



[AccessMyLibrary](#) » [Browse](#) » [M](#) » [MEED Middle East Economic Digest](#) » [MAY-02](#) » [Al-Yamamah weathers the changes. \(BAE\).\(Al-Yamamah project remains at the heart of the UK trade drive in Saudi Arabia\)\(Brief Article\)](#)

COPYRIGHT 2002 MEED Middle East Economic Digest. All Rights Reserved.

Al-Yamamah weathers the changes. (BAE).(Al-Yamamah project remains at the heart of the UK trade drive in Saudi Arabia)(Brief Article)

Publication: MEED Middle East Economic Digest

Publication Date: 17-MAY-02

Author: O'Sullivan, Eddie

Ads by Google

[Telecommunications](#) Doing Business in Kuwait Join the Rush!

[Saudi Arabia's New Rival](#) See who's suddenly "making" oil for \$13.21 & selling it for \$120+.

[Jobs Saudi Arabia](#) All The Top Jobs From The Top Sites Just Search, View And Apply Today!

[Watch Saudi Arabia Tv](#) Get Sky for £17/month & watch your favourite channels live!

 [Email this article](#) |  [Print this article](#)

COPYRIGHT 2002 MEED Middle East Economic Digest. All Rights Reserved.

The largest contract ever awarded to a British company, the Al-Yamamah project remains at the heart of the UK trade drive in Saudi Arabia, generating a substantial portion of Britain's export earnings from the largest economy in the Arab world.

Created by a 1985 agreement between the governments of Saudi Arabia and the UK, it called for the supply of fighter aircraft and training jets for the Royal Saudi Air Force (RSAF) and minehunters for the Royal Saudi Naval Forces (RSNF). It also involves operations, maintenance, supply of spare parts, pilot and technician training, upgrading systems and the construction of facilities and installations. Although past its peak, Al-Yamamah still generates at least [pounds sterling]100 million of sales a year. Contract payments are made through an oil barter arrangement involving BP and the Royal Dutch/Shell Group.

Its prime contractor is BAE Systems, the UK's biggest manufacturing company and the world's largest defence contractor. The company's latest financial statement confirms the size of its business. It reported a 33 per cent rise in turnover in 2001 to [pounds sterling]13,138 million, compared with about [pounds sterling]9,000 million in 1999, the year the company was created by a merger between British Aerospace and Marconi Electronic Systems, also of the UK.

Defence

BAE Systems specialises in the defence sector, but also has a 20 per cent stake in Airbus Industrie. Hopes for the future are vested in a new generation of defence products. The British production model of the Eurofighter (Typhoon) made its maiden flight in April and the first aircraft is to be delivered in 2002. BAE Systems, which owns 33 per cent of the Eurofighter consortium, is making the front fuselage, the canards and parts of the aft fuselage, as well as key elements of the avionics and radar. Other new products being developed include Astute submarines, Type 45 destroyers, and Brimstone and Storm Shadow missiles.

These developments have radically changed the company's profile. Less than a decade ago, British Aerospace was a UK-oriented firm supplying products mainly to the British armed forces and heavily dependent upon the Al-Yamamah project. Today, Al-Yamamah

accounts for a significant but declining proportion of total turnover. Out of a global complement of 120,000 employees, BAE Systems employs about 2,500 Saudi Arabians and 3,000 non-nationals in the kingdom.

The wide-ranging nature of the Al-Yamamah programme makes unusual demands on the chief executive of BAE Systems in Saudi Arabia, Phil Champriss, a former Royal Air Force (RAF) pilot, appointed to the post in April 2001. Champriss started in Saudi Arabia as a manager in Tabuk in 1979 and has had major jobs in the kingdom ever since. He was awarded an OBE for his contribution to Saudi-British relations in 1991 following the success of Operation Desert Storm in which Tomados played a major part.

"One of the reasons we are still here is because in 1990 we stayed remarkably firm," Champriss said in an interview at the BAE Systems Riyadh head office in April. "This customer puts enormous store on reliability. Of course, we have a commercial relationship with Saudi Arabia. But we also have a friendship relationship that goes beyond that. There is a degree of trust that goes both ways."

S3i

Al-Yamamah is driven by an open-ended agreement between the Saudi and UK governments and has no termination date. But BAE Systems is acutely aware that change in the RSAF equipment platform would undermine its position in the kingdom. Looking to an uncertain future, BAE Systems has launched the solutions, support and services initiative (S3i), which is designed to reshape the company so it can respond to the move among major customers towards contracting out and value-for-money evaluation of purchases. Saudi Arabia, together with the UK, the US and Australia, is seen as the leading prospects for sales through this initiative.

In the kingdom, S3i complements what is already being applied. Says Champriss: "Because of the breadth of our company, there is not a single task we cannot assist with." This engagement reflects the significance of Saudi Arabia as a long-term customer. "I believe that our Saudi Arabian business will have a very important impact on the company's global business because it calls for special skills," he adds.

Saudi Arabia's need to create jobs and train young people offers a fresh avenue for BAE Systems. "That is an enormous opportunity," says Champriss. "As such opportunities emerge, we will do our best to take on board the training commitment."

Nevertheless, the possibility of major defence orders, and associated service requirements, remain the main target. "We are always looking for orders for the Typhoon," says Champriss. "The Typhoon would be a good aircraft for this theatre. But we must not lose sight of the current task which is to ensure that we are giving value for money."

Al-Yamamah has, according to some estimates, generated sales so far totalling [pounds sterling]30,000 million. BAE Systems declines to confirm or deny the figures, citing client confidentiality agreements, so you have to look elsewhere for hard facts about the scale of the project.

The 2001 edition of *The Military Balance*, published by the International Institute for Strategic Studies (IISS) in London, shows the RSAF has three squadrons with 76 of the interdiction strike (IDS) version of the Tornado and one squadron with 24 of the advanced defence version (ADV) of the same aircraft. The RSAF is also reported to have a total of 50 Hawk training aircraft and 50 Pilatus PC-9s. Both aircraft types were delivered under Al-Yamamah.

Hardware deliveries have now been completed and the priorities within the contract are shifting towards maintenance and sustainability.

BAE Systems says the Tornado airframe is fundamentally sound and durable and the life of the aircraft can be extended to at least 30 years, much longer than initially envisaged. There is an intention to upgrade the Tornados for the RSAF. "Specific details of what is required will be decided upon by the RSAF, but once the go-ahead is given, much of the work will be transferred to companies in Saudi Arabia," BAE Systems says.

BAE Systems' in-kingdom programme is headed by Abdulhai al-Bassri, a former RSAF major-general, who joined the company in January. This builds on existing programmes, notably the Tornado maintenance project at Riyadh's Al-Salam Aircraft Company. It will also position BAE Systems to work on non-aircraft equipment and win contracts from the RSNF and the Saudi army.

A third major initiative is a high-profile human resource development programme aimed at meeting internal and external needs. A growing number of senior posts in the kingdom are being filled by Saudi nationals. Saudi Development & Training Company (SDT), a Riyadh-based firm set up under the Al-Yamamah Economic Offset Programme, is running an 18-month management course with Lancaster University for Saudi Arabian BAE Systems executives. This will lead on to a diploma and then an MBA.

Training

SDT, a joint venture between BAE Systems and Khalifa AlGosaibi Holdings, is driving a wide-ranging vocational training programme. In January the firm launched a five-year Hawk maintenance training scheme with an initial intake of more than 120 students. This involves two years full-time training followed by three years in-service training at the main Hawk bases. It is a development from the BAE training facility programme, launched in 1995, which trains technicians to work on PC-9s.

In an important new departure, BAE Systems signed in November a memorandum of agreement with Saudi Arabia's General Organisation for Technical Education & Vocation Training (Gotevot) for developing national standards for skills. These will have parity with similar qualifications in other parts of the world, including the National Vocational Qualification (NVQ) in the UK, and address the desperate need for technical training. BAE is donating SR 11 million (\$2.9 million) to the programme over two years. SDT is providing logistics and administration support.

In 1989, BAE Systems took over the sports and cultural co-operation agreement between Saudi Arabia and the UK. This now entails 25 sports programmes run with the kingdom's General Presidency of Youth Welfare. More than 500 Saudi Arabian soccer coaches have been trained and a record 46 joint Saudi-British sports events were held in 2001. A total of 80 Saudi medical professionals are involved at various stages in a three-year masters' course in sports medicine arranged under the agreement. On top of that, BAE Systems has since 1991 sponsored Saudi Arabian academics doing postgraduate research in the UK in a British Council programme. A total of 20 academics are supported a year.

The overall objective is to ensure BAE Systems, which has had a presence in the kingdom for almost 30 years, remains a major supplier to Saudi Arabia in Al-Yamamah and long into the future.

"Saudi Arabia is a unique market," says Champniss "You have to be very careful that you know your customer, know how he is behaving, make sure you understand what he wants and then deliver it."

More Articles from [MEED Middle East Economic Digest](#)

[JCB: dig it. \(Special Report UK\).\(increased focus on Middle East\)\(Brie...](#)
May 17, 2002

[Databank: Economic Forecasts, 2001-2002. \(Databank\).\(Brief Article\)\(Il...](#)
May 17, 2002

[Currency Exchange Rates. \(Databank\).\(Brief Article\)\(Illustration\)\(Stat...](#)
May 17, 2002

[Databank: Economic Indicators, 2000. \(Databank\).\(Brief Article\)\(Illust...](#)
May 17, 2002