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MARKET FOCUS

The GCC-Singapore Free Trade Agreement will grant tariff-free access for about 99 percent of Singapore's domestic exports to Saudi Arabia and five other Gulf states.

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CASE STUDY

Changi Airports International wins six-year Dammam contract

IE Singapore facilitated the growth of Changi Airport International's (CAI) footprint into Saudi Arabia by leveraging on its Jeddah Overseas Center to be the alternative point of contact for in-market facilitation and information sharing. In addition, IE Singapore offered training incentives to assist CAI to familiarise its team to the Saudi Arabian market.



Q: Why was Saudi Arabia chosen as an overseas market for CAI?

A: Saudi Arabia presents a new and emerging market especially for the aviation industry. GACA aims to transform the aviation industry in Saudi Arabia and CAI has taken the opportunity to participate in this process. The Saudi economy is the largest in the Middle East. Since the region constitutes one of the key markets for CAI, it is an important part of our business strategy to participate in one of their airport management contracts.

Q: What are the main opportunities and challenges facing the airport?

A: The Middle East itself presents an abundance of opportunities in the aviation business. As the gateway to the oil rich Eastern Province, Dammam serves a majority of eastern province residents. We see great potential in the airport's expansion in term of passenger numbers in the years ahead. We also see strong growth of many Middle Eastern airlines which will facilitate business travel to the region.

One challenge is the rapid expansion of several airports in the Gulf Region, namely Dubai, Doha, Bahrain and Kuwait. The Centre for Asia Pacific Aviation (CAPA) estimates that more than US\$50 billion is being spent on brand-new airports or on expanding existing facilities across the Middle East region over the next four years. Although air passenger traffic has been growing rapidly at about 18 percent over the years, the highest growth rate amongst all the world regions, overall demand for air travel is expected to soften as the current economic crisis takes its toll. KFIA is fortunate not to have to incur too much capital expenditure over the next few years. Nevertheless, it will be exposed to slowing demand for air travel in the near term.

Q: What types of changes are you planning to implement, and what is the progress to date?

A: We hope to further enhance the airport's operations. We will be leveraging on our Changi experience to attract more users to KFIA. We believe that raising the profile of KFIA and improving aircraft and passenger facilitation at the airport will help encourage airlines to bring in more traffic to the airport, thereby developing KFIA as the gateway to the Eastern Province.

This is a six year management contract. A resident team of six people are in Dammam, supported by non-resident specialists from Changi Airport. We are engaging and consulting various stakeholders and agencies so as to work out a collective approach to achieve GACA's vision for the airport.

In line with GACA's vision, the Changi Team will work towards KFIA becoming a commercially viable airport offering world class service to its customers.

FEATURED IADVISOR



Name: Sunny Chia
Company: UPS
Expertise: Import/Export
Market: Asia Pacific, Europe

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Q: What objectives do you need to meet in entering the Saudi Arabian market?

A: Broadly, we hope to improve the commercial viability of the airport, improve its operational efficiency, raise the levels of customer service and enhance training of local staff. Specifics of each area will be discussed and agreed with GACA over the term of the management contract.

Q: How do you plan to go about training nationals?

A: Training will take place at several levels including senior management, middle management and operational staff. Training will be mostly done in Saudi Arabia. A selected number will be sent to Singapore for varying periods so that they can be exposed to the actual running of Singapore Changi Airport.

Q: What is CAI's current strategy and focus?

A: Our strategy is to establish a presence in our five focus markets, China, India, the Middle East, Russia and Vietnam, through investments, consultancy and management contracts. We hope to leverage on the company's airport management and development expertise to build an impressive investment portfolio in airport and airport related assets.

For the Middle East region, CAI's efforts are generally focused in providing consultancy and management services. We still keep a look out for investment opportunities within the whole Middle East region.

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