

## Privatization of Jeddah Airport and its Impact on Passengers Experience

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### ABSTRACT

This research aims at clarifying the idea of privatization, the motives behind it and its future in Saudi Arabia. The research will also address the impact of privatization on the passenger experience and how it will be improved from its current state. The research topic focuses more accurately on Jeddah Airport compared to the various airports that have been privatized in the Kingdom, how it will be allocated and what obstacles and solutions may be opposed to its privatization. The study reached several results, the most important of which are problems that impede the process of privatization, which must be avoided. The study also recommended the development of a clear strategy for the privatization of Jeddah Airport as well as the selection of companies suitable for the privatization process and to lead the field of aviation in Saudi Arabia for the better.

**Keywords:** Privatization, Airports, DACO, RAC, Saudi Arabia, Jeddah

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## 1. Introduction

The privatization program is in line with the 2030 vision and also part of the economic mega-project. The objective of the privatization program is to develop the Kingdom of Saudi Arabia economically as well as financially. The privatization program, which is the idea of the Kingdom of expanding and privatizing all the sectors of the government sectors fields with the exclusion of the military. Based on the fact that I hold a position in the department of operations at the new Airport of Jeddah, which is about to be privatized, my research is with respect to the phenomenon of the privatization of international airports as well as domestic airports.

The process of privatization is currently led by the Ministry of Transport and the Civil Aviation Authority of Saudi Arabia. As a consequence, the research will emphasize on the biggest airports of the kingdom. The project of privatizing the airports has already begun, in particular in the year 2017. A wide range of significant topics particularly on privatization will be covered. It is however important to take note of the fact that the phenomenon of the privatization of airports will be deeply addressed.

Albalawi and Alkabese, NUASS affirm that the entire process is promoting change in an organization, the application of the change and the success of the change relies on the direction of the organizational staff. The leading obstacle in the privatization of any sector of the government is associated with the employees. This directly relates to the organizational employees that cannot embrace transformation. The employees that are not willing to embrace transformation are the one that could have worked in the same organization for more than 15 years. The employees that do not accept change end up working in the public sector for over 15 years. These are the same employees who are close to the age of retirement. There are a wide range of reasons that make these employees not to embrace change in their new environment of work. The biggest challenge lies in moving from one practical environment to the other and changing from the public sector to the private sector.

In *Management is a Journey*, Robert Tanner provides that “Forcing a change on others has its place.

As time goes by, forcing change has a wide range of negative impacts within the organization. If the approach of force is used repeatedly, the end results are devastating. The effectiveness of the organization might be harmed with the use of the approach of force. As a consequence, direct ways and indirect ways will be utilized in resisting the change. As far as I am concerned, the most appropriate solution in dealing with the employees that find it hard to embrace change is through the simplification of obstacles.

Another solution to this challenge is clarifying the idea of the change implemented in the organization. Apart from this, the new structure of the organization should be clarified in a manner that can be effectively understood. To add on, these employees ought to be monitored by the organization with a view of making sure that they are receptive to the changes and the new working environment. Consequently, the problem of the study is in line with the research question that what are the attitudes of employees in the General Authority of Civil Aviation towards privatization?"

Therefore, with the aim of finding solutions to the above mentioned research question, the airports that have already been privatized ought to be put into consideration. With respect to this, there are various large airports that have undergone this form of transformation. First is the Dammam airport that is currently under the management of DACO. Second is the Riyadh airport which is also under the management of RAC. Last is Madina airport and is currently under the operation of a Turkish company called TAFF. Both DACO and RAC are under a Saudi holding company called SAVC, different from TAFF which is under a foreign company. The study will however focus on the Riyadh airport and the Dammam airport. These airports provide the most applicable examples to the research question as they have already gone through privatization. Dealing with the staff was the leading challenge that these airports came across in the course of their airport management. It is however significant to note that this challenge was addressed differently by these airports.

On one hand, the Dammam Airports Company (DACO) had a huge challenge in the management of the transition fear of its employees at its initial startup.

The company made a wide range of changes in the structure of its employees as went through the process of privatization. As a matter a fact, DACO made a huge mistake by making changes in its staff that derailed its operations. The initial transformation that was put in place by the company was doing away of the department concerned with fire and rescue. The services of this department were therefore assigned to specialized organization in the field. The implementation of these changes was done immediately following the change in the management of the company. Additionally,

the department of fire and rescue were left in the hands of a small business entity. This small company was however being monitored by DACO. The conditions of the staff in other departments therefore deteriorated as a result of these changes. This was because the changes were followed in the reduction of and the salaries of the employees. The changes were also followed by the annulment of the financial benefits of the employees that they were receiving at the Dammam Airports Company. Despite the fact that these changes were administrative, the changes led to not only fear but also disappointment to the rest of the employees working in the company. This was as a result of the fear of the unknown in the future. A large number of the employees working in the fire and rescue department left the company. Apart from this, the employees that remained in the company worked in fear because of the lack of certainty of the future. Despite all these, the company did not come up with any plan in finding a solution to the challenge.

Comparatively, the Riyadh Airports Company, RAC took care of the concept of structural transformation in a distinct way. Particularly, it made the worst mistakes in its structural changes in comparison to DACO. The company made use of interviews to hire employees in the organization in order to have the most appropriate people in the company. This was also done with a view of using the capabilities of the employees in the most appropriate way. It is significant to note that when the company was transferring to Riyadh Airports, it was grappling with corruption as far as finances were concerned. The manifestation of the financial corruption was shown in various ways.

First, some employees in the company were provided with not only high positions in the company but also salary increment. The salary increment ranged from 0% to 5%. (A. Hassoubah, personal communication, February 20, 2019).

This problem came out based on the fact that the fate of the airport was placed in the hand of individuals who were not reliable. Additionally, these individuals were not closely monitored. This challenge was further elevated by the fact that the acts of corruption were supported by some individuals within the government organization. These individuals had the ability of monitoring and suppressing the acts of corruption but they failed to do so.

They even fueled the acts of corruption for their individual benefit. Nevertheless, investigations have been carried out by the General Authority of Civil Aviation (GACA) in order to look into the acts of corruption hence finding solutions to the challenge. The issue of salary increment is the one that is being largely addressed. The Aviation Authority appointed a team in monitoring the work of the company and ensuring that the employees are treated in a fair manner until the full establishment of the process of privatization.

The two airport companies faced similar challenges in their processes of privatization. The similarity between the two is that both companies started their privatization process in a wrong manner. The rights of their employees were ignored in the course of privatization. DACO did not take any action in pleasing its employees with respect to structural transformation. Grave mistakes were also made by RACC and worsened the situation. RAC maintained a large number of its employees while DACO lost them. The two companies however ought to take the initiative of studying their current and future position with a view of restoring the confidence of its employees.

Ideally, when employees know the impact of changes on them, they start living in fear. The fear can be related either to the unknown or the lack of justice at the place of work. This is a natural phenomenon that is prone to occur in an ideal organization. a wide range of airports that have undergone the process of privatization have not been in a position of handling their employees in the most appropriate manner. When referring to privatization and fear, the most relevant example that I can give is my working experience at the new airport in Jeddah.

Accordingly, this is an airport that is expected to be ranked among the leading airports all over the world. The airport has various advantages as it has qualified employees and facilities that are designed by the best design engineers. A large amount of money has been spent in enhancing the quality of the facilities in this airport. Therefore, there is the need of choosing an international organization that is the best in the world of aviation. Changi is therefore the international organization that has been chosen. This is a company that is responsible for the airport of Singapore. This is because this company has made this airport the best in the entire world for more than five years.

It is thus evident that this was the most appropriate choice for privatization. Unfortunately, the company did not continue to own Jeddah airport. The reason is somehow not known. However, research provides that challenges arose as a result of partnerships in the signing of contracts. The ownership of the airport by Changi was therefore cancelled due to the fore mentioned challenge. The employees in the company would be happier if the airport would still be owned by Changi. The future of the airport is therefore characterized by a lot of uncertainties. The company with the right of owning the new Jeddah airport is not yet known. Various companies are competing for the ownership of this airport company. The Changi Company is also competing for the ownership of this airport company after solving their problem with contracts and partnership. Staff members remain concerned about the professional prospects in the new companies. Rumors never fade away and the most consistent rumor I keep hearing is that the company will subsequently send away all staff members who do not hold a bachelor's degree. Others opine that our salaries will significantly reduce and the company will be highly characterized with corruption as it was with RACC. I strongly hope that this does not happen at our airport company. It is vital that the management learns from mistakes that have been made at other privatized airports. New Jeddah Airport is closely supervised by the Crown Prince because of the great hope that he has placed in the airport. He has invested heavily in the airport and expects success of the airport.

The chief executive of the company paid a visit the new airport before the Changi Company was denied the opportunity of leading the new airport.

The employees raised their concerns in relation to the new airport. The concerns were in association with the manner in which the new company would deal with its employees. The chief executive however assured them of promoting the satisfaction of the employees. The employees were also assured of their salaries and told not to worry about the structural changes

The plan of the General Authority for Civil Aviation is to first take part in privatizing all major airports. This will then be followed by the privatization of local airports. Western domestic airports will also be placed under one company. Additionally,

the southern domestic airports will be placed under a different company.

Privatization is supposed to change a lot of things within the Kingdom ranging from airports to other governmental sectors. Based on the prevailing situation, majority of the government sectors lack productive or economic value. Nevertheless, with privatization, all government sectors will have a strong impact on the economy and productivity. The privatization of government institutions and sectors is also expected to significantly reduce the lack of employment. The privatization plans to be implemented in Saudi Arabia will also have positive implications on the Saudization plans of Saudi Arabia.

A statistical study was carried out in the Kingdom in the year 2018 by the Labor Force Survey. The rate of the lack of employment for the male gender in Saudi Arabia was at 7.6% as opposed to 7.5% in the previous quarter. In comparison to the opposite gender, the rate of the lack of employment was at 30.9% in comparison to 31.0% in the last quarter of the year 2017. The Saudi Arabia's program of privatization that has already commenced also involves privatizing health facilities, airports and other institutions of the government. This has been significant in the creation of an estimate of 12,000 employment opportunities in the kingdom.

The development of goals in addition to god planning is vital in promoting the success of the privatization program. The kingdom of Saudi Arabia took this initiative after the creation of vision 2030 with the leadership of Prince Mohammed bin Salman. The approach of privatization in the kingdom was very impressive as it is not an easy step to be taken. It is worth noting that I fully support the privatization program.



A lot time as well as effort is required in the implementation of the program. This is because a wide range of individuals are not willing to accept change. Some of these individuals are not ready to accept change because they fear it. The reaction of the employees ought to be put into consideration while embracing change. This is because these are the individuals to put the change into practice. The right choice of the company to be in charge should also be made.

I am also hopeful that the selected company will aid the new Jeddah airport in making it the leading in the world hence helping it to become the greatest representation of vision 2030. I therefore wish the privatization program the best as it is vital helping in the achievement of vision 2030.

## **2. Literature Review**

### **2.1 Jeddah Airport**

Jeddah's New Airport terminal project, dubbed the King Abdul Aziz International Airport Terminal 1 (KAIA Terminal 1) constitutes one of the largest infrastructure projects in the kingdom as well as worldwide. KAIA Terminal 1 covers 810,000 m<sup>2</sup> and is expected to handle an estimated 30 million passengers every year (Al-Kinani, 2019). KAIA Terminal 1 will also be able of accommodating 70 aircraft at the same time. By 2035, it is anticipated by the KAIA Terminal 1 will be able of handling 80 million passengers every year to keep abreast with the burgeoning demand for air travel and bolster the tourism sector in the country. This new airport terminal in Jeddah is set to become of the largest across the world, and was designed with the aim of creating a logistics platform in Saudi Arabia that links three main world continents. The KAIA Terminal 1 will provide linkages between the East and the West, and become a rigorous collection point for the transit of cargo and passengers. Another expectation is that the KAIA Terminal 1 will become one of the influential international airports globally, and capture a significant market share of the air transportation market in the region (Al-Kinani, 2019; Saudi Gazette, 2019). Overall, new airport terminal in Jeddah is expected to become an influential international hub for air travel and help place the Kingdom as a strategic link between the East and the West.

In addition, the KAIA Terminal 1 has features designed to help improve the efficiency of operations and experience of passengers. Some of its key features include 80 self-service kiosks, 220 boarding counters, and 120 shops for passengers. Its air traffic control (ATC) tower is the tallest globally, which will enable air traffic controllers to have a total view of the airport; thus, contributing to safer and more efficient airport operations (Al-Kinani, 2019). Other important features incorporated in the new airport terminal to help enhance the experience of passengers include baggage handling systems that utilize the latest technological systems, lifts, and a five-star hotel for travelers in transit. Furthermore, a mosque will be included to allow passengers conduct their prayers (Saudi Gazette, 2019). Another pivotal amenity included in the KAIA Terminal 1 is a train station to help with the movement of pilgrims and visitors to the holy city of Makkah for Umrah and Hajj. The train network will also be used for connecting passengers to King Abdullah Economic City, Madinah, and Makkah. Other highlights of the KAIA Terminal 1 include 46 gates that passengers can use to go to aircraft; terminal control center having 44 control units linking airport operators and government agencies; massive parking lot capable of accommodating about 4300 vehicles; well-equipped information centers; and one of the largest aquariums in airports (Saudi Gazette, 2019). The control center will be used for managing operations associated with rescue, fire, security, and safety. In general, the new airport terminal in Jeddah is being designed with passenger experience and airport operations in mind.

The soft launch (limited opening) of the new airport was on May 2018 when a local flight coming from Al-Qarayyat landed at the airport. By August 2019, the new airport terminal started handling international flights by Saudi Arabian Airlines to Muscat, Bahrain, and Abu Dhabi airports (Saudi Gazette, 2019). Since it commenced operations, the new airport has been described as world-class, eco-friendly, smart, and a distinctive landmark in the Arab World in terms of Islamic architecture. Overall, the launch of the new KAIA Terminal 1 marks a significant growth in the Kingdom's aviation sector.

This new airport will help the Kingdom keep abreast with the increase in the demand for air travel and cargo transport (Saudi Gazette, 2019). Importantly, the design of the new airport took into account the experiences of passengers.

The new Jeddah airport marks a significant improvement to the old Jeddah King Abdulaziz International Airport, which was ranked as one of the worst airports globally in 2017 (Sleeping in Airports, 2017). The ranking was based on the airport experience of travelers in terms of various aspects including comfort, services, food options, customer service, security and immigration, sleeping ability, ease of transit and navigation, and cleanliness. In this respect, the old Jeddah airport was ranked the second worst international airport due to having long queues, lack of toilet attendants, dirty washrooms, trash, and worst attitude among the immigration officers, who were also noted to be incompetent, lazy, and rude (Sleeping in Airports, 2017). Other poor aspects associated with the old Jeddah airport include insufficient seating, dysfunctional toilets, and inadequate officers (Sleeping in Airports, 2017). However, with the development of the new airport, things are expected to change since the new airport will be managed by those who are in charge of the Singapore Changi Airport.

## **2.2 Privatization Process of Saudi Arabia Airports**

### **2.2.1 Airport Privatization Program**

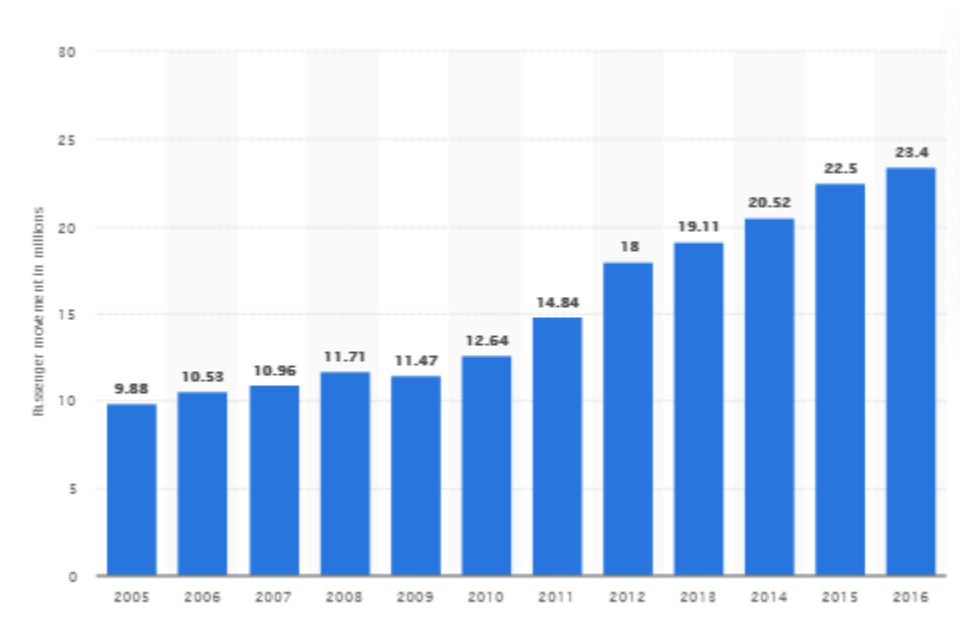
The Royal Decree No. 17049 seeks to achieve the privatization of all Saudi airports. As a result, the Saudi Civil Aviation Holding Company (SAVC) embarked on a privatization program, which began with the establishment of the Saudi Air Navigation Services and Riyadh Airports Company to oversee how the Kingdom's air navigation sector and the King Khalid International Airport are managed respectively (SAVC, 2018). Some of the privatization initiatives include the privatization of regional and domestic airports, the air navigation sector, the king Abdul Aziz International Airport, King Fahd International Airport, King Khalid International Airport (Riyadh), and Prince Mohammed Bin Abdul Aziz International Airport.

The expected benefits of the privatization program include improvements in the quality of service and operational performance; rationalizing of public spending; achieving financial independence and sustainable development in the civil aviation sector; transforming the sector to a revenue-generating one; and applying best practices in the sector (SAVC, 2018).

Additionally, the privatization of airports in the Kingdom is aligned with the government's push for economic diversity to reduce its reliance on oil (Al Omran, 2019). The government expects that privatizing public assets and loosening the regulatory environment will be crucial in attracting foreign investment. Furthermore, the move towards the privatization of airports was motivated by the realization that current airport facilities are not adequate in keeping up with the future demand for airline travel (Chaouk, Pagliari, & Miyoshi, 2019). In general, the privatization of airports in the Kingdom is expected to boost the growth of the civil aviation sector.

### **2.2.2 RYD Airport Before and After Privatization**

The privatization of Riyadh Airport (King Khalid International Airport) has been suspended since 2018 since it was more analogous to a concession – a private company is awarded a long-term lease for managing the airport as opposed to selling it. A key challenge in the privatization of the airport has been regulatory frameworks (Al Omran, 2019). The regulatory mechanisms and institutional arrangements regarding the airport system in the Kingdom is still poorly developed; hence, there is the need for reform if privatization of airports is to become successful (Al Omran, 2019). The performance of the Riyadh airport has been consistently growing in terms of passenger movements (See Figure 1) to reach 23.4 million in 2016 (Statista, 2020). The Riyadh airport has several distinctive features designed to enhance the experience of passengers including a large mosque. However, customer reviews of the airport are low in terms of terminal seating, cleanliness, and queuing times (Skytrax, 2020). Passengers have also raised concerns regarding the need to training officials, reduce overcrowding, and enhance capacity (Skytrax, 2020).



### 2.2.3 DMM Airport Before and After Privatization

The privatization of the DMM Airport (King Fahd International Airport) is being undertaken by the Dammam Airports Company (DACO), which is aimed at transforming the airport to become a regional hub and cater for the expanding volumes of cargo and number of passengers (Arab News, 2017). As a result of privatization, the DMM Airport has repositioned itself as a cargo and passenger hub. The goals of the privatization include implementing novel passenger baggage handling and management systems; developing other facilities of the airport like enhancing runways, officers, passenger halls and ensuring the comfort of travelers using recreational services; increasing operational capacity and efficiency; and generally making the airport world-class by using smart technologies (al-Zayani, 2018). The post-privatization improvements are expected to result in smoother travel procedures for airlines, travelers, and the airport personnel. In addition, privatization enhanced the safety of operations at the airport. Other benefits provided by the ongoing privatization of the DMM airport include expanding capacity to be able to handle the growing passenger traffic and cargo volume, and supporting the investments made by the Kingdom in entertainment and tourism sectors (Kamel, 2018).

Through privatization, it is expected that the DMM Airport will handle 30 million passengers yearly, which is a significant increase from the 12.6 million recorded during pre-privatization (Kamel, 2018). Figure 2 shows the trends in passenger traffic at the DMM Airport.

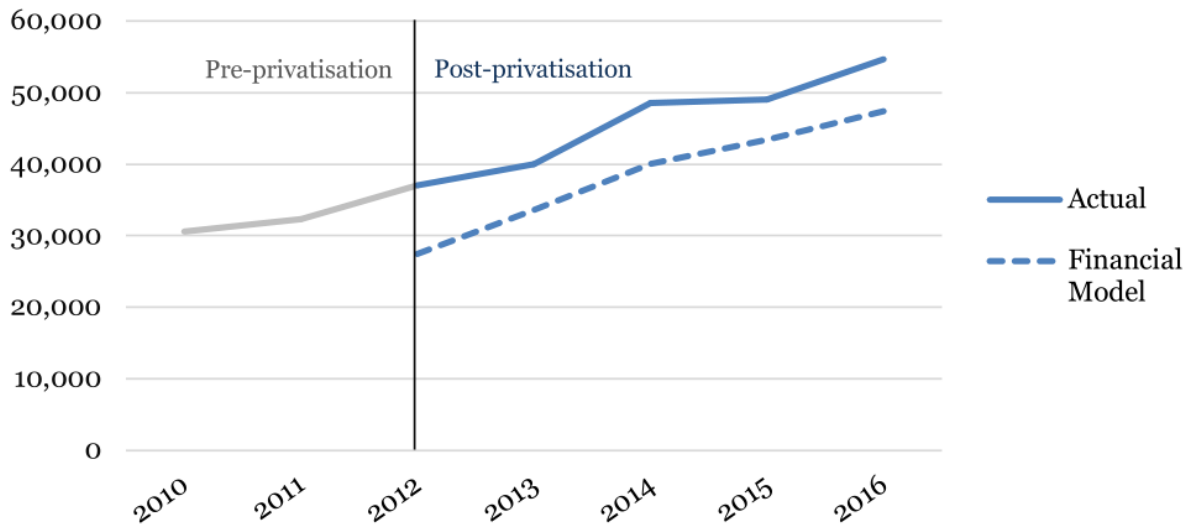


Source: (The Blue Swan Daily, 2018b)

### 2.2.4 MED Airport Before and Privatization

MED Airport (Prince Mohammed Bin Abdulaziz International Airport) underwent privatization in 2012 under a Build-Transfer-Operate (BTO) 25-year contract with Tibah Airport Operations Co. Ltd., which is a joint venture between two Saudi companies – Al-Rajhi Holding Group and Saudi Oger- and a Turkish company – TAV Airports. Before privatization, its annual passenger traffic was about 3 million annually (Chaouk, Pagliari, & Miyoshi, 2019). Post-privatization of this airport saw a significant growth in the passenger traffic to about 7.8 million in 2017. Figure 3 compares the passenger traffic before and after the privatization of the MED Airport. The privatization also led to the construction of new facilities at the airport including a novel fully air-conditioned terminal covering 158000 square meters, a new Hajj terminal covering 90000 square meters, an extension of the existing runway, construction of new taxi ways, parking areas, access roads,

And lighting systems for the airfield (Chaouk, Pagliari, & Miyoshi, 2019). Overall, the privatization of the MED Airport played an integral role in enhancing the experience of passengers using the airport.



Source: (Chaouk, Pagliari, & Miyoshi, 2019)

### 2.2.5 Comparison Between RYD and DMM Privatization to MED Privatization

While the privatization of RYD and DMM Airports are still ongoing, parallels can be drawn between their privatization and that of MED. Essentially, these privatization initiatives were conceived with passenger experience in mind. In all the three privatization programs, it is evident that emphasis is placed on not only enhancing the capacity of the airports, but also developing facilities to improve passenger experience such as enhancing runways, officers, passenger halls and ensuring the comfort of travelers using recreational services; increasing operational capacity and efficiency; and generally making the airport world-class by using smart technologies (al-Zayani, 2018). Overall, these privatization initiatives share the same goals of enhancing operational efficiency and safety, and passenger experience.

### **2.2.6 Privatization of Domestic and Regional Airports**

Besides just privatizing international airports, SAVC is presently devising plans aimed at privatizing regional and domestic airports. The General Authority Civil Aviation (GACA) has expressed the intent to privatize all the airports in the Kingdom following their conversion to companies with the objective of cutting public expenditure and improving the services offered at the airports. The privatization strategy adopted by GACA is to convert all airports in the Kingdom to companies that are fully owned by the SAVC. GACA has stated that it would use three privatization methods. The first is converting every airport to a company – this approach will be used in the RYD Airport – followed by forming a board of directors for managing the company (Saudi Gazette, 2017). The second approach entails entering a contract with a company that specializes in operating and maintaining airports – this approach was used in the new Jeddah Airport- with GACA bearing costs associated with expanding the airport, and the company getting a share of the revenue (Saudi Gazette, 2017). The third approach entails the build, operate, and transfer (BOT) method – used in the MED Airport and other domestic and regional airports like Yanbu, Qassim, Hail, and Taif. In addition, the privatization of the domestic and regional airports is being done by using foreign firms for managing the airports (Saudi Gazette, 2017). In general, the privatization seeks to ensure that all airports in the Kingdom are managed commercially; hence, enhancing revenue and the services delivered to passengers.

### **3. Jeddah New Airport Privatization Process**

The privatization process of the new Jeddah Airport commenced with awarding Changi Airports International (CAI) and the Saudi Naval Services (SNS) the contract to operate the airport. CAI and SNS were given a 20-year contract for operating the new Jeddah Airport. CAI is a well-known airports operator with several concession agreements and management contracts in Brazil, Russia, and Asia (The Blue Swan Daily, 2018a). Changi Airport, managed and operated by CAI, has received the World's Best Airport Award seven consecutive years as ranked by international travelers.

Other awards won by Changi Airport include the Best Airport in Asia and the Best Airport Leisure Amenities (Changi Airport, 2019).



The Changi Airport presents a model for enhancing passenger experience. The airport is capable of handling 85 million passengers annually, and plans are underway to expand its capacity by constructing a new terminal that can handle 50 million passengers every year (Chen, 2019). Changi Airport has numerous amenities designed to enhance traveler experience including the iconic rain vortex (tallest indoor waterfall in the world); sky train that connects terminal 2 and terminal 3; an indoor forest valley and canopy park; children's play area; automatic check-in kiosks and bag-drop stations; lounge for passengers; cruise service; a hotel; indoor garden; and retail outlets (Chen, 2019). These amenities offer numerous benefits for travelers including convenience, and a relaxing experience while awaiting flights by exploring local offerings without necessarily leaving the airport.

However, CAI's contract was cancelled by GACA. GACA stated that it decided to perform a fresh international tendering process for the management of the new Jeddah Airport after an internal review that highlighted several fundamental concerns that led to GACA terminating the contract. GACA maintained that the cancelling of the contract would not in any way affect the process of privatizing the new Jeddah Airport. GACA is yet to announce a new private operator for the airport but has emphasized that privatization of the airport is not about selling it but providing a platform for private sector players to invest in the airport and help manage and operate it.

GACA was supposed to appoint the private operator tasked with managing the new Jeddah airport during the second half of 2019; however, announcements have not been made yet. Appointing a new operator for the Jeddah Airport seeks to bolster the participation of the private sector in the management and operation of the airport (Saudi Gazette, 2019).

According to GACA, privatization of the Jeddah Airport does not imply selling it to private entities; rather, it is about providing an opportunity for private companies to invest in and help in operating the airport.

Attracting adequate interest among foreign investors is crucial for the Kingdom's privatization programs to be successful. Nevertheless, gaining the interest of foreign investors will require the Kingdom to maintain a good reputation with these investors in terms of being able to offer the needed regulatory framework and setting the optimal

conditions necessary for private-public partnerships (PPP) (Chaouk, Pagliari, & Miyoshi, 2019; Young, 2018). Terminating contracts abruptly and arbitrary interventions are detrimental to the Kingdom's prospects of realizing successful PPPs in the airport sector with foreign investors. An example is the unexpected cancellation of CAI's contract to operate and manage the new Jeddah Airport, which dented the Kingdom's image and reputation with respect to attracting interested foreign investors to operate its airports. Another challenge contributing to the failure of privatization contracts entered with foreign companies stems from the Kingdom's socio-political trajectory (Chaouk, Pagliari, & Miyoshi, 2019). Essentially, any political instabilities in the future are likely to scare potential foreign investors from participating in the privatization of the Kingdom's airports.

The privatization of airports and other sectors in the Kingdom and the larger Gulf region has raised some concerns regarding the increase in corruption and money laundering. According to Townsend (2016), it is important for the Kingdom to adopt stronger anti-trust laws in tandem with the privatization plans to help minimize the likelihood of increasing corruption in the sectors that are being privatized to be made competitive. While Saudi Arabia has anti-bribery and anti-trust laws, they are outdated, and that the Kingdom does not have a proper framework for legislating against cronyism, bribery, and corruption that might arise during the awarding of contracts (Townsend, 2016). Failing to properly regulate the privatization of airports could result in decision-makers selling some government assets or awarding contracts to their benefactors and cronies. Overall, criminalizing corruption in both private and public sectors in the Kingdom is crucial to the success of the various privatization initiatives.

GACA's plan for the new Jeddah Airport for future is to get a private operator to ensure its privatization. This privatization is aimed at increasing operational capacity and enhancing passengers' experience. The new airport is expected to be fully operational by Ramadan 2020 (Ghazzawi, 2020). In the privatization effort of the new Jeddah airport, it is crucial for GACA to avoid committing past mistakes that might result in resistance from existing employees.

An example is the privatization of the DMM Airport, which led to the termination of employees in the rescue and firefighter's department during restructuring. As a result, it is crucial to take into consideration how personnel will be affected by the privatization strategy.

## **4. Results**

### **4.1 The Impact on the Personnel and Passengers of Jeddah Airport**

#### **4.1.1 Impact on Personnel**

Privatization is expected to transform the public sector to help address the growing unemployment of the Saudis. Privatization of state-owned enterprises, which is in line with the strategic vision 2030, will help the Kingdom deal with the issue of unemployment through the generation of employment opportunities for its citizens (Erem News, 2018). Government institutions in Saudi Arabia have considerable employment surplus with the public sector accounting for more than 60 percent of the employment in the Kingdom. Therefore, with the onset of privatization, a significant number of employment opportunities will be moved from the public to private sector. The privatization program is projected to generate significant employment during the 2022-2030 period (Erem News, 2018). This growth in employment comes from the expectation that privatization will make these sectors profitable and increase growth; hence, increasing the need for additional employees to meet the growing demand for services, which in turn increases employment opportunities.

Surplus employees in the airports will not be terminated due to privatization; instead, they will be relocated to service sectors linked to the airports (Erem News, 2018). In general, privatization of airports is aligned with the Saudization plan, which means boosting the job opportunities for citizens.

Secondly, privatization of airports will lead to more engaged and motivated employees because of the increased competition in the sector. Privatization of airports is akin to a vision to restructure the individual airports and the larger sectors; hence, it is crucial to ensure that personnel in the airports value and buy-in to the vision. According to Folkman (2014), any vision should be motivating and inspiring to employees.

Therefore, the privatization of airports should serve to inspire and motivate them rather than instill fear among them, which implies that employees should understand the reasons underlying the privatization. In such a case, the outcome will be high satisfaction and engagement among employees. Additionally, communicating the vision through multiple communication channels is crucial in ensuring its success (Folkman, 2014; Mollenhauer, 2018). The bottom line is that privatization should not instil fears among airport employees but inspire and motivate them. In the privatization of the new Jeddah Airport, it is important to repeat the mistakes of the DMM privatization wherein employees were terminated by DACO (Al-Blahdi, 2018). Rather, emphasis should be on increasing the skills and efficiency of existing Saudi employees for them to function under the new privatized entity.

Other benefits of the privatization to employees include decentralized management, fast decision-making, and training and development opportunities. In private companies, decision-making is faster compared to public entities where decision-making is bridled by bureaucracy and government meddling (Tanner, 2019). Slow decision-making is detrimental to the welfare of employees. In addition, decentralized management means that the concerns of employees can be addressed more swiftly compared to government entities. Moreover, privatization would necessitate personnel training and development to enhance their skills and capabilities, which would in turn translate to positive experiences for passengers. In many airports in the Kingdom, passengers often complain about the ineptitude of airport officials (Skytrax, 2020). As a result, this is an area worth considering during privatization of airports.

In the airport's privatization program, it is essential for GACA and the new private operators to have an understanding of effective change management, which poses the need for comprehending the reasons for change resistance. These reasons are diverse including job security, reward systems that are poorly-aligned, uncertainty/surprise, mistrust, organizational politics, fear of failing, and poor implementation approach (Tanner, 2019). Employees often resist change if they believe the change is a threat to their job. In this case, if airport employees believe that privatization will cause them to lose their job, they are more likely to resist the change.

Moreover, with privatization, it is essential to align the reward systems used since the airports will no longer be government entities but private entities that emphasize productivity and efficiency (Tanner, 2019). Employees also tend to resist change if they are uncertain. GACA and the potential private operators can address this by ensuring constant communication of the impending privatization, and how employees and passengers are poised to benefit from the restructuring. Effective communication of the change also helps to minimize any potential mistrust among the personnel. During the restructuring of the airports, organizational politics should be minimized to ensure success, which means that leadership of the private operators, GACA, and the current operators need to work together to ensure smooth transition. Furthermore, the fear of failing on the part of personnel can cause the privatization program to fail by instilling change resistance (Tanner, 2019). This can be addressed by providing employees with the training and development opportunities to enhance their skills and capabilities. Lastly, the implementation approach should be appropriate and sensitive to the needs of those affected by the restructuring. Therefore, involving them in the change effort can help minimize any potential resistance.

#### **4.1.2 Impact on Passengers**

The privatization of airports is expected to result in more positive experiences for passengers. Essentially, the privatization of the new Jeddah airport will make it a more passenger-friendly airport. According to Al-Kinani (2019), privatization of airports elicits a managerial culture are airports characterized by being extremely responsive to the needs of passengers. Empirical research shows that privatized airports outperform their government-owned counterparts in terms of passenger experience. This view is further demonstrated that Changi Airport in Singapore, the best airport for seven years in a row, is managed and operated by a private entity (Chen, 2019). Enhanced passenger experience comes from the greater efficiency due to privatization. There is no doubt that private entities are more efficient in comparison to public sector organizations. Privatizing airports provides the stakeholders with the incentive to increase operational efficiency through the automation of processes,

Which in turn increases the reliability of the airport and lowers the operational costs (export.gov, 2018). For government-run airports, introducing such improvements are likely to be met with resistance. Additionally, the privatization of Jeddah airport and other airports in the Kingdom introduces the element of competition, which motivates them to offer superior passenger experience by upgrading existing facilities and amenities (al-Zayani, 2018). Because of the ongoing process of privatization, the Jeddah airport has experienced a significant facelift in terms of the facilities and amenities designed to provide passengers with an unforgettable experience. Examples of these facilities that have already been incorporated include 80 self-service kiosks, 220 boarding counters, 120 shops for passengers, a mosque, a train station, 46 gates, terminal control center, a massive parking, well-equipped information centers, and one of the largest aquariums in airports (Saudi Gazette, 2019). Overall, privatization is poised to enhance the experience of passengers using the airport.

## **5. Jeddah Airport Privatization Outcomes**

### **5.1 Why Jeddah Brings a High Income**

Jeddah Airport is one of the profitable airports in Saudi Arabia because its location makes it a gateway to the holy city of Makkah. As a result, it is the destination airport for the millions of pilgrims visiting Makkah for Umrah and Hajj. This explains why the new Jeddah airport has fast-speed rail network to transport passengers to Makkah (Al-Kinani, 2019). In addition, the Jeddah airport is repositioning itself as an international hub that links various other international airports; hence, it is one of the busiest airports in the Gulf region and the larger Middle East with respect to domestic and international traffic (Chaouk, Pagliari, & Miyoshi, 2019). Overall, Jeddah brings considerable revenue because of the rapid growth of religious travelers for Umrah and Hajj practices.

### **5.2 Why GACA is Reluctant to Privatize**

GACA is reluctant to privatize the Jeddah airport because the focus of its privatization strategy is to provide private entities with an opportunity to invest and operate the airport rather than sell the airport to a private sector entity.

This reluctance is informed by the fact that airports constitute an important infrastructure; thus, there is the need for governments to adopt a long-term view that focuses on solutions that offer best socio-economic benefits (Saudi Gazette, 2017). Privatization of airports also make them expensive, which can in turn negatively affect consumers. Moreover, because of the significance of the Jeddah airport, its regulation is essential in preventing its abuse especially by private sector interests that are profit-motivated. As a result, GACA is approaching the issue of Jeddah airport privatization with caution by consulting with airlines and consumer groups (Chaouk, Pagliari, & Miyoshi, 2019). Alternative operating and ownership models are also being considered as opposed to privatization such as corporatized government entities.

### **5.3 How Income Will Increase After Privatization**

The expected growth in income for Jeddah Airport after privatization will emanate from greater efficiency, investments, and upgrades. Privatization has been shown to increase the efficiency of airports. Evidence also shows that private entities tend to be more efficient in comparison to government-owned entities (Bettini & Oliveira, 2016). Greater efficiencies imply efficient airport operations, which translate to improved revenues (Vogel, 2019). Additionally, privatization of the airport will lead to the construction of new amenities that can widen the revenue streams for the Jeddah airport.

## **6. Discussion and Conclusion**

### **6.1 Solutions to Avoid Future Crises**

In the planned privatization of the new Jeddah Airport, several issues have to be considered to ensure its success. First, there is the need for the government to develop tough anti-trust laws to curb money laundering and corruption, which are synonymous with privatization. The privatization of the Jeddah airport is an endeavor that should be regulated to prevent decision-makers selling some government assets or awarding contracts to their benefactors and cronies.

Another important consideration for successful privatization is change management. Privatization always increases fear among existing employees regarding their job safety; hence, resistance is likely. Resistance can also come from other sources such as reward systems that are poorly aligned, uncertainty/surprise, mistrust, organizational politics, fear of failing, and poor implementation approach. As a result, the planned privatization of Jeddah airport should serve to inspire and motivate personnel rather than instill fear in them; therefore, employees should understand the reasons underlying the privatization. Employees should be involved in the privatization and provided with the necessary training and skills development.

## **6.2 Looking Forward**

The new Jeddah Airport constitutes one of the largest infrastructure projects in the kingdom as well as worldwide. Through privatization of this airport, numerous benefits are expected including improvements in the quality of service and operational performance, increasing the revenue generating by the airport, and creating a positive experience for passengers. Privatization has been shown to result in improvements in the performance of airports in terms of their capacity and passenger experience. Privatization is expected to result in smoother travel procedures for airlines, travelers, and the airport personnel. Moreover, privatization can enhance the safety of operations at the airport. Other benefits expected by the planned privatization of the Jeddah airport include expanding capacity to be able to handle the growing passenger traffic and cargo volume, and supporting the investments made by the Kingdom in entertainment and tourism sectors. Generally, these privatization initiatives share the same goals of enhancing operational efficiency and safety, and passenger experience.



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