

## BUILDING A 'HOME MARKET' IN THE KINGDOM OF SAUDI ARABIA



For BAE Systems developing a 'home market' operation in Saudi Arabia, which involves the creation of an indigenous industrial capability, is one of its most important policy initiatives of recent years. The aim, which is core to the home market concept, is to create in Saudi Arabia manufacturing for both local consumption and export customers.

Other home markets for BAE Systems are the USA, Sweden, South Africa and Australia, as well as the United Kingdom. Along with Saudi Arabia, these provide a diversified manufacturing base while strengthening the company's position with long-term international customers. Launched over the past few years, the home market strategy in Saudi Arabia is tipped to have great significance for the future of the company and its partners. Its corollaries are the creation of jobs and the development of hi-tech resources in the country.

The home market strategy was introduced in stages from the late 1990s. In the initial phase the company increased the rate at which repair and maintenance was carried out in Saudi Arabia. Savings were quickly apparent in equipment turnaround and transportation costs.

This accelerated after 2002, with the introduction by the Saudi government of new legislation to attract foreign investment. Working in a freer environment enabled the company to plan for equipment assembly and original equipment manufacture. This is aimed primarily at meeting

the needs of domestic demand, but is expected to evolve into a wider ranging effort serving global export markets in years to come.

Rather than going it alone, BAE Systems is working with Saudi partners. For the most part these were already in place to meet the needs of defence and aerospace customers, and provide an established base for future work transfers. Partnership companies provide the platform for a range of services in mechanical, electrical and systems engineering, overhaul and repair, and the provision of services such as training, logistics, operations-and-maintenance and facilities management.

Key partnership organisations in Saudi Arabia are Alsalam Aircraft, Advanced Electronics, Aircraft Accessories and Components and Saudi Development and Training. A logistics management entity is being set up and Granada Enterprises, a property management vehicle has been also established.

As BAE Systems develops its own engineering capability in the Kingdom, the support of international associates and suppliers is also drawn in. This ability to act as a magnet for further growth is a key outcome of sun-rise industries. In turn, attracting component suppliers in the defence sector spawns further knowledge and technology transfer.

As an offshoot benefit from this process, the company has also seen a growth in the purchase of various goods and services from other Saudi third party suppliers. It is considered that total expenditure in the local market has run to about SR 45 billion over the past three decades. The impact of the home market strategy is such that the rate of spending will now accelerate.

But probably the most important outcome will be seen in job creation. Already a major employer of Saudi nationals with about 2,300 individuals in an overall workforce of around 4,600 people in the Kingdom, BAE Systems' home market drive will provide a motor for further expansion. Some of this will be in direct employment by BAE Systems; the remainder of the impact will be seen in its wider partner and supplier base.

Training and skills acquisition will have to be closely tied to this, and considerable planning is underway to ensure that the company's new recruits will be able to deliver.

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