



## OPPORTUNITIES FOR DUTCH BUSINESSES IN THE GULF REGION

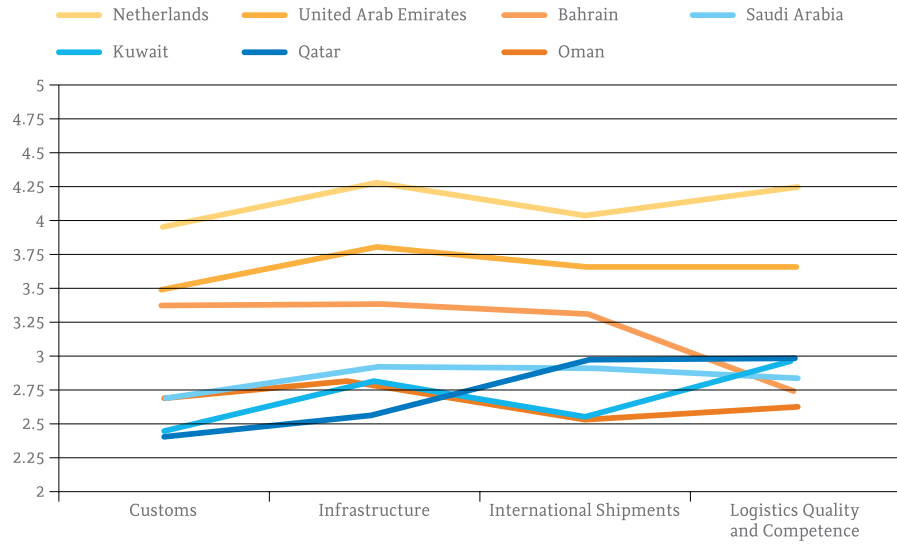
### LOGISTICS INDUSTRY PORT & RAIL SECTOR



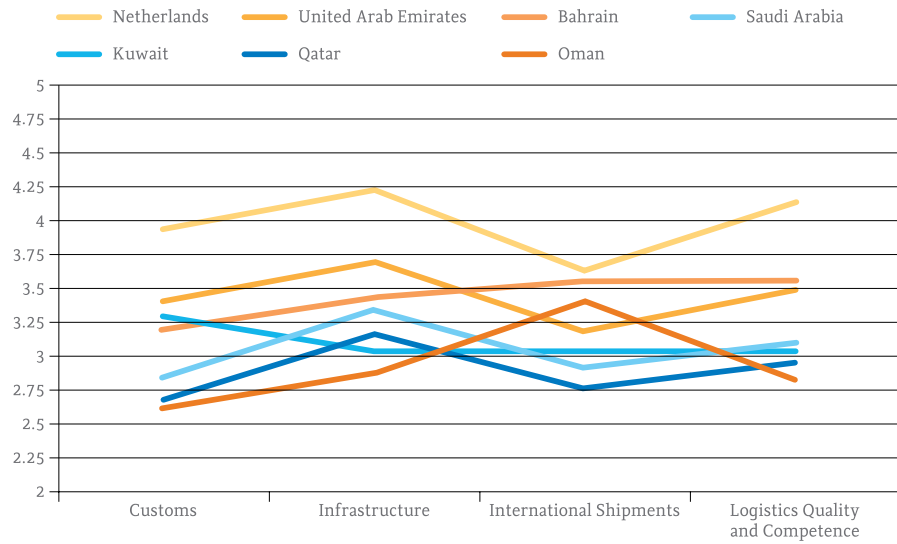
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**Table 1: Logistics Performance Index GCC 2007**



**Table 2: Logistics Performance Index GCC 2014**



Logistic Performance Index (LPI) 2007 & 2014. Source: World Bank

# 1

## INTRODUCTION

Following the discovery of oil in the 60's and 70's the Gulf Cooperation Council (GCC), consisting of Saudi Arabia, the United Arab Emirates (UAE), Kuwait, Bahrain, Qatar and Oman, got established in May 1981. A driving factor behind the establishment was the goal of economic integration between the six member states. Over the past three decades, the economic growth rates in the GCC countries have been among the highest in the world. These figures are strongly related to government spending and the hydrocarbon related incomes.

Further economic integration will not only lead to a growth in intra-GCC trade, but also to an increase in trade with the rest of the world. Current Free Trade Agreements (FTAs) are established with Singapore and the European Free Trade Association (EFTA; Norway, Iceland, Liechtenstein and Switzerland – not to be confused with the EU). Negotiations on FTAs, with the US and the EU, for different reasons, often strand. Therefore, the GCC is getting a stronger focus on the East, having opened the negotiations with China, India, Japan, South Korea, Pakistan, the ASEAN, Australia and New Zealand but also the MERCOSUR and Turkey. When finalised, these negotiations with FTAs will spur a significant increase in GCC trade figures – both imports and exports.

Future growth in domestic and international trade can be a driver for the positive outlook for the GCC's main transport and logistics hubs. The total GCC amounts spent on infrastructure projects will average about USD 106 billion per year until 2020, with the highest amounts being spent in 2016 and 2017. All GCC countries are pursuing significant plans to expand their airports and allied infrastructure, with a combined committed USD 50 billion towards specific airport projects. Major sea ports are expanding and under construction, with the development of exclusive cargo ports and Free Trade Zones (FTZ) enhancing. Governments across the GCC are investing their substantial budget surpluses in new rail infrastructure as they attempt to connect cities, reduce road congestion and support ongoing industrialisation.

The Logistic Performance Index (LPI) by the World Bank ranks economies by the competence and quality of their logistic services. The LPI shows a trend of convergence between the different GCC countries as well as between the GCC and the Netherlands. This is the result of years of investments, which will continue to be made in the near future. These, and the high ambitions of the GCC countries offer business opportunities within the whole transport and logistics sector. The purpose of this report is to give Dutch businesses an insight in the developments in the Gulf's port and rail sector and help them to identify possible business opportunities. The focus of this report is especially on Oman, United Arab Emirates and Saudi Arabia. Business opportunities for the airport development industry are highlighted in the related logistics report for that sector.





Soha iron ore jetty, Royal Haskoning (Directorate General of Ports, Ministry of Transport and Communications, Sultanate of Oman)

## 2

## MAJOR DRIVERS PER GCC COUNTRY

## 2.1 SULTANATE OF OMAN

The Sultanate of Oman is situated on the south-eastern tip of the Arabian Peninsula and is neighbored by the UAE to the north, Saudi Arabia to the west and Yemen to the south. The country has a population of approximately 4 million, of which 56 per cent are Omani nationals, and 44 per cent expats. Approximately 1.2 million people live in the capital city area of Muscat. Population growth has been over 6 per cent for the last few years and is expected to continue, especially in the urban areas. Economic growth is showing a similar figure; with a stable growth rate of over 5 per cent the country can be considered as a high growth country. Unlike some Western European countries, the GCC countries were able to sustain growth trends despite the global financial crisis.

## 2.1.1 Main Strategic Government Agenda

In order to achieve economic diversification and sustainable economic growth the government of Oman aims to use the revenues that are derived from the export of oil and gas to develop other strong industries in the country. Its dependence on oil resources is a challenge, since the oil industry is highly affected by external economic and political factors. The government strives to double the level of GDP per capita by the year 2020 (Oman Vision 2020), but it faces some challenges in achieving efficient integration into the global economy and coping with rapid technological developments.

The government focuses on strengthening different sectors with high growth potential. For economic growth and further diversification it has appointed the logistics sector as one of the policy's cornerstones. On initiative of the Supreme Council of Planning the 'Sultanate of Oman Logistics Strategy 2040' (SOLS 2040) has been developed. This strategic report gives insights in the ambitions and plans in the logistics sector with the main goal of increasing the contribution of logistics to GDP and creation of quality jobs. Heavy investments in infrastructure and logistics are made, especially in the maritime clusters of Sohar, Duqm and Salalah. The government pays special attention to increase effectiveness and efficiency of the sector, by stimulating efficient management, smooth operational systems and lowering port fees.

To offer serious competition to other ports in the Gulf, like Jebel Ali and Khalifa in the UAE, good overland connections between Oman and its neighbouring countries are necessary. When this network is established, Oman will be able to take good advantage of its strategic location, both in and outside the Gulf Region. Economically it will be more interesting for large vessels to come to the ports of Sohar, Duqm or Salalah instead of continuing around the coast to Jebel Ali for example, and avoid the busy Strait of Hormuz. Furthermore, good connections between ports and rail will enable access to the huge consumer market of Saudi Arabia, and the import-export business can attract large amounts of shipments from the Far East.

## 2.1.2 Opportunities, Investments, Developments

## PORT DEVELOPMENT

The government's ambitious port development policy is intended to make the most of Oman's strategic position at the Indian Ocean Rim, right at the entrance of the Gulf. Oman can derive great comparative advantages, in terms of exporting goods and financial services to this block. The continued development of the ports of Sohar and Duqm, the expansion of the port of Salalah and the transformation of the port of Muscat are most noteworthy. Alongside, special economic zones or free zones focus on particular industries that are expected to increase the logistic capabilities of the port areas.

The **Port of Salalah** is Oman's biggest and main transshipment seaport; it handled 3.6 million TEUs and 7.2 million tons of general cargo in 2012 and continues its capacities to grow. Expansion focuses on facilities that support both dry and liquid bulk capacity. Expansion of the dry bulk capacity is mainly geared towards facilitating local businesses like mining; it is expected that mineral dry bulk throughput will be doubled by mid-2015. Additionally, the Salalah Free Zone is planned to expand with an additional 229 hectares over the next 5 years. A high priority within the Port of Salalah developments is to gain more efficiency; the ongoing acquisition and implementation of new technologies will add extra value to the port and its customers who will see their competitiveness increase.

The **Port of Sohar**, a 50-50 joint venture between the Government of Oman and the Port of Rotterdam, demonstrates impressive growth figures: it grew with over 51 per cent in 2012. The port's main focus is on upstream hydrocarbons, upstream metal and steel, and logistics shipping. The container, bulk, liquid and gas terminals are operated by some of the major global players; Vale, Hutchison Whampoa, C. Steinweg, Oiltanking Odfjell and Svitzer have operations in Sohar.

Trade figures and the shift in freight from the congested Mina Sultan Qaboos Port in Muscat to the Port of Sohar show that the port's capacity is boosted from its original 800,000 TEU's per year to 1.5 million per year. Upcoming projects in the port are related to increasing capacity, and the expansion of existing activities; the development of a multimodal platform for the transshipment between sea and land based transport (especially railway in the upcoming future); and gaining efficiency through technological development and improving the clearance process.

The **Port of Duqm**, managed by the Port of Antwerp, also expands continuously. The Government of Oman develops Duqm into a fully integrated export centre for upstream projects and later for downstream industries. The Duqm Refinery & Petrochemical Industries Company (DRPIC) plans a refinery project with an investment of around USD 5 billion, which is most likely Oman's largest industrial investment. The process of prequalifying international companies for this multibillion-dollar Engineering, Procurement, and Construction (EPC) package kicked off at the end of 2014. Designed as a full conversion refinery, the plant will utilize delayed coking technology for bottom of the barrel processing. In addition, the project will incorporate licensed technologies for hydrocracking, hydro treating, LPG treatment, kerosene treatment, and sulphur recovery, among other processes. The Duqm Refinery is scheduled to start construction in 2015 and be finished by the end of 2017. Clusters in the larger Duqm industrial area will be targeting steel, aluminium, petrochemicals, refining, and fisheries industries. The fisheries port and the fisheries related industry is planned to be the biggest in the country.

Besides the industrial development Duqm is being transformed into an actual city, including urban facilities like shopping malls, supermarkets and an international school. From 2013 the focus has been on the energy sector and for the following five years projects like the refinery, a 500-MW power plant and a desalination plant are in the pipeline. A rough USD 50 billion will be invested in public and private large-scale projects. Of this amount an estimated USD 20 billion is reserved for transportation infrastructure, USD 17 billion for oil and gas projects and USD 13 billion for manufacturing and industrial purposes. Included in the plans for transportation infrastructure are the development of the Duqm airport, the railway connection, and work on the connecting highways. Duqm has the legal basics like a free zone, a duty-free status and a 100 per cent foreign ownership permitted on long-term leases. The dry docks, Duqm's key project, are among the regions largest with both of them over 400 meters long. In the future a floating dock will be developed and expansion projects will see the enlargement of the harbour basin to 6.5 square kilometres, 13.5 kilometres of commercial quays and a total of 44 berths.

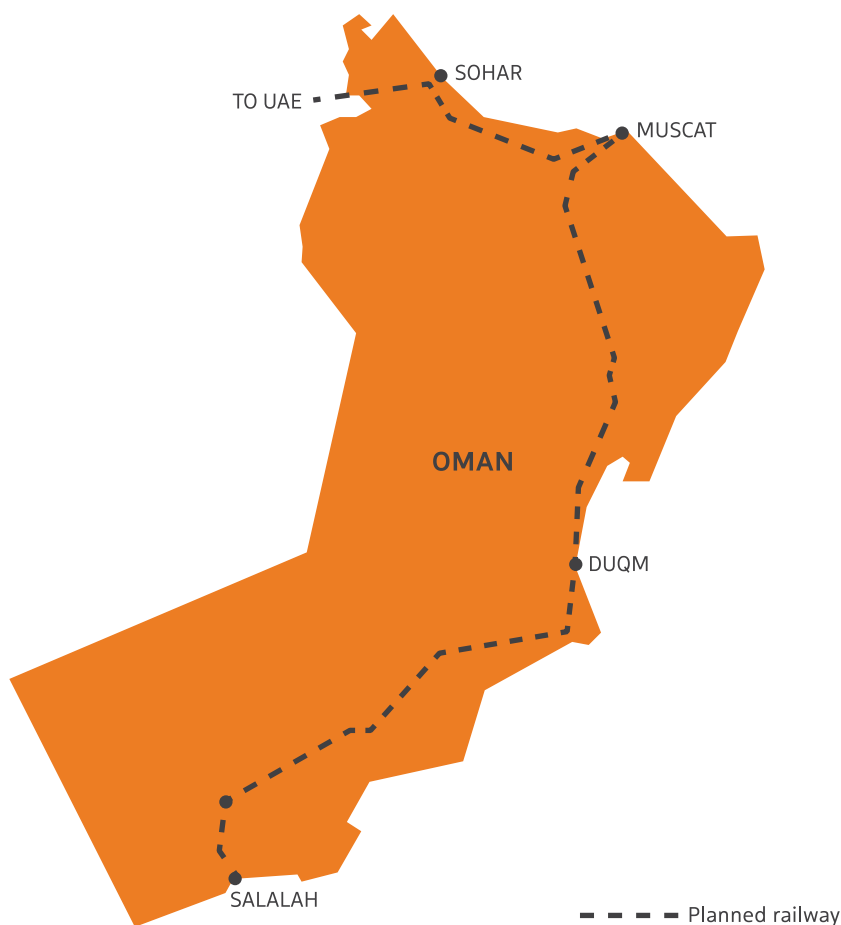
In line with Oman's diversification policy also the fisheries sector is poised for substantial growth. The 21 existing **fishery ports** will be expanded to a total of 31 by the end of 2020, which means ten new fishing ports will be constructed over the next five years. While the construction of four of them – Taqah, Barka, Liwa and Mussannah – is well underway, the other six are still in the design, tender or other stages.

#### RAILWAY DEVELOPMENT

With a total length of around 2244 kilometres Oman aims to construct the second longest railway network of the GCC countries. The projected cost of the first phase is around USD 2.6 billion, and with the full project an expected USD 15 billion Oman's railway plan is one of the most expensive and ambitious infrastructure developments in the country. The railway network and its connections to Oman's key ports in particular will have a considerable effect on the country's future economic growth.



### Oman Planned Railway Network



The Oman Railway Company (ORC) recently announced the pre-qualification tender to provide infrastructure and information technology systems for the initial stage of the railway network. The start of construction of the first phase, consisting of 1061 kilometres, which connects Sohar to the UAE border, Muscat to both Sohar and Duqm, and Sinaw to Ibra, started end of 2014 and should be operational in 2018. Italian state railway company Italferr is awarded a USD 35 million two-year contract to provide the preliminary design engineering services.

ORC is currently evaluating contractors and inviting the private sector to provide input about investment strategies and how to take advantage of the available opportunities. The Ministry of Transport & Communication is in the phase of engaging investors and conducting international benchmarking. Since rail development in Oman, and in the whole GCC, is built from scratch it encompasses a broad range of investment and business opportunities for both local and global contractors.

Once operational the railway will initially use diesel trains, carrying freight with a speed of 80-120 km/hour and passengers up to 200 km/hour. The system will be made ready for a shift from diesel engines to electric driven trains within about 10 years' time. The main reason for this is saving costs in the initial stages of development when no revenues are coming in yet. Later on the shift is opportune for environmental reasons and electric driven trains have more power, which is needed on Oman's rough terrain. Both freight and passenger rail tracks will be developed next to one another. Passenger transport will be developed as a social project, goods transport as an economic viable one.

### 2.1.3 Major Players and Companies

**National Ferry Company** (NFC, established in 2008) is the marine transportation company, now in a process of building up the infrastructure for high-speed ferry operations between Muscat and a few other ports in the north. Linking different ports in the south via high-speed ferry operations is also a future possibility. NFC is undertaking a feasibility study on an international route linking Oman with Iran.

**Oman Railway Company** (ORC) is state-owned and falls under the Ministry of Transport & Communication (MoTC).

**Sohar Industrial Port Company**, a government owned joint stock company, provides operation and management of seaport; offers maritime traffic control services; provides sea-port cargo handling services; marine contracting including dredging and land reclamation.

**Salalah Port Services Company** is a publicly listed joint stock company, which provides operation and management of a seaport; provides other sea port services including general cargo and container terminals

**Ministry of Transport & Communication** is a government entity, that provides supervision of transport sector including ports, maritime and civil aviation; supervises the communications sector in Oman.

### 2.1.4 Market Access / Foreign Investment

An important item when awarding contracts is localization and 'in-country value' (ICV) generation. In this context the Ministry of Transport & Communications encourages companies to start up manufacturing facilities in the country. Some figures show that establishing a local presence seems an excellent business opportunity: the railway project will need an approximate of 10 million concrete sleepers (to be laid), 20 million elastic pads, 2.25 million metres of pipes, 35 tunnels, 45 viaducts, 39 bridges and 98 pedestrian crossings. In addition 46 stations and 8 marshalling yards will be developed across the country and an estimated 23 million cubic meters of ballast will be needed for the railway network. During the pre-construction, construction, operational and maintenance phases of the project contracts will be tendered in the following categories:

Civil Works
Electromechanical
Rolling Stock
Health & Safety Environments
Various (HR, training and recruitment, infrastructure maintenance, etc.)

### 2.1.5 Legislation (Tenders, Certification)

Oman has a good reputation of encouraging and facilitating private companies in public projects, in the utilities sector in particular. The process of tendering in Oman is a competitive one, and most of the larger projects attract a wide range of international companies, who often join forces with a local company to bid for a tender. Due to limited capacity at the tender board the process can take a long time. Low barriers to prequalification mean that each tender receives a lot of bids. Allowing poorly qualified companies to enter the tender process enables them to drag down the contract prices. For all tenders and for information on tender law: [www.tenderboard.gov.om/eng/](http://www.tenderboard.gov.om/eng/).

### 2.1.6 Market Trends

Rapid urbanization and population growth have transformed the size and structure of the labour force. The economy confronts relatively high levels of unemployment, especially among young Omanis; despite the Ministry of Manpower's efforts on the Omanization strategy. The majority of Omanis are still employed in the public sector. Those in private employment are concentrated in specific economic sectors and occupations.

Since 1970, the government has given high priority to education in order to develop a domestic work force, which the government considers a vital factor in the country's economic and social progress. Around 200 scholarships are awarded each year to finance study abroad programs.

Oman has existed as a distinct nation and much is owed to the Omani cultural reservation. It is unique in the sense that it offers a model of peaceful coexistence with its religious moderation and tolerance in the region. Further, Oman does relatively well on gender equality. It supports women's rights and addresses discrimination against women in education, the workforce, and politics.

Omani culture does not have a caste system, but it does operate in a hierarchy based on family connections (tribal ties), relative wealth, and religious education.

With Oman's steady growth of 10 per cent and 20 per cent year on year, its urban expansion is also growing. About 50 per cent of the population lives in Muscat and the Batinah coastal plain northwest of the capital. Muscat International Airport expansion is expected to cater a capacity of 12 million in 2016, the Ministry of Tourism is actively courting the cruise market with niche port facilities in Khasab, Salalah and Muscat. Oman has joined Abu Dhabi and Dubai to create Cruise Arabia; a multi-country initiative to promote the destination to the cruise sector.



## 2.2 UNITED ARAB EMIRATES

The United Arab Emirates (UAE) consists of seven emirates, namely Abu Dhabi, Dubai, Sharjah, Ras al Khaimah, Fujairah, Umm Al Quwain and Ajman. Since its founding in 1971 the UAE has undergone an impressive transformation towards a modern state, which is characterized by a high standard of living and with the cities of Abu Dhabi and Dubai as major economic players. The country has an open economy and a high per capita income.

### 2.2.1 Main Strategic Government Agenda

The government has set a target for the gross domestic product (GDP) contribution of non-oil sectors to rise to above 60 per cent by 2030. Transportation and logistics are highlighted as key strategic industry sectors to be developed.

The UAE is one of the most active rail markets in the Middle East and North Africa (MENA) region, with metro and light rail lines planned, and extensive mainline freight and passenger network being developed.

It is no surprise that the UAE is also investing heavily in its maritime infrastructure since the country is well positioned to take advantage of a significant shift in worldwide trade patterns. As western purchasing power has fallen, Asian economies increasingly target the emerging markets of Africa and the Middle East. Meanwhile, China and India's growth are creating a demand surge for African commodities.

### 2.2.2 Opportunities, Investments and Developments

#### RAIL DEVELOPMENT

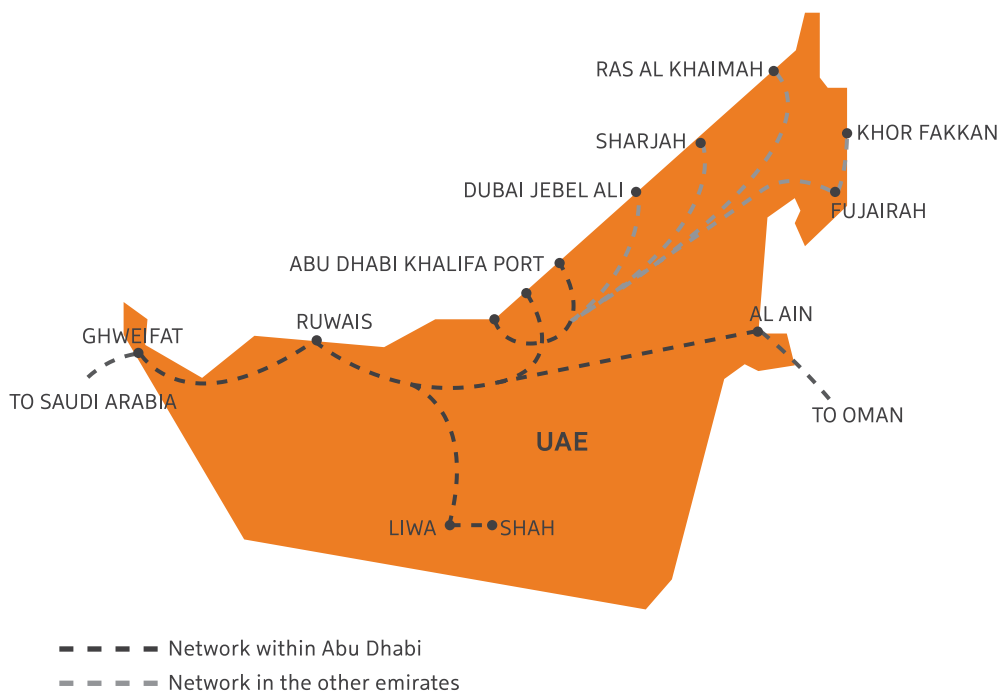
**Etihad Rail (ER)** is developing a 1200 kilometres new freight and passenger rail network, which is intended to form a central element in the country's diversification efforts and the modernization of the UAE's goods distribution system, linking its ports, urban areas, sources of raw materials and industry. The railway will start on the border with Saudi Arabia, at Ghweifat, and run along the coast to the outskirts of Abu Dhabi city. From there, a branch line will run south to Al Ain and on to Oman. The main line will continue along the coast towards Dubai, passing close to Khalifa Port and Jebel Ali Port. It will continue into Sharjah and divide again, with one line serving Ras al Khaimah and Port Saqr, the other crossing the mountains into Fujairah.

ER is well ahead of schedule and meeting its objectives. The Abu Dhabi National Oil Company (ADNOC) is ER's first customer and transports sulphur from Shah and Habshan to Ruwais in the western region. Because the railway network will have to effectively integrate with the ports and industrial zones some of the key stakeholders are the Abu Dhabi Ports Company, Dubai Ports and ZonesCorp. A memorandum of understanding is signed between DP World and Etihad Rail for the development of an intermodal rail terminal in Jebel Ali Port.

#### Quick Facts

Main Company	Etihad Rail (ER)
Costs	USD 11 billion (for the core national mixed traffic network)
Delivery	Multiple phases with the first commercial service started in 2013.
Length	Estimated 1200 km. The network will connect the different Emirates and will link the UAE to Saudi Arabia via Ghweifat in the west and Oman via Al Ain in the east.
Goods	Passengers, bulk freight (quarry products, steel, cement, etc.) and containers for general freight.
Energy	Diesel traction with the option to electrify.
Specifications	Double track, designed for mixed traffic, equipped with an in-cab European signalling system (ETCS level 2), standard gauge and built to accommodate twin stack containers.

### UAE Planned Railway Network



The planned railway network will be constructed in three phases, mainly consisting of double tracks and involving 300 structures and 10 tunnels. It will feature speeds of 120 km/hour for freight transportation and up to 200 km/hour for passenger traffic.

**Phase 1:** 265 km for transporting sulphur from its sources in Shah and Habshan to its point of export in Ruwais. Operational in 2015.

**Phase 2:** The Abu Dhabi network and connection to Dubai. The next priority is connecting the railway to the Gulf ports (Khalifa and Jebel Ali), Dubai World Central, which will house the site of the World Expo 2020, and the Saudi and Omani borders. Preliminary Engineering is complete, tendering process is in progress.

**Phase 3:** Rest of the network; Northern Emirates. Etihad Rail is working closely with the different Emirates involved to define and safeguard the route, Preliminary Engineering is well underway. Phase 2 and 3 are scheduled to be operational by the end of 2018.

### Dubai Metro Network

The combination of a rapidly growing population and severe traffic congestion necessitated the building of an urban rail system to provide additional public transportation capacity, relieve motor traffic, and provide infrastructure for additional development. Dubai became the first GCC state to have a metro system when the Red line was officially opened on 9 September 2009.

The Dubai Metro is a driverless, fully automated metro rail network. The Red Line and Green Line are operational, with three further lines planned (Purple, Blue and Gold). It is the main way of transport in Dubai. The first two lines run underground in the city centre and on elevated viaducts elsewhere.



The Roads and Transport Authority's master plan includes the construction of 421 kilometres of metro lines and a total of 197 stations up to 2030 to cater to the expected above 4.1 million population of the city. Expansions include connections to the Maktoum International Airport and the site of World Expo 2020.

#### PORT DEVELOPMENT

The most notable port developments taking place in the UAE at the moment are the ongoing capacity expansion activities at the Dubai port of Jebel Ali and the Abu Dhabi Khalifa Port. With regards to sea trade the UAE is considered as the GCC's main trading hub, with imports over USD 444 billion. Also looking at the current public expenditure related to port development projects the UAE accounts for almost one third of the total GCC expenditure. Of the GCC total USD 30 billion in executed and not-yet-awarded projects USD 8.6 billion is being spent in the UAE.

The UAE Federal Government has appointed transport and logistics and the two key ports in particular, as a way to diversify the economy away from oil and gas revenues. The Khalifa Port alone is expected to contribute 15 per cent to the non-oil GDP of the country when all development phases are completed and the capacity of the port hits its prospected 15 million TEUs (which is the current capacity of the Jebel Ali port). Additionally, the port and the Khalifa Industrial Zone Abu Dhabi (KIZAD) combined are aiming to create more than 100.000 jobs – demonstrating the ambition of becoming one of the global mega ports.

#### Jebel Ali Port – Dubai

DP World's self-proclaimed flagship facility the Jebel Ali Port keeps on demonstrating high growth rates and will be doing so over the next few years. DP World is anticipating ongoing expansion of the port until 2030. By then, the port is expected to be the world's largest with a capacity to accommodate a throughput of a staggering 56 million TEUs and 150 million tonnes of general cargo per year. The new terminals responsible for this growth will be mainly constructed on man-made offshore islands connected to the existing port.

**Table 3: Ranking in top 50 world container ports**

Rank	Port, Country	Volume (million TEUs)
1	Shanghai, China	33.62
9	Jebel Ali, Dubai, UAE	13.64
11	Rotterdam, Netherlands	11.62
29	Jeddah, Saudi Arabia	4.56
35	Khor Fakkan, Sharjah, UAE	3.8
41	Salalah, Oman	3.34

Source: World Shipping Council (2013)

Note: the fast growing Khalifa Port in Abu Dhabi was not yet in the 2013 ranking, but catches up with the competition quickly. The port handled 1.1 million TEUs in 2014, up 26 per cent on the previous year and has an expected capacity of 15 million TEUs annually by 2030.

With an added 2 million TEUs to the capacity over the last two years, the current capacity of Jebel Ali Port is 15 million TEUs. A third container terminal will soon add another 4 million to the capacity, bringing the total to 19 million TEUs. This exponential increase is mainly driven by the capacity of terminal 3 to handle very large ships carrying 18.000 TEUs, ten at the same time. To be able to handle all this cargo fluently, the speed and efficiency of the port have to increase equally. Building capacity and capabilities to handle the cargo are key aspects for the ports future success, and give rise to different business opportunities.

Of the Jebel Ali traffic half is cargo bound for the UAE and half is for transshipment. Even when the Abu Dhabi bound cargo will be loaded off in Khalifa Port, the 50-50 balance will more or less stay the same due to an increasing demand within the UAE.

#### Khalifa Port – Abu Dhabi

The USD 7.2 billion Khalifa Port is one of the GCC's latest port development projects, having started operations in 2012. The port, managed by the Abu Dhabi Port Company (ADPC), is growing from a current annual capacity of 2.5 million TUEs and 12 million tons of general cargo, mainly serving Abu Dhabi (95 per cent of the handled cargo). The cargo throughput

is expected to rise in coming years, with 20 per cent of the cargo being transhipped to the upper Gulf Region and India by 2015. The port has the intention to be among the world's leading seaports. Combined the port and the KIZAD, built on man-made islands (constructed by Dutch company Boskalis) just outside Abu Dhabi, will cover two thirds of the size of Singapore. The developments around the Khalifa Port are a key element of Abu Dhabi's Vision 2030.

Port Khalifa is the first fully automated dockyard in the Middle East and North Africa region. The six Super Post Panamex cranes, which are the largest ship to shore cranes in the world, have a lifting height of 44 meters and weight capacity of 110 tonnes.

The industrial area connected to the Khalifa Port, KIZAD, is a free zone with very low operating costs. The cost of electricity is an eighth of the costs in Europe, which is the reason that for example Emirates Aluminium (EMAL) moved to KIZAD. The production of aluminium requires a large amount of electricity.

#### **Khor Fakkan Port & Sharjah Container Terminal**

Besides the mega projects going on at the Jebel Ali Port and the Khalifa Port, Sharjah's Khor Fakkan Port just outside the Strait of Hormuz is taking advantage of its strategic location by increasing its focus as a transshipment port – taking on the competition with its southern Omani neighbour the Port of Sohar. Gulftainer, managing the Khor Fakkan Port, is planning to increase the current container capacity from 5 to 7 million TEUs. Construction started in 2014, the expansion is expected to finish within 18 months. Gulftainer is also planning to increase the container capacity at the Sharjah Container Terminal from the current 350,000 TEUs up to 750,000 TEUs.



### 2.2.3 Major Players and Companies

The main transport authority in the UAE is the **National Transport Authority**, founded in 2009 at the federal level. The individual states of the UAE have relative independence and therefore all have different transport authorities:

Abu Dhabi: Department of Transport (DOT)

Dubai: Roads & Transport Authority

Sharjah (Public) Transport (Corporation)

Ras al Khaimah: under the Ministry of Public Works

Ajman: Traffic Department

Fujairah: Traffic Department

**Abu Dhabi Ports Company** (ADPC) is a master developer of ports and industrial zones. The objective of ADPC is to act as an enabler for development and trade and facilitate its contribution to the diversification of the national economy. [www.adpc.ae](http://www.adpc.ae)

**Abu Dhabi Terminals** (ADT) manages and operates the four leading ports in Abu Dhabi: Khalifa Port; Mina Zayed, the former gateway for cargo in the emirate; Freeport, which caters for smaller vessels, tugs and barges; and Musaffah Port, located in the heart of the industrial area. [www.adterminals.ae](http://www.adterminals.ae)

**DP World**, UAE Region, is the largest marine terminal and port operator in the Middle East, providing market access to 2 billion people across the wider region. The UAE portfolio includes Jebel Ali Port, Mina Rashid Cruise Terminal and Coastal Berth, and Fujairah Container Terminal. The company was founded in 2005 by merging Dubai Ports Authority and Dubai Ports International. [www.dpworld.ae](http://www.dpworld.ae)

**Gulftainer** is a global port terminal operator with its head office in the UAE. The company operates three container terminals on behalf of the Sharjah Port Authority: Khor Fakkan Container Terminal, Sharjah Container Terminal and Sharjah Inland Container Depot.

### 2.2.4 Market Access / Foreign Investment

The UAE's liberal climate towards foreign cooperation, investment and modernisation has prompted extensive diplomatic and commercial relations with other countries. It plays a significant role in OPEC and the UN, and is one of the founding members of the Gulf Cooperation Council (GCC).

Opportunities to do business in the UAE are not withheld by global economic difficulties or regional instabilities in the Middle East and North Africa and the economy proves to be resilient. The country's currency, the dirham, being pegged to the dollar, is secure and freely convertible.

The favourable geographic location of the UAE is strategic and accessible for major regional markets, it is often seen as a gateway to other GCC countries.

### 2.2.5 Legislation (Tenders, Certification)

There are various ways to market your product or service in the UAE. With the appropriate import licenses one can sell directly to local clients. This is recommended for single supplies or to test the quality of a potential agent. When the exporting company has gained confidence in the market or when the company has found the right local trading partner appointing a local agent is recommended. To cooperate with government related entities it is often required to have local presence in the form of an established office or agency. An agent is also required for prequalification with NOC, even if a company physically sells to an EPC.

Contracts in the public sphere are awarded through tenders. To register, one has to be pre-qualified and be represented by a local agent or project sponsor. The quality of the local agent is therefore of crucial importance.

In a joint venture, the foreign party cannot have more than a 49 per cent share in the company. However, a law is drafted to make this possible. In so-called free zones, 100 per cent foreign ownership is already a possibility.

### 2.2.6 Market Trends

The transport and logistics sectors continue to aid the UAE's economic diversification strategy and this contribution is set to rise significantly due to a vast number of major projects in the pipeline for the coming years as Dubai prepares to cater for the World Expo 2020.

A report released by consulting firm Frost & Sullivan pegged the value of the local logistics market in 2013 at USD 23 billion. This represented 6 per cent of the country's gross domestic product (GDP) for the year. The UAE logistics market is poised to increase further, with the industry projected to reach USD 27 billion at a growth rate of 15.4 per cent by 2015.

## 2.3 KINGDOM OF SAUDI ARABIA

The Kingdom of Saudi Arabia (KSA) is the largest Arab nation in the Middle East Asia. The country is bordered by Jordan to the north, Iraq to the northeast, Kuwait, Qatar, Bahrain and the UAE to the east, Oman to the southeast and Yemen to the south. The Arabian Gulf lies to the northeast and the Red Sea to the west. The country has a population of approximately 28 million and covers an area of more than 2 million square kilometres. Saudi Arabia has an oil and gas-based economy with strong government controls over serious economic activities. It possesses more than 20 per cent of the world's proven oil and gas reserves, ranks as the largest exporting country of oil and gas, and plays a leading role in the Organisation of the Petroleum Exporting Countries (OPEC). The government is encouraging private sector growth, especially in power generation, telecommunications, agriculture, natural gas exploration, and petrochemicals. Similar to other GCC countries, it aims to stimulate new sectors to diversify the economy away from oil and gas revenues, and to increase employment opportunities for the rapidly growing Saudi population.

### 2.3.1. Main Strategic Government Agenda

Although the country has a well-established public private partnership (PPP) market, with a number of contracts having been executed under this model – especially independent power and water projects (IWPPs) – a growing number of infrastructure projects has courted government favour. In response to difficulties in accessing credit, the government has stepped in and announced that it will meet the funding requirements for some of the mega-infrastructure projects being developed in the kingdom. The message appears to be that money is no object and that these projects are too important to fail. The Ras Al-Khair (used to be called Ras Al Zour) IWPP and the Saudi Landbridge are the most pertinent examples, while the Haramain High Speed Rail Project (HHR) has also secured government support.

For its rail network Saudi Arabia has wide-ranging expansion plans to connect the east and west coasts and provide freight and passenger services into the far north of the country. There are also high-speed passenger services planned for the route between Mecca and Medina, as well as metro networks in Riyadh, Jeddah and Mecca. Saudi Arabia's population growth has averaged 2.4 per cent every year over the past five years, making public transport networks essential to alleviate congestion.

Saudi Arabia is also working to expand its port network, as the country vies with other Gulf States to market itself as a gateway to Middle Eastern markets.

### 2.3.2 Opportunities, Investments, Developments,

#### RAIL DEVELOPMENT

Traditionally, Saudi Arabia has the only significant rail network in the GCC, with two major railway lines currently in operation. A core 570km line, opened in 1951, operates between Riyadh and Dammam, with a second and more direct line linking Riyadh and Hofuf opened in 1985.



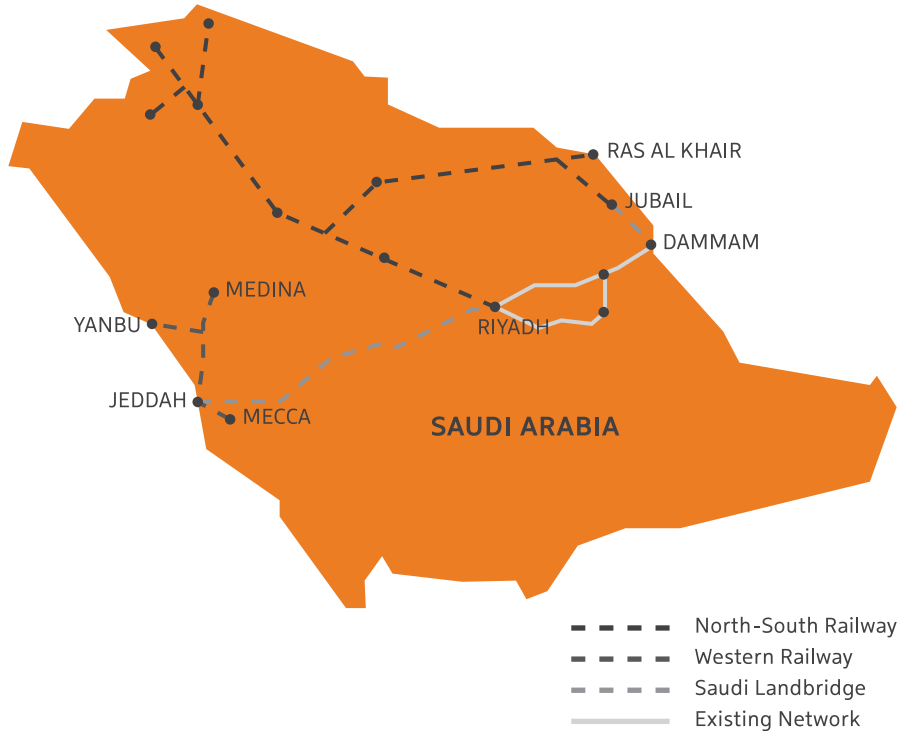
The development strategy for the railway expansion program considers 19 individual railway lines, with a total length of approximately 9,900 kilometres. These lines are at various development levels and shall be implemented in the following three stages:

**First Level Projects** (high priority): development stage 1, from 2010–2025, approximate length: 5,500 km.

**Second Level Projects** (medium priority): development stage 2, from 2026–2033, approximate length: 3,000 km.

**Third Level Projects** (minor priority): development stage 3, from 2034–2040, approximate length: 1,400 km.

#### Saudi Arabia Railway Extension Program



The first stage of development of the railway expansion program contains the following projects:

The double line upgrade of the **existing Saudi Railway lines** between Dammam and Riyadh.

The **North-South Mineral Line** between the northern regions, Ras Al Khair/Jubail and the capital Riyadh is mainly constructed to link mineral reserves and cities and towns with a total population of up to 10 million, roughly a third of the kingdom's total population. The project is well underway to be completed in 2015. Due to its strategic importance in contributing to the national economy, the North-South Railway has been given priority over other projects. It is an integral part of the planned phosphate and bauxite mining projects in the northern region of the country, which are available in commercial quantities and can be exported from the processing facilities at Ras al Khair on the Gulf coast. This will make Saudi Arabia the second largest exporter of minerals in the world. The project is expected to transport four million tons of commodities and two million passengers every year. The Saudi Railway Company (SAR) is looking for national and 'world-class' international companies to take responsibility for train operations, infrastructure management and rolling stock maintenance.

The north-south **Saudi Railway Landbridge**, a construction of around 1200 kilometres of railway linking the port of Jeddah at the Red Sea to Riyadh, where it will connect with the existing Saudi Railways Organization line to Dammam on the Gulf coast to provide a through route across the country. The Landbridge will be able to move large quantities of cargo over



long distances and also passengers from one side of the country to the other. SAR and its project management consultants Fluor Corp and Parsons Brinckerhoff are currently developing the contracting strategy and work package structure, which is expected to take 84 months from the start of the contract period to the end of the 12-month defects liability period. SAR will appoint an operating partner shortly, following the evaluation of bids from international consortia. Rather than outsource operations through the award of a long-term operating concession for the network, where commercial operations are already underway on the first phase, SAR is seeking to appoint a partner to assist with the development of domestic rail industry skills and provide SAR with the capability of running the network after around five years. A consortium comprising UBS Investment Bank, The National Commercial Bank and SNCF International has been selected to provide financial and technical advisory services for the Saudi Landbridge.

The **Haramain High Speed Railway** (HHR), or the Western Railway, connecting Mecca, Jeddah and Medina via a high-speed electrified passenger line, is primarily designed for fast, comfortable passenger transport. Even though the project has been delayed a lot, recent progress has resulted in a completion of 75 per cent of the overall project. Initially expected to be operational in 2012, the high-speed trains are now scheduled to start carrying passengers by the end of 2015. As soon as the construction work of the final 165 kilometres up to Medina is finished the electrification of the total 450 kilometres of high-speed rail can be completed.

Construction of connections to the proposed **GCC - railway network**, with lines between Batha at the UAE border, Hofuf and Jubail, Ras Al Khair, the Kuwait border, as well as to Qatar and Bahrain. Connections to the bordering countries and the GCC railway network are scheduled to be operational in 2018.

#### **Riyadh Metro**

Saudi Arabia has awarded three foreign-led consortium contracts (including the Dutch Strukton Civiel Projecten) worth of USD 22.5 billion to build a metro system in Riyadh, said to be the world's largest. The metro project includes six rail lines totalling 176 km and operating driverless electric trains. When operational in 2019, it will aim to reduce traffic congestion and boost productivity in the capital. The project was initially intended to be developed in phases, but due to its urgency, the authorities decided the six lines should be built at once on a fast-track basis.

#### **Monorail**

In Saudi Arabia there are a number of monorail projects planned or nearing completion. The longest of them has been built on the new campus of the Princess Noura bint Abdulrahman University for Women in Riyadh. The people mover is being used to transport students across the campus and began operations in 2011. The 11km network has 17 stations and links key faculty buildings around the campus.

#### **PORT DEVELOPMENT**

One of the six appointed Economic Cities is the King Abdullah Economic City, which has as main economic driver the **King Abdullah Port**. Being officially opened at the beginning of 2014 the port is designed to become one of the top 10 world ports, once completed handling 20 million TEUs and covering an area of 15 million square meters. This area is developed by the Saudi Binladin Group and the Emaar Economic City Company.

An MoU has been signed between the National Shipping Company of Saudi Arabia (Bahri), Saudi Aramco and Singapore's Sembcorp Marine to conduct a feasibility study for a maritime yard project in Saudi Arabia. A decision on whether to go ahead with the development, which will provide engineering, manufacturing and repair services to rigs platforms, commercial vessels and offshore service vessels, will be made in the coming year. So far details on the exact location within Saudi Arabia or on the estimated value of the project have not been released.

Port development (Ras al Kheer, Jeddah and others) is high on the agenda. Lievens Arabia, and Dutch dredgers are fully involved. There are good opportunities for the Ports of Rotterdam and Amsterdam to collaborate in these developments.

### 2.3.3 Major Players and Companies

**Saudi Railway Company (SAR)**, a commercial corporation, was created to maintain and operate the North-South Railway line through a contract-based operator.

**Saudi Railways Organization (SRO)** is a state-owned company that operates Saudi Arabia's rail network.

**Saudi Ports Authority** is a government agency that supervises the ports of Saudi Arabia. It was founded in 1976 as an independent agency of the Prime Minister's office, to bring together the governance and operations of the multiple ports of the country to one office.

**National Shipping Company of Saudi Arabia (Bahri)** was established in 1979 and is one of the largest providers of maritime services in the Middle East. Bahri owns and operates a fleet of seventeen crude carriers, 23 chemical carriers and 4 roll-on roll-off ships.

**Saudi Arabian Oil Company (Saudi Aramco)** produces, manufactures, markets and ships crude oil, natural gas and petroleum products to meet the global demand and is a heavy user of the Saudi ports.

### 2.3.4 Market Access / Foreign Investments

Given the high quality of Dutch manufacturing products, these are generally accepted on the Saudi market as long as they comply with health, safety and religious standards. A local Saudi partner can usually provide more specific information about requirements.

### 2.3.5 Legislation (Tenders, Certification)

Foreign investors interested in doing business in Saudi Arabia will need a local partner who can do business on their behalf, or have to form a partnership with a Saudi company in which they can be a (minority) shareholder.

Doing business in Saudi Arabia requires an extensive local network and preferably also a presence in Saudi Arabia itself.

### 2.3.6 Market Trends

Because of the large amount of logistics and infrastructural projects being developed at the same time, the region faces a resource squeeze, which is driving up costs and threatening the viability of some schemes. There are not enough people with the right skills available to deliver the projects, including contractors, systems and rolling stock.



## 3

## OPPORTUNITIES FOR DUTCH BUSINESSES

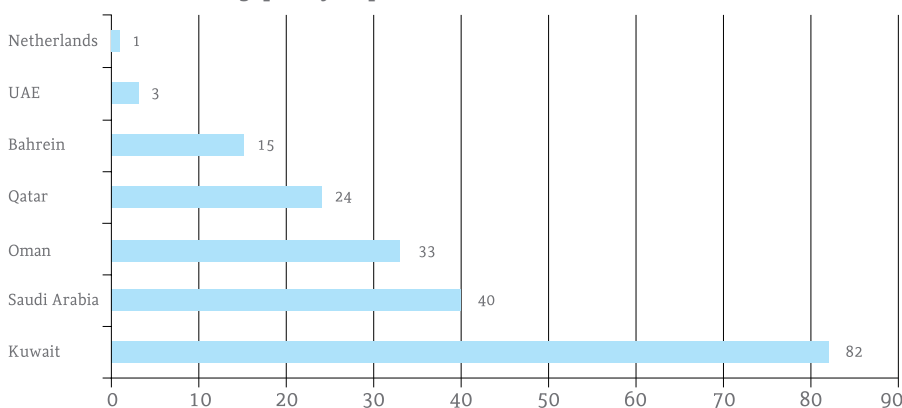
## 3.1 Opportunities for Dutch businesses

The magnitude and multi-modal scope of the transport investment initiatives in the Gulf Region are creating huge project opportunities for developers, contractors, transport facility operators and their related industries.

There are plenty of opportunities for Dutch companies in the fast growing Middle Eastern logistics sector. The Dutch added value in the highly competitive infrastructure sector with a strong presence from Asia and impressive local players is to be found in high-tech and innovative solutions and subcontractors, including smart design.

The Netherlands is home to the largest port in Europe (the Port of Rotterdam). There is valuable knowledge and expertise in handling large amounts of freight and also in developing, constructing and operating a port commercially. The Netherlands has a lot to offer for the maritime industry in the Gulf Region.

**Table 4: World ranking quality of port infrastructure**



Source: *The Global Competitiveness Report 2014-2015*

The increase in seaport development will result in transport related support. Several Dutch companies are already involved in the Gulf Region (Damen, Royal HaskoningDHV, Jan Snel, Van der Leegte). This can be used as leverage to assist other companies in the Dutch sector (Holland Maritime Equipment) and expertise (TNO, TUDelft).

Moreover, Lievense Arabia, and Dutch dredgers are involved in port development in the region. There are good opportunities for the Ports of Rotterdam and Amsterdam to collaborate in these developments.

In the fishery sector fleet development and harbour management and development continue to offer opportunities to Dutch companies.

The relatively young population of many countries in the Gulf Region, paired with the often still insufficient attention for technical vocational education, provide for opportunities in transferring knowledge and skills as a part of doing business.

Increasing private investment should provide opportunities for foreign contractors to increase their involvement in the GCC region.

Local customers often prefer to work with companies or institutions that have a base in the Gulf states for easy accessibility and back up support and service. Access to the right contacts, prompt delivery and availability of the product in the market and competitive prices are important factors.

### 3.2 Support by the Dutch government

The Netherlands Economic Network in the Gulf Region offers a number of products and services that can help you prepare and establish your business. These services focus on providing market information, identifying potential partners and advising you in setting up a business in the GCC.

#### *Trade requests*

Do you have a trade request about doing business in the GCC? The Embassies and Consulate General are more than happy to assist you. Besides offering concrete answers to your questions relating exporting and investing abroad, we can also assist you in efforts to discover potential market opportunities.

#### *Business partner scan and matchmaking*

A business partner scan gives you an overview of potential business partners in your target market. These partners can be agents or distributors, but also manufacturing partners. The network looks for parties that meet your specified criteria and are interested to work with you. Further information on: [www.rvo.nl/onderwerpen/hoi/netwerkpartners-zoeken/internationale-zakenpartners/zakenpartnersscan](http://www.rvo.nl/onderwerpen/hoi/netwerkpartners-zoeken/internationale-zakenpartners/zakenpartnersscan) (in Dutch).

#### *Company check*

The Embassies and Consulate General can run a company check at the request of Dutch companies about a potential business partner. The check verifies if the company is legally registered with a local authority.

#### *Trade missions and delegations*

Trade missions, delegations and joint submissions for exhibitions are organised from the Netherlands to the Gulf Region. In the Gulf several trade fairs take place that can be of great interest to Dutch businesses. The Embassies and the Consulate General can provide you with the right information, advise you in participating and help you to meet potential local partners.

#### *Trade disputes*

Trade disputes range from differences in interpretation of contracts and agreements, to liability for breach of local regulations and requirements. The Embassies and the Consulate General can provide a list of local attorneys who may be able to assist you in the process.

#### *Other services*

- Access to the broad network of the Embassies and the Consulate General
- Introduction to contacts at different levels
- Advice on lawyers and accountants
- Advice on the Orange Carpet visa procedure
- Holland promotion

#### *Support tools*

The Embassies and Consulate General work closely together with organisations and ministries in the Netherlands. For example with RVO, which has several tools to support Dutch companies with ambitions to take their business abroad, both starting and seasoned entrepreneurs.

## 4

## USEFUL LINKS AND EVENTS

## USEFUL LINKS

Rijksdiens voor Ondernemend Nederland (RVO) – [www.rvo.nl](http://www.rvo.nl)  
 Riyadh tenders - [www.riyadhtenders.com](http://www.riyadhtenders.com)  
 Emirates tenders - [www.emiratestenders.com](http://www.emiratestenders.com)

## TRADE FAIRS AND EXHIBITIONS

**The HIVE** – Operational Readiness and Airport Transfer Conference (ORAT) is hosted by the Oman Airports Management Company (OAMC) brings together regional and global authorities, consulting firms and airport management companies. (Oman, [hive.omanairports.co.om](http://hive.omanairports.co.om))

**GCC Supply Chain & Logistics Conference** is organized by the Ministry of Transport and Communications, and highlights emerging opportunities in Oman's world-class ports, airports and free zones and its important role in the Gulf Region and Indian Ocean rim in terms of trade flow. (Oman, [alnimrexpo.com/gccscl/](http://alnimrexpo.com/gccscl/))

**Gulf Traffic** is positioned as the region's largest international exhibition and meeting place for buyers and sellers tasked with developing the region's traffic and transport infrastructure systems. (Dubai, UAE, [www.gulftraffic.com](http://www.gulftraffic.com)).

**Middle East Rail** is the region's largest rail exhibition and conference for railway development strategy and technology, for government, operators and contractors, to source solutions in building the Middle East rail network. (Dubai, UAE, [www.terrapinn.com/exhibition/middle-east-rail/index.stm](http://www.terrapinn.com/exhibition/middle-east-rail/index.stm)).

**NATRANS Arabia**, is a highly focused technology event welcoming government representatives from across the Arab Union who are responsible for all aspects of national and regional transport infrastructure planning, development, maintenance, preservation and future system upgrades for multi billion dollar road, rail and maritime projects. (Abu Dhabi, UAE, [www.natrans-arabia.com](http://www.natrans-arabia.com))

**TOC Middle East**, is a global exhibition and conference for ports, terminals, shipping lines, and shippers. The exhibition is a showcase for port and terminal technology and operations. The conference focuses on collaboration within the container supply chain. (Dubai, UAE, [www.tocevents-me.com](http://www.tocevents-me.com))

**Materials Handling Middle East** is a biannual exhibition for materials handling and logistics innovations. It is the region's only for this industry. (Dubai, UAE, [www.materialshandlingme.com](http://www.materialshandlingme.com))

**The Big 5**, International Building & Construction Show, is the largest construction exhibition in the Middle East. It serves as a networking platform for construction product suppliers and buyers. (Dubai, UAE, [www.thebig5.ae](http://www.thebig5.ae))

**Saudi Rail & Logitrans** is a transport, logistics and freight exhibition and conference, for decision makers in the government and private sectors, industries, suppliers, importers and specialised services for designing, building and implementing mega projects in the Saudi public transportation sector. (Riyadh, Saudi Arabia, [www.saudilogitrans.com](http://www.saudilogitrans.com))

**Saudi Transtec** Transport & Logistics Exhibition and Conference provides the transport, logistics, materials handling and warehousing sectors in the GCC region with a platform to exhibit their products and services, share industry developments and network with industry leaders and peers. (Dammam, Saudi Arabia, [www.sauditranstec.com](http://www.sauditranstec.com))

**Saudi Build** is an international construction technology and building materials exhibition that provides contractors, real estate developers and building owners with a full range of building solutions. (Riyadh, Saudi Arabia, [www.saudibuild-expo.com](http://www.saudibuild-expo.com))



## NETHERLANDS ECONOMIC NETWORK IN THE GULF REGION

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### **Consulate General of the Kingdom of the Netherlands in Dubai**

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### **NFIA Dubai**

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W. www.nfia-gulfregion.com

### **Embassy of the Kingdom of the Netherlands in Kuwait**

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W. kuwait.nlembassy.org

### **Embassy of the Kingdom of the Netherlands in Muscat**

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Muscat, Oman  
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W. oman.nlembassy.org

### **Embassy of the Kingdom of the Netherlands in Doha**

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### **Embassy of the Kingdom of the Netherlands in Riyadh**

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