

# Logistic Challenges GCC and Saudi Arabia



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# Agenda

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- Background
- Outlook
- Challenges:
  - Infrastructure
  - Developing Market
  - Contractor Capabilities
- Path Forward
- Saudi Aramco Contribution

# Background

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- What was logistics like in the 1970s.
  - Infrastructure – roads and ports
  - Transport vs. Logistics
  - Extremely limited market capabilities
  - Vehicles/Drivers
- But the work still got done!

# Outlook

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- Demand for Logistics and Transport to continue:
  - National infrastructure projects.
  - Oil and Gas/Chemical projects.
  - Commercial activity driven by consumer demand.
- Economic impacts:
  - Oil prices.
  - Inflationary pressure.
- GCC trade/customs rules to remain for the near-term.
- Growth will affect the environment, if not managed.

# Challenges (Infrastructure)

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- **Roads:**
  - Network designed/built in chunks rather than under a Master Development Plan.
  - Interchanges overloaded at peak times causing bottlenecks.
  - Maintenance/repair delays.
  - Safety remains an issue.
- **Rail:**
  - Limited network but new more integrated network underway.
  - Primarily for passengers.
- **GCC Integration:**
  - Inconsistent processes and rules, which cause delays at borders affecting OTD.
  - Planning approach is country-centric.

# Challenges (Developing Market)

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- **Fragmented Service Offerings:**
  - Lack of capability across the region and especially in KSA.
  - Short-term focus on revenue rather than on long-term market position/share.
  - Limited warehousing space and what is developed is dedicated.
- **Lack of local logistics expertise:**
  - Heavily reliant on expats – skilled and unskilled.
- **Information Technology lagging ROW.**
- **Logistics City/Hub Concept:**
  - Limited to planning phase rather than actual development, except for U.A.E.

# Challenges (Contractor Capabilities)

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- Limited Specialization:
  - “I can carry everything” attitude resulting in mishandling and damage to loads.
- Vehicles/Drivers:
  - Predominantly expats, which creates visa issues.
  - Aging/poorly maintained fleets.
  - Weak communication skills.
  - Perceived indifference towards safety based on lack of investment in training/certification.

# Path Forward

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- GCC Level Body to:
  - Promote integration and organize SCM/Logistics and Transport industries.
  - Eliminate/reduce trade restrictions among members.
  - Integration of material flows through ports/hubs and road/rail networks across GCC.
- Promote practical approaches to workforce nationalization.
- Increase safety awareness/regulatory requirements for vehicles and drivers.
- Consortia/JV between local and global SCM companies to rapidly enhance market capabilities.
- Saudi Arabia as a hub of the future.



# Saudi Aramco Contribution (1 of 2)

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- Early 2007, Saudi Aramco outsourced logistics under a long-term (10 year) contract.
- Contract Scope includes:
  - Collection from vendors and distribution Kingdom-wide.
  - 100% Saudization for job locations within Saudi Aramco.
  - Systems integration between Saudi Aramco and Contractor.
  - Web based tracking system for customers.
- GPS tracking of vehicles.
- Paperless delivery.
- Distribution centers in Dammam, Riyadh, Jiddah and Yanbu'.

# Saudi Aramco Contribution (2 of 2)

- Host/Participate in multiple SCM/Logistics events throughout the Kingdom and GCC.
- Leader in Saudi Arabia for Logistics and Transport training and professional development:
  - University programs in Saudi Arabia, U.S. and U.K.
  - Chartered Institute of Logistics and Transport courses.
  - Arabian Supply Chain Society.



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**Thank You**