



CONSTRUCTION & ENGINEERING

Middle East Airport Expansion: Preventing Project Turbulence

As Gulf Cooperation Council (GCC) countries work towards economic diversification, they continue to invest heavily in infrastructure such as roads, rail and airports. Middle East countries have channelled billions of dollars into new-build airports to create iconic transport hubs, bringing to life the ambition of becoming a local gateway for global travel.

In this article, FTI Consulting's Connor Curran takes a closer look at ongoing and future airport construction projects in the region and discusses a strategic approach towards ensuring successful project completion.

Location, Location, Location

Positioned between the major economies of the East and the West, the location of GCC countries have made them obvious international aviation hubs, acting as air travel crossroads for the world. As a result, airports in the Gulf have witnessed surging numbers of business, leisure and transit passengers in recent years. The International Civil Aviation Organisation (ICAO) 2018 Forecast anticipates a compound annual growth rate (CAGR) of 4.4% annually in the Middle East to 2037, fuelling the confirmed key infrastructure investment.

Current Projects

- **Saudi Arabia**, the largest country in the Arab Peninsula, has 27 airports and has been undertaking an extensive airport upgrade and expansion as a central pillar of its Saudi 2030 Vision for economic diversification.
- The \$7.2bn expansion of **King Abdulaziz International Airport** in Jeddah is ongoing with new terminals planned at King Khalid International Airport in Riyadh, as well as the redevelopment of airports in Abha, Al Asha and Jazan.
- Construction continues on the \$4.3bn Terminal 2 at **Kuwait International Airport** while Terminal 4 opened in 2018. Once complete, the airport will have the capacity to handle 25 million passengers per year.
- In the Sultanate of Oman, the new **Muscat International Airport** project, at a cost of \$4.4bn, welcomed its first flight in March 2018. Following the completion of Salalah Airport

and Al Duqm International Airport, development is underway at Sohar and Ras Al Hadd.

- Construction of the \$1.1bn new passenger terminal at **Bahrain International Airport** is almost complete and undergoing operational readiness.
- In the United Arab Emirates, **Dubai International Airport** is the number one hub for international passengers and is expected to become the world's busiest in the next decade. Dubai Airports Strategic Plan 2020 aims to provide 32% of the Emirates GDP. Phased expansion plans are in place for the Emirates second airport, Al Maktoum International Airport.
- Sharjah Airport Authority expects to award the primary construction contract for the expansion of **Sharjah International Airport** towards the end of 2019 with completion planned for Q3 2022.
- The new \$3bn **Abu Dhabi Midfield Terminal**, a key aspect of the Emirates expansion programme, is undergoing operational testing and is expected to handle 20 million passengers over the next few years.

Challenges

Despite significant strides in development, all these projects are being fast-tracked which has presented significant challenges for the parties involved. Firstly, the level of competition between contractors often means the successful tenderer is working on fine margins with a low contingency. Ambitious time schedules require careful management and all parties must recognise that delay of any kind must be avoided if possible. This leads to perhaps the biggest challenge facing parties: frequent disputes over claims for additional time and payment, which can delay delivery and negatively impact cash flow.

A Strategic Approach

As the majority of projects are exposed to significant risks of project delay and additional costs, it is crucial to identify risk at an early stage and implement measures to avoid or mitigate the risk as appropriate. As much as possible, a collaborative approach between all concerned parties should be considered as a project success that will be of benefit to both the Employer and the Contractor.

The pre-contract and execution stages are invaluable periods to implement proper budgetary, planning and commercial procedures. The earlier that risks are identified and planned for, the greater the chance of overall success.

Pre-Contract

The pre-contract stage of any project provides the foundations for effective and post-award contract management. The key areas to address are:

- **Contract Drafting, Execution and Advice:** Preventing misunderstandings and/or reducing ambiguity leads to more certainty in pricing and project schedule.
- **Critical Success Factors:** Assessing project targets, interim milestones and project key performance indicators (KPIs).
- **Procurement Advice:** Balancing the right procurement methodology with the correct suppliers. In particular, the management of provisional sums and long lead items is particularly important.
- **Risk Allocation:** Reviewing and understanding the allocation of risk and establishing the party in control of that risk.

Project Execution

To ensure successful project completion, many aspects need to be considered during construction and commissioning. The key areas to address here are:

- **Project Controls:** Evaluation of budget, programme, procurement and risk assessments.
- **Project Records:** Accurate records are essential but are of little use if they get lost (see article: '[Construction claims: no records, more disputes?](#)'). We recommend using industry leading software to store and collate necessary project documents to prevent hiccups from occurring.
- **Contract Administration and Management:** Project correspondence should be drafted appropriately. Robust administration of the Contract should ensure daily protection of a party's interests.
- **Dispute Avoidance and Resolution:** Effective and swift resolution of disputes is essential to give construction the best chance to stay on track, boost confidence and protect all the parties involved. Hold regular meetings to review progress and aim to close out matters on a quarterly basis or sooner.

Conclusion

A successful construction project delivered on time and within budget relies on strong leadership, ongoing team collaboration, as well as implementation of an effective management strategy. Whilst every construction project is unique and holds its own significant challenges, FTI Consulting provide flexible solutions to match our clients' specific requirements. We are very experienced in effectively addressing contractual, technical and commercial issues, either as part of clients' existing teams or providing a dedicated consultancy solution.

To learn how FTI Consulting can help you successfully execute your project whether you are an employer or contractor, please contact David.Murphy@fticonsulting.com or Connor.Curran@fticonsulting.com.

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