



Al Maktoum Airport

Can This Mega Airport Go Against The Flow?

Positioned between major economies of the East and the West, Gulf Cooperation Council (GCC) countries have channeled billions of dollars into new-build airports, creating iconic transport hubs, acting as air travel crossroads for the world. In April 2024, His Highness Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai announced what is the most ambitious airport project yet, approving plans for the new \$35bn passenger terminal at Al Maktoum International Airport, which will be the largest in the world when fully operational.

Connor Curran, Senior Director in FTI Consulting Capital Projects and Advisory Segment takes a closer look at this mega project and discusses a strategic approach towards, ensuring successful project completion.

Driving The Change

In the first quarter of 2024, the International Civil Aviation Organisation (ICAO) projected that passenger air traffic levels will be around 2% higher than in 2019 (Pre pandemic levels), translating to a Compound Annual Growth Rate (CAGR) of around 0.5% over the 2019 – 2024 period. According to Airport Council International projections, Middle East passenger numbers could reach 429 million in 2024, a 5.4% rise compared to 2019 figures.

With passenger growth outpacing capacity, the last decade has seen the completion of world class airport infrastructure projects such as the \$14bn Hamad International Airport in Doha, the \$4.4bn Muscat

International Airport project and the recently opened \$3bn Zayed International Airport in Abu Dhabi. Further, in the Kingdom of Saudi Arabia, the \$7.2bn expansion of King Abdulaziz International Airport in Jeddah is ongoing while Kuwait's \$4.3bn Internal Airport Terminal 2 is expected to begin operations in 2025.

Faced with this regional competition and with constraints on the expansion of Dubai International, to the new Al Maktoum airport can help Dubai compete for generations. However, the region has never before seen an airport project on this size and scale. Examination of this project provides some object lessons in large project strategy and management.

Dubai South

The new airport will be the nucleus of Dubai South, a Government of Dubai project launched in 2006 by HH Sheikh Mohammed to align with Dubai Plan 2021. Spanning 145 square kilometres and with residential projects expected to accommodate 1 million residents, Dubai South is designed as an integrated economic environment.

Dubai South is no stranger to mega projects, and builds upon the momentum from Expo 2020, which took place from October 2021 to March 2022.

Overview

Al Maktoum International Airport (also known as Dubai World Central) first opened in 2010 for cargo operations, with passenger operations following in 2013.

The new airport will have a 65 square kilometre footprint, five runways, 400 contact gates across five terminals and a 14 station Automated People Mover. Construction will be undertaken according to a multiphase plan, reaching milestones in alignment with anticipated traffic growth. In its final configuration the platform is designed to handle 260 million passengers per year and 12 million tonnes of cargo.

The Most Ambitious Project Yet

Dubai airport is expected to shut down completely once operations are transferred to Al Maktoum International Airport, which is scheduled to take place within the next ten years. With Dubai Airports expecting 88.8 million passengers in 2024 alone, the ten-year time frame would appear to be very ambitious.

Indeed, the region has witnessed recent fast-track airport projects that have presented significant challenges for all parties involved.

Take finding contractors for these projects as an example. Even though several international contractors have either withdrawn from the region or downscaled in recent years, competition between suitable contractors remains fierce, meaning the successful tenderer, (often historically a joint venture) must work on fine margins with a low contingency. Further, the successful tenderer and the nominated and appointed specialist contractors are likely going to face increased competition for top talent, as well as sufficient labour numbers given the mega projects already underway throughout the GCC.

The biggest challenge for ambitious projects on tight schedules, however, remains disputes over claims for additional time and payment, which can delay delivery and negatively impact cash flow.

Such claims have been a regular feature of similar projects both in the region and internationally.

A Strategic Approach To Al Maktoum International Airport

Given these challenges, how can risks around project delays and additional costs be identified early for projects of this scale and scope? And what can be done to avoid or mitigate these risks? In our experience, taking a collaborative approach among all concerned parties is a key factor in project success and works to the benefit of both the Employer and the Contractor(s) appointed to the project.

The pre-contract and execution stages are invaluable periods to implement proper budgetary, planning, and commercial procedures. Additionally, identifying and planning for risks as early as possible holds the greatest chance for overall success.

Pre-Contract

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

- **Tender Evaluation Criteria:** Perhaps the most important undertaking by a client, the effectiveness of which is directly related to project success. The 'lowest price' could save you now but cost significantly more in the future.
- **Contract Drafting, Execution and Advice:** Preventing misunderstandings / reduce 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, program, procurement, and risk assessments.

- **Project Records:** Accurate records are essential but are of little use if they get lost. 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

Successfully delivering the project on time and within budget requires strong leadership, ongoing team collaboration and implementation of an effective management strategy.

Whilst every construction project is unique and holds its own significant challenges, Al Maktoum international Airport is on a scale not seen before. At FTI Consulting, we are experienced in effectively implementing the above services, either as part of clients' existing teams or providing a dedicated consultancy solution.



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