



الخطوط الجوية الكويتية

HEADING FOR BETTER TIMES

Kuwait Airways Corporation, KAC, experienced a real downturn about 15 years ago. The war at the time and the war of 2003 threw the region into a deep recession. But fortunes have now turned for KAC.

"Yes, for the first time our sales have reached USD 700 million," says Sheikh Talal Al-Sabah, Managing Director and Chairman of KAC.

TEXT: Timothy Tore Hebb PHOTO: Gustavo Ferrari

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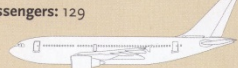
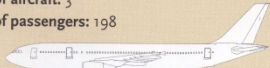
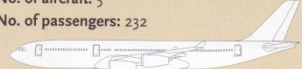
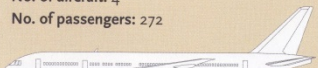


AT THE SAME TIME as sales were higher over the past financial year than ever before for the Kuwaiti airline, Kuwait Airways Corporation, KAC, must face many tough challenges in the future.

"We must meet a new situation with competition from a low cost airline in the region. We don't actually know what this means at the moment so we are waiting to see how to respond to this challenge," he says. Sheikh Talal Al-Sabah began working at KAC in 1977, became Managing Director in 1999 and Chairman in August 2004.

Another challenge is to get the Kuwaiti parliament to decide to pay back the USD 800 million that the government owes KAC. This money is important for making the investments required in new aircraft to face the stiffening competition.

FACTS KAC'S FLEET

Airbus 320-200 No. of aircraft: 3 No. of passengers: 129	
Airbus 310-308 No. of aircraft: 3 No. of passengers: 198	
Airbus 300-600 No. of aircraft: 5 No. of passengers: 232	
Airbus 340-313 No. of aircraft: 4 No. of passengers: 272	
Boeing 777-269 No. of aircraft: 2 No. of passengers: 273	



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SHEIKH TALAL AL-SABAH, MANAGING DIRECTOR AND CHAIRMAN OF KAC

The company is, for example, investing in improving and modernising how passengers sit in First Class and Business Class on the B777s and A340s.

"The third challenge is the proposed bill that will turn KAC into a company. Parliament will make a decision about this, which, if it happens, will place greater market demands on KAC," he says.

He tells us that the strategy chosen against the background of these challenges has been to concentrate on profitable airport destinations, such as Dubai, whilst those in less demand, such as Singapore, Karachi and Amsterdam have disappeared. It's this strategy that has proved to be profitable as for the first time KAC reported sales of USD 700 million over the past financial year up to March 2005. KAC is still not reporting a profit however, because of the ever-increasing price of oil.

"Our challenge now is to break even by 2007. We therefore hope that the price of oil drops in the future."

One might think that the turning point has come quickly for the company. It's not so long since the 9/11 terrorist attack on New York and the subsequent war hit the airline industry hard. "But for airlines in the Middle East the consequences were especially noticeable," he explains.

"They were difficult times. The situation in the region badly affected airlines here. Passengers didn't want to travel via Kuwait, which meant we couldn't market Kuwait as a hub. However, people are now travelling more freely and Kuwait is back on the map."

He tells us that the government is planning for the near future where the number of passengers travelling via Kuwait will be 10 million in 2006/2007 and 50 million by 2030. But this will mean changing many laws governing foreign investments for Kuwait, which is slightly smaller than New Jersey in the US, to take the new passengers. The government has therefore already issued 80 new hotel licences. There are currently six five-star and a number of four-star hotels, but this number will significantly increase.

"This indicates that we will be seeing more passengers within a few years."

The aim is to have destinations in 46 countries once again, and also provide the best service. Various offers combined with ticket sales will bolster this message. This includes being able to order a limousine in London.

INCREASE THE FLEET BY SIX AIRCRAFT

These plans also affect KAC, which is currently expanding its fleet from 17 to 23 aircraft. This will mean at least six new aircraft, because even if the old ones phased out are exchanged, the number of new aircraft bought in will increase. To begin with KAC will see if it can manage engine and spare part maintenance for these itself.

He talks about the partnership with Volvo Aero Services that goes back a number of years.

"In the mid-90s we started discussing a distribution contract. We are pleased with the efforts made. We are not experts in selling spare parts, but Volvo Aero Services is. So the partnership suited us perfectly," he says.

GE currently carries out most engine over-



hauls, while Snecma carries out the maintenance on the A300C4 and A340-313.

On the other hand KAC does all the C-checks and all Heavy Maintenance In-House, except for the 747-400.

Sheikh Talal Al-Sabah returns to talk about the challenges, of which many are beyond KAC's control. There are currently 43 competitors in the region. One advantage KAC has is that it has been established in the region for the past 50 years, which will be celebrated this year. This airline was the result of the oil boom in the 1940s. After a while the state of Kuwait bought the fledgling airline.

"But we have worked through tough times, and we are used to challenges. In 1991 we started from scratch after the Iraqi invasion, and the subsequent liberation, when 86 per cent of our infrastructure was destroyed. We lost 15 of our aircraft and were forced to live in a war zone. That's what it was like for 15 years."

Other factors indicating an increase in passenger numbers is that tourism in Kuwait will grow strongly in the future, and the country has great potential to be an important hub for travelling between East and West. Around 1 million Kuwaitis and a few hundred thousand foreign nationals currently live in the country.

Another factor in Kuwait and KAC's favour is that the country has a high standard of living.

What other benefits do you have?

"KAC can look back on a past as a technical and commercial pioneer in the region. For instance, we were the first to buy the Airbus. We are considered a role model here."

"But for KAC to realise its potential requires parliament to understand KAC, because KAC is state-owned," he emphasises.

This is also necessary to meet the increased competition from the low-cost airlines in the region.

"We have a customer base. But we will change in the areas where we are affected by the new competition. I don't think we need to close routes, but we might be able to cut the number of flights on certain routes. It is, as previously mentioned, too soon to see the affects," says Sheikh Talal Al-Sabah. ◀

Profitable surplus

THANKS TO VOLVO AERO SERVICE'S SALES

Volvo Aero Services is No. 1 in the world at selling surplus stock to airlines. The method sounds simple: "We have a system for identifying marketable surplus inventory which allows an airline to stock the lowest level of spare parts required to maintain its fleet," says Kevin P. Hartney, Executive Vice President, Airframe Division, Volvo Aero Services.

TEXT: Timothy Tore Hebb

THE PARTNERSHIP with Kuwait Airways started when the airline decided in 1996-1997 that it had too many spare parts. There was obviously a need to make cuts and sell off the surplus.

Volvo Aero Services won the contract in May 1998. Their assignment was initially to sell a spare parts stock valued at USD 100 million.

"Kuwait Airways wanted to reduce the number of spares that it had in stock to support its fleet of Boeing 777's and Airbus aircraft. As a result we have been Kuwait Airways preferred distributor of their surplus spare parts since 1998."

ADVANCED WORK

Kevin P. Hartney says that the partnership has grown since then, and that the work of identifying stock that can be sold on the sur-

plus market is becoming more advanced. What can be sold is excess or surplus inventory not required as spare parts in support of their fleet. It's a matter of seeing the difference between necessary and less necessary spare parts. Kuwait Airways visits Volvo Aero Services regularly to achieve effective collaboration.

"We make recommendations from our understanding of the market, and from what Kuwait Airways requires for their operation. Once surplus is identified then we know what we can sell. And if Kuwait Airways has let's say ten items of the same product in stock but just needs six then we can sell four," says Kevin P. Hartney.

SELL EVERYTHING

Volvo Aero Services makes sure to work with Kuwait Airways to gather documentation on the various spare parts. This information is required for everything from the smallest screw for a specific part of the aircraft to a complete jet engine. The documentation for example, contains information on the condition of the part (s) and when it was produced.

"We provide our network of partners and adapt our services to each of the hundreds of airlines we work with."

The result is that Kuwait Airways, instead of selling spare parts, can concentrate on what it does best. And they know that they receive the greatest possible market price for their surplus inventories.

"Over time we believe that we have performed a value added service," says Kevin P. Hartney. ◀

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