with Airbus in Bangalore

What happens in Banaglore? Ask that question in Britain and the average response might well be call centres and outsourcing. The sub-text – UK jobs going to Indian workers.

By Amy Wilson
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Airbus has opened its own engineering centre in Bangalore

In the centre of Bangalore last Thursday, what was notable was what wasn't happening. The usually traffic-clogged roads, on which cyclists take their chances among cement lorries and brick-laden trucks on route to myriad building sites, were deserted.

The whole country was at a standstill, awaiting a ruling on whether a religious site in the city of Ayodhya rightfully belonged to Muslims or Hindus. Fears of religious riots meant even the owners of road-side shacks selling tea and bananas had pulled down the shutters.

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One factory, however, was carrying on regardless. At Dynamics, a Bangalore-based supplier to Airbus, workers continued making a crucial wing part for the manufacturing giant's A320 aircraft.

At first glance, this is a business which lives up to the outsourcing stereotype – the part being made here was previously built by BAE Systems in Samlesbury, Lancashire.

But since July the "wing track flap beams" have been made by Dynamics at a brand-new facility in the Indian city. BAE announced last month that it was shedding 149 jobs at the Lancashire site.

Dynamics, run by Bangalore entrepreneur Toby Malhoutra, has 110 people making the parts in India. But Bangalore doesn't have the monopoly. One of the most complex pieces of the wing flap track beam is still manufactured in Britain. Malhoutra bought Bristol

-based Oldland Aerospace because "we could machine it cheaper in the UK than we could here".

"Not everything can be made cheaper in China and India," he says. "The complexity of the machining required for this part needs very specialised equipment."

The cost of capital to buy the equipment was 2pc in the UK, compared with 12pc in India, and as the process is largely automated, there was little saving on labour. There are about 50 staff at the site in Bristol, but Malhoutra says it is "bursting at the seams" and he hopes to increase the workforce to up to 150 people, as Dynamics is bidding for more work from Airbus.

"Every time Airbus gives us an order, we create work in the UK too," Malhoutra says with a smile. He is very keen to correct the impression that work goes to Asia purely because it is cheaper, and that the shift is always negative for workers in Britain and the rest of the developed world.

"Globalisation is not one-way," he insists, during a visit to the company's five-acre Bangalore site, which has expanded from what he calls "a shed" in 1995. It is certainly a force Malhoutra has harnessed with great success. The company with a \$116m (£73m) turnover will move to a 35-acre site beside Bangalore's airport in the coming years, so that it is easier to deliver the large aircraft parts it hopes to win orders for.

Malhoutra also believes Dynamics offered more than just a cheaper place for the wing parts to be manufactured. "It's not just making a cheaper plane, it's a better plane," he says.

Airbus has opened its own engineering centre in Bangalore, which it hopes to double in size to 400 staff by 2013. Skills in computer simulation, modelling and design and a large pool of engineering graduates – 350,000 each year – are key drivers. India's engineers are a resource the company will increasingly draw on because of a shortfall of qualified candidates in Britain, France and Germany, chief executive Tom Enders has said.

"IT, simulations, technical publication: all these are things which India is particularly good at," Mr Enders said during a visit to the Bangalore site last week. "In terms of the work we sub-contract, there's a lot more to come."

It is certainly cheaper for the company to employ engineering graduates in India and the plane maker has also taken advantage of lower-cost labour in manufacturing. Hindustan Aeronautics (HAL), India's state-owned defence and aerospace company, has been making doors for Airbus's best-selling A320 family of planes since the mid 1990s.

Manufacturing parts of the structure has been the kind of work traditionally done for Airbus by its external suppliers, and in China the company has opened a final assembly line to supply the 3,000 planes it estimates that market will require over the next 20 years.

In India, however, HAL and Dynamics are likely to remain in the minority as parts suppliers. It is the engineering and technology base which is the main draw for Airbus. There are no plans to open a final assembly line, despite the fact India is expected to be the second-largest market for new planes after China.

With India's economy growing at 8.8pc in the second quarter, a rate the British government would give its right arm for, it might come as a surprise to learn that many commentators in the country lament the fact the booming economy is reliant on providing services rather than "making things" for its growth.

It is the same argument being made in the UK, where the fragility of such an economy has been shown up compared to exporters such as Germany, now well into a strong recovery. Apart from anything else, as Malhoutra of Dynamics points out, manufacturing work brings in poorer, less qualified workers from the countryside and provides them with a relatively good income, while IT draws on graduates from India's more privileged classes.

But if Airbus is representative, it is technological know-how and engineering brain power that remain India's main attraction, and these look like exerting an increasing influence on what is designed and made in Europe.

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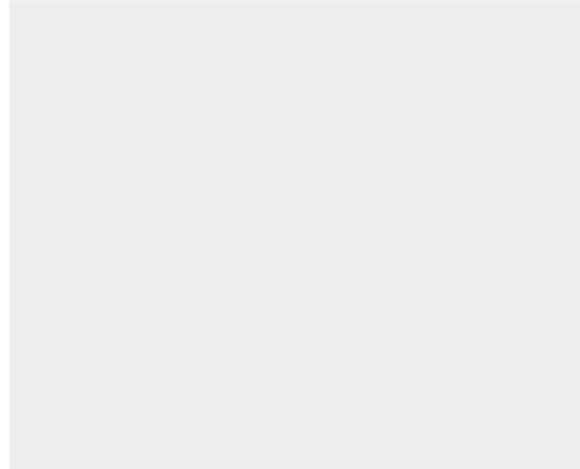
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