

Kuwait

Trendsetter for privatisation

The air transport industry in Kuwait is undergoing major changes. The country is trying to find its own pace and role models, however.

The state of Kuwait seems to be behind the times compared to some other Gulf countries in terms of airport and airline development, since the traumatic and destructive experience of the Iraqi invasion led by Saddam Hussein in 1990. However, engineer Nabil Al-Zamel, deputy director general for aviation safety and air transport affairs in the Kuwaiti Directorate General of Civil Aviation (DGCA), believes that this is a misconception. «Kuwait is seeking its own path and it is actually setting trends,» Al-Zamel said proudly in conversation with the ITJ's editor-in-chief Ursula Schmelting.

More democracy and a free market

Kuwait has come a long way towards democracy and its parliament plays a considerably stronger role than in most other states of the region. The country is proud to have set an example in privatising and commercialising its economy in the past five years. The prosperity created by the flourishing oil industry will speed development of the airport.

Engineer Al-Zamel remarked that the latest development in the Kuwaiti air transport industry is the establishment of six private airlines. The low-cost carrier Jazeera Airways made its start in October 2005. Since then two air taxi companies have gone into operation. One air cargo carrier is due to take off at the end of 2008, as is the passenger airline Kuwait National Airways, which will be launched at the beginning of 2009. Furthermore, a few weeks ago the Kuwaiti parliament decided that Kuwait

Airways (KAC) will be privatised by the end of 2009.

These developments comply with the economic liberalisation policies of the Kuwaiti government. Moreover, it meets the aspirations of Kuwaiti investors, who are eager to access the Kuwaiti air transport market by establishing air carrier companies and meeting demand for different choices for public air transport. Whether three passenger airlines can survive in such a small country with a population of 2.5 million people remains to be seen, especially in the face of airline mergers in the USA and Europe.

Attractive investment opportunities

«We will simultaneously have private companies competing with each other at the airport,» Al-Zamel explained, adding that, since September 2006, the DGCA and other service providers and operators have been introducing incentives to attract further airlines to turn the airport into a transit hub. Kuwait international airport has the lowest landing fees in the Gulf Cooperation Council region – for all carriers. DGCA is a major driving force behind industrial enhancements such as e-border, e-ticketing, e-AWB programmes, as well as other air transport industry initiatives.

The airline master plan has been going hand in hand with the progressive open sky policy since March 2006. «Last year we extended or concluded ten major open sky agreements, and this year



Kuwait has ambitious plans to expand its airport and create six new airlines.

we are aiming for six. The result has been increasing traffic at the airport, as well as the movement of passengers and cargo for Kuwait Airways, despite the intensified competition.» In fact, aircraft movements increased by 11% in 2006 and by 17% in 2007. The equivalent rises for passenger traffic were 12% and 14% respectively, and 4% and 6% for cargo.

Ground handling competition too

Prior to the airline privatisation plan, Kuwait had decided to privatise the airport's ground services. Since 2003 National Aviation Services (NAS) has acted as a private ground handling provider and has captured 40% of the market. The company has also ventured abroad and has set up a ground handling company at Amman international airport (Jordan). In addition, it is considering ventures into other Middle Eastern markets (see box).

«The cargo activities, maintenance and catering services which are provided by Kuwait Airways will be privatised along with the hiving off of the airline,» Al-Zamel said. «We have numerous eager investors. As far as they are concerned the privatisation process is slow.»



Photo: Kuwait International Airport

Nabil Al-Zamel, deputy director general of Kuwait's Directorate General of Civil Aviation (DGCA).

The last facet of the new civil aviation policy is the restructuring of the DGCA, as it is the sole authority to operate and regulate the airport. However, a new civil aviation law might bring the necessary changes later this year. As soon as it is ratified by parliament it will surely provide more general independence to Kuwait's DGCA.

Private airport operators

The expansion of the existing passenger terminal (increasing its annual capacity from seven to 20 million passengers),

due to be completed by 2012, as well as a new cargo terminal (increasing the annual capacity from 250,000 t to 600,000 t) at Kuwait international airport has been approved by the government and parliament.

There were some discussions as to whether the terminal should be constructed as a private-public partnership project or be 100% owned by the state of Kuwait. Engineer Al-Zamel personally favours the concept of a fully private company to operate the airport, and a civil aviation authority that sets the framework under which

the airport and its customers have to operate.

Additionally, there are plans to build a fully privatised Cargo City free zone with an airfreight terminal boasting an annual capacity of 70,000 t. The cargo hub will be able to make use of rail and road links to Iraq and Saudi Arabia.

In 2007, Kuwait international airport handled 176,203 t of cargo (excluding freight carried on military planes), up by 6% on the previous year. Incoming cargo was 74%, while 26% was accounted for by outgoing cargo. Freight movement from Kuwait to Gulf Cooperation Council countries represented 26%. KIA's target for 2008 is 4% growth and a total of 183,629 t.

Ursula Schmeling

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National Aviation Services (NAS)

According to CEO Naji Al-Ajmi the Kuwaiti ground handling company National Aviation Services, which operates both in the passenger and freight segments, has plans to be represented at 40 airports worldwide by 2010. It currently has branch offices in the United Arab Emirates, Jordan, China and India. It recently took a 55% stake in the equity of the Mumbai-based Indian ground handler Nova Aviation Services, which in turn has offices at six Indian airports. Al-Ajmi said that NAS was able to increase corporate sales by 40% in 2007, and freight handling volumes in Kuwait by 7% in comparison with the previous year.

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