

Business Update Infrastructure and Construction in the Gulf and Beyond

Elizabeth Gordon, Trade Commissioner
Abu Dhabi
June 2011

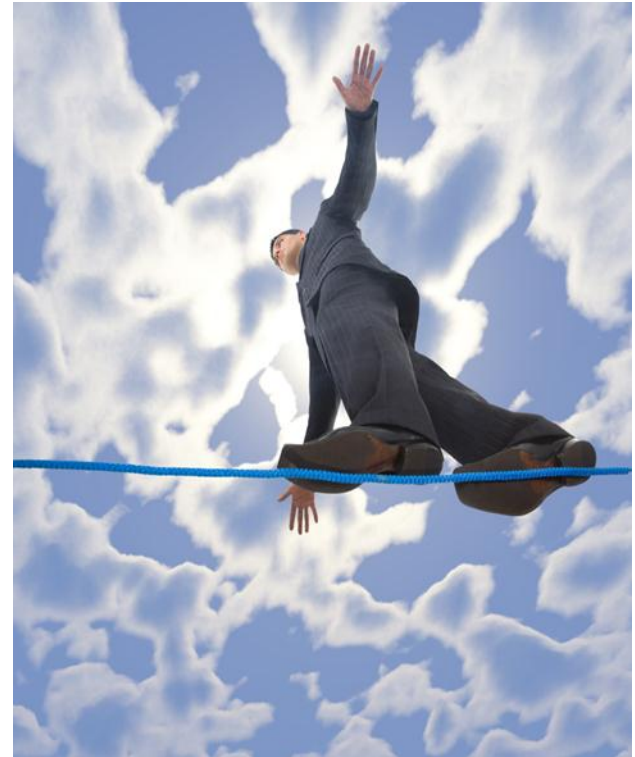


Australian Government
Australian Trade Commission



Agenda

- Australia/MENA trade relationship
- Key Points and Trends
- Opportunity markets
- Achieving Success



Australia/MENA trade relationship

Country	Total Exports (CY 2010) \$Am	Construc Merch Exports (CY 2010) \$Am	Construc Serv Exports*
UAE	2147	98	?
KSA	1564	31	?
Kuwait	510	14	?
Oman	477	3	?
Qatar	287	4	?
Bahrain	175	5	?
Total GCC	5160	155	?
Other 14 MENA	Approx 1500	12m	?

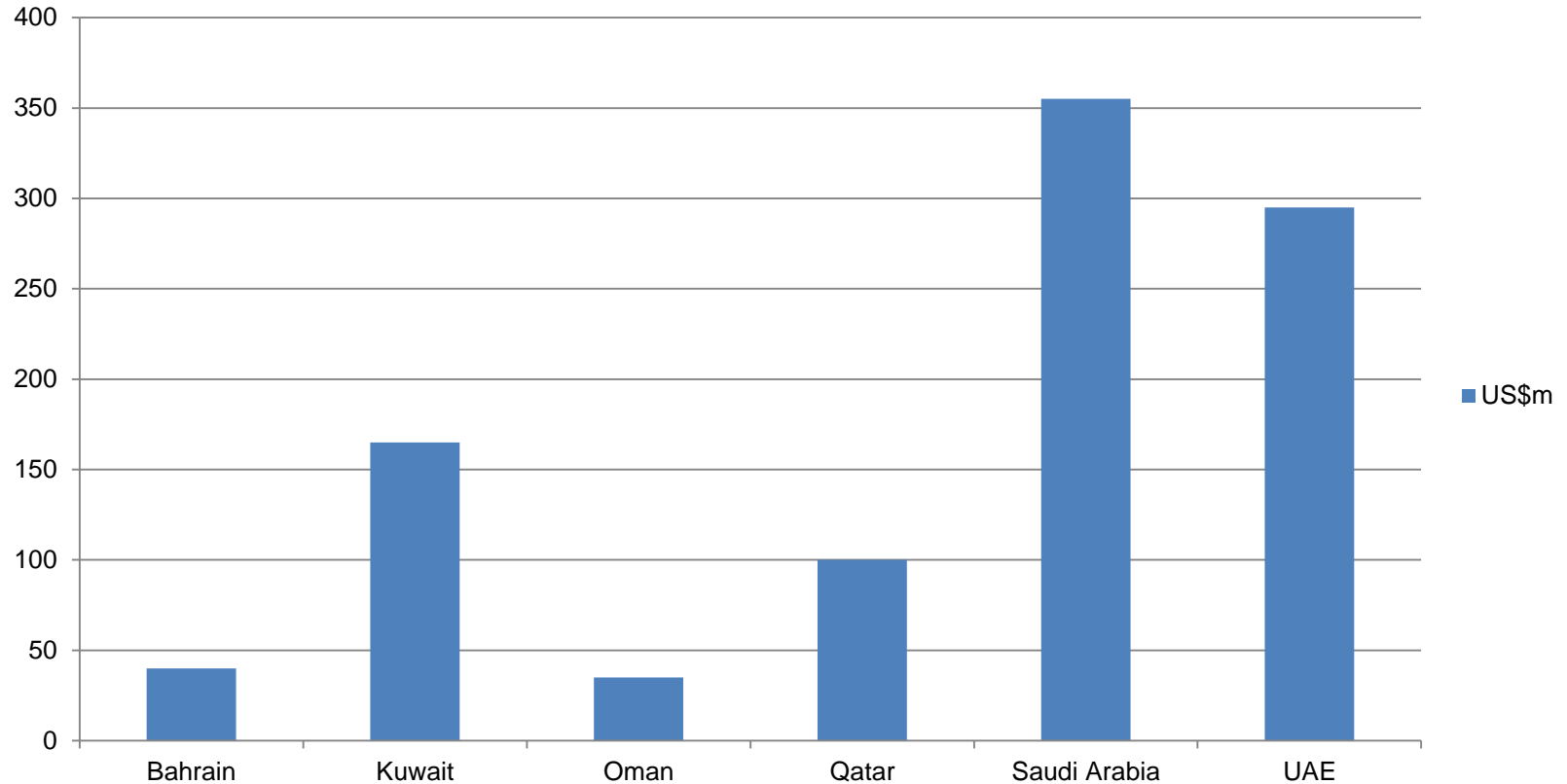
*Australian Construction Services Exports (world) = \$1.6bn (2008/2009)

Key Points & Trends

- Perception - Middle East and North Africa in turmoil, whole region tarred with same brush
- Reality - 'Arab Spring' severe in some countries and negligible in others. The Gulf remains fairly stable
- Pipeline of active, un-awarded projects over US\$1tn
- The construction sector growth set to grow at 6% to 2020 (PWC), faster in some markets
- Surge in projects in Saudi Arabia and Qatar
- UAE focus moved to Abu Dhabi & Infrastructure (off property)
- Australians moving into Qatar and Saudi Arabia
- Green building awareness on rise – enforcement still varied

Opportunity Markets: Gulf Projects

Value of active, un-awarded projects in Gulf Region



Source: MEED Projects

Opportunity Markets

- Tier 1: Gulf Markets of Saudi Arabia, Qatar, UAE
- Tier 2: Oman – re-positioning within Ministries, delays
- Tier 2: Kuwait – history of being slow to implement projects
- Tier 3: Bahrain – serious popular unrest, wait and see

- Industry drivers unchanged:
 - High population growth rates
 - Underinvestment in infrastructure
 - Substantial oil and gas revenues & favourable oil price
 - Stable government
 - High propensity to import

Saudi Arabia

- Large indigenous and rapidly growing population
- Underinvested in infrastructure to date
 - Allocated US\$385bn in last budget from 2010 to 2014
- Now largest projects market (ahead of UAE)
 - \$350bn planned but un-awarded
- Construction growth forecast 5.6% pa to 2020 (PWC)
- Spending focus: power and water generation, transport and housing

Saudi Arabia

- Power - US\$80bn to be spent by 2018
- Water - US\$53.3bn to be spent on water to 2025
 - Desalination and power usually built together under PPP
 - Nuclear program in planning
- Rail – US\$25bn, 3,900km of passenger and freight rail
 - 2,500km – North South Railway (\$5.6bn)
 - 950km Saudi-Landbridge Project (\$7bn)
 - 450km Haramain High-Speed Rail (for 1.9 m religious tourists pa)
 - Localised rail projects in major cities, ie Jeddah (\$5bn +)
- Airports - \$US2bn on 34 projects
 - Additional \$7bn on doubling capacity at Jeddah's airport

Saudi Arabia – rail projects

The Railway Expansion Program

Railway Expansion Program will add 3,600 km of track to the existing network ...



... connecting all major cities in the Kingdom



High Opportunity Market: Saudi Arabia

Laing O'Rourke / North South Rail Project, Al Jouf



1. Single Track with provision for dual track



2. Camel overpass

Saudi Arabia

- Housing
 - Vast shortages and fastest growing sector
 - 9% growth forecast per annum
 - 1m new homes required by 2014
 - Additional housing funding post unrest of around US\$80bn
 - Pending mortgage reform could unleash potential further
 - Regional developers positioning themselves
 - Current focus on affordable housing
- Social Infrastructure
 - schools, universities, hospitals also in the planning
- Religious tourism
 - Hajj brings 2.1m people to Mecca and surrounding cities each year

Saudi Arabia



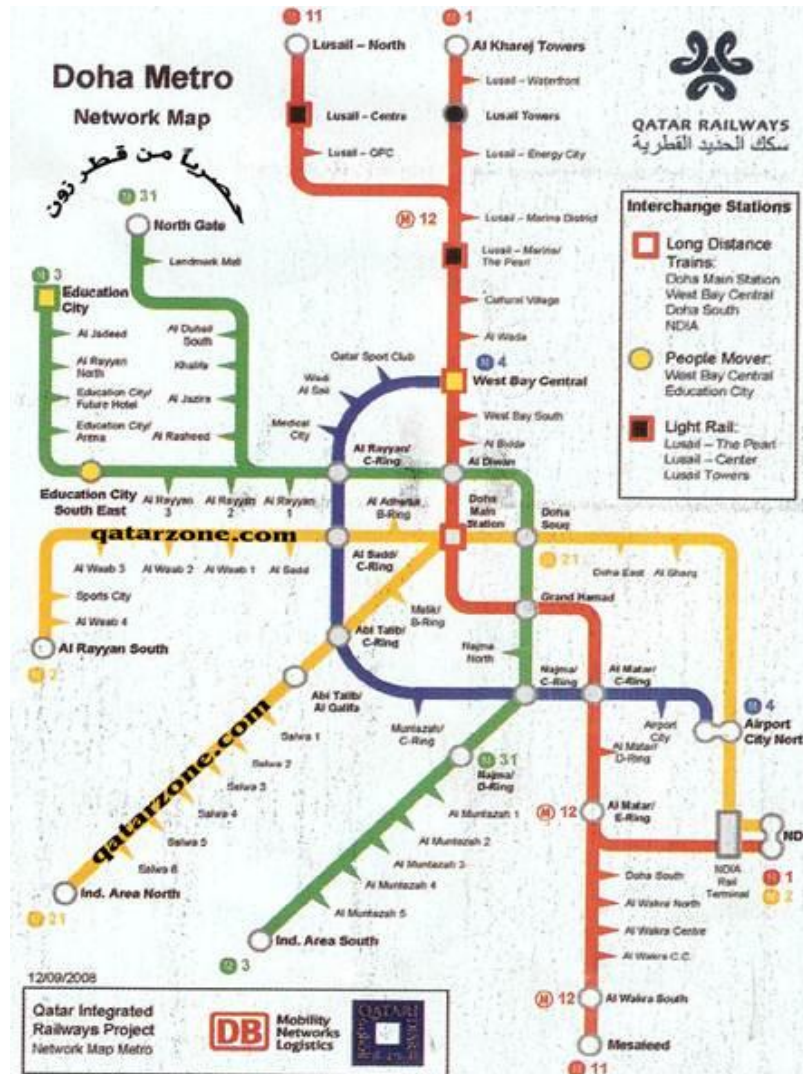
Construction in Mecca – hotels, railways for religious tourists

Qatar

- Small country (1.7m), wealthy and aspirational
- Existing development plans assured by FIFA win
- Construction growth of **12.5%** pa expected to 2020 (PWC)
- US\$100-\$140bn will be spent in lead-up to the World Cup
- Three existing stadiums will be renovated, nine new built (\$US4bn)
- Accommodation
 - 40,000-65,000 more hotel rooms needed. (200 – 300 hotels)
 - Creative solutions required as this is not sustainable after games
- Extensive water and roads projects being bid at present
- More than \$25bn to be spent on rail
 - 300km Doha metro, four lines and 98 stations
 - a 100km high-speed link to Saudi Arabia
 - 325km of freight rail lines which will form part of the GCC railway; and a 180km high-speed rail line to Bahrain (part of the stalled Qatar-Bahrain Causeway)
- New \$7bn Doha Port, New Doha International Airport

Qatar

300km Doha metro,
four lines and 98
stations

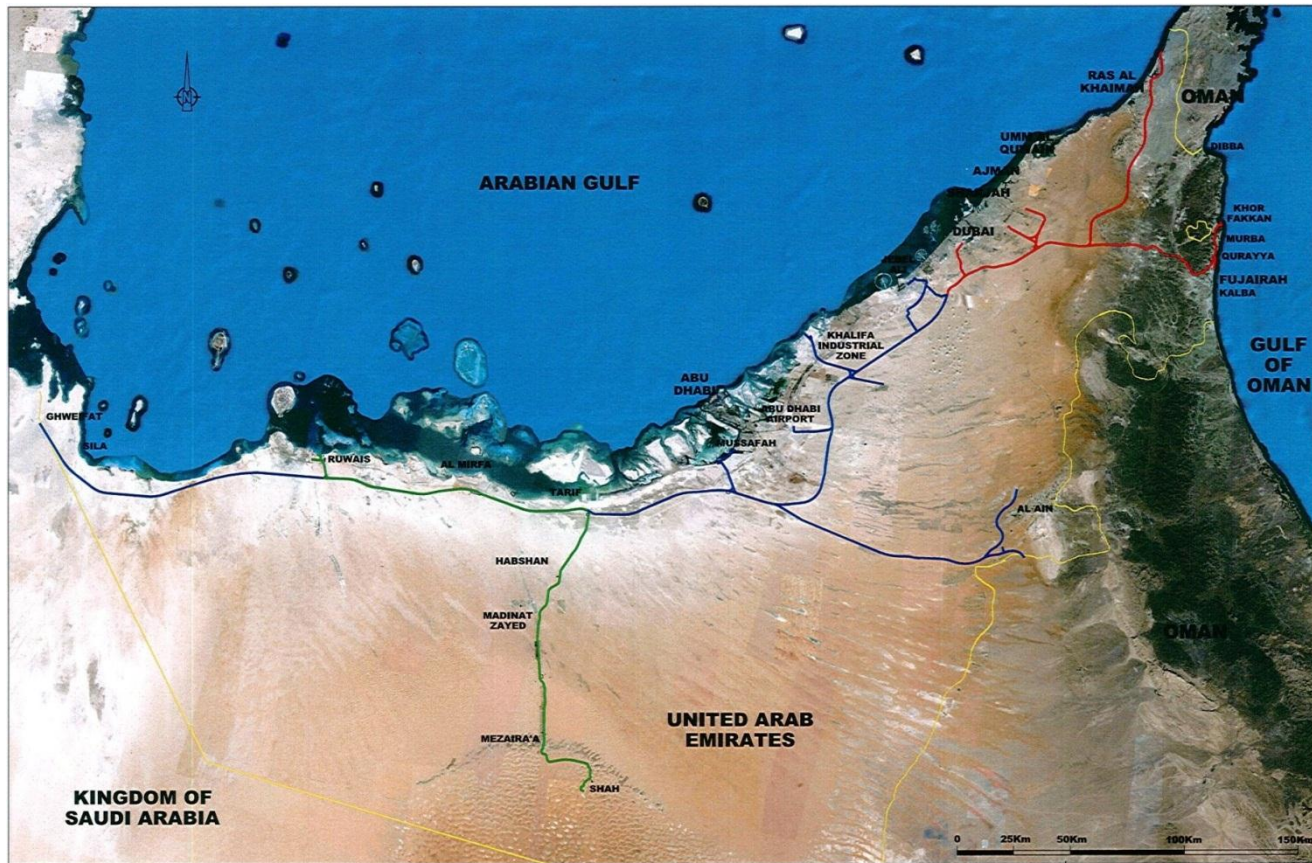


UAE

- The second largest regional project market (Saudi now ahead)
- Growth driven out of Abu Dhabi by 2030 plan
- Shift away from private development to infrastructure
 - UAE is expected to be spend US\$272bn on infrastructure in next 5 years, or 66% of GCC total
- Transport Infrastructure a key area
 - Rail - UAE component of GCC railway 1500km of line (\$11bn) – Bids for Stage 1 just closed, Stage 2 exp. early 2012
 - Rail - Light rail and metro will come on-stream (probably 2012)
 - Roads – UAE will invest US\$17bn or 44% of GCC total on roads
 - Roads – \$1.24bn Parallel Roads project AD to Dubai tendering now
- Airports
 - Al Maktoum International at DWC – 160m passengers & 12m tonnes cargo. Stage two est. tender date July 2012
 - Abu Dhabi Midfield Terminal Building bids invited now – 27-30m passengers per year

UAE – Freight Rail Route Map (Stage 1, 2, 3)

Stage 2: Construction tender due out 2012, opportunities vast and varied
-Wagons, signalling, systems, safety products, maintenance solutions, logistics management. Need to pre-qualify on <http://www.etihadrail.ae/>



GCC Railway

Greenfield freight railways planned to link all GCC countries
Est completion date 2017
Estimated value US\$60bn



MENA Rail Delegation, May 2011



Industry Forum in Abu Dhabi, 17 May 2011

UAE

- Power
 - Nuclear (opportunity relating to associated infrastructure)
 - Coal fired power stations mooted for Ajjman and Ras Al Khaimah
 - Several Independent Power and Water Projects (IWPPs) in Abu Dhabi and Dubai
- Housing
 - Emirati housing – 13,000 villas to be built for Abu Dhabi locals
 - Al Ain, Ruwais and around new oil and gas fields areas for development
 - Emerging need is for affordable housing
- Commercial, cultural and leisure
 - Iconic projects such as the Louvre on Saadiyat Island
 - Hotels are a bright spot with around 20,000 rooms due to come online in the next two years

UAE

Austrade Infrastructure delegation to Emirates Nuclear Energy Authority in October 2010



Project to build four nuclear reactors in Ruwais in Abu Dhabi for completion 2017 (KEPCO \$US20bn). Associated civil infrastructure an opportunity for Australia

UAE



- Building practices changing slowly
- Steel frame housing in Abu Dhabi
- Stair-forms also used

Green Building mandated (Estidama)

- Understanding very low
- Extensive marketing by Australian companies with green products is required



Other markets

- Tier 2: Oman & Kuwait

Opportunities across the spectrum - in ports, airports, roads, rail and housing

- Oman – new Ministry positions bedding down, possible delays
- Kuwait – history of big announcements but slow delivery

- Bahrain

- More heavily affected by unrest
- Slowly, slowly approach recommended

Achieving success

- Cultural Factors
 - Privacy at all costs – information poor, lack of transparency
 - Status consciousness – everyone seems important
 - Centralised decision-making – know influencers and decision-makers
 - High maintenance customers – need to know everything and need to trust you, need you to respond
 - **Relationships are everything. All this takes time.**
- Local presence or representation probably necessary
 - Agent or distributor for products or services
 - Partner for establishing a company
 - 100% foreign owned company possible, but may not be in your best interest in the medium term

Success factors

- Partners: Search early and choose carefully
 - End users are important, but you probably need a partner too
 - Marriage ‘for life’
 - Not a one-size fits all environment
 - Beware the ‘find a Sheikh’ mentality

- UAE as a hub
 - The UAE is very tolerant, comfortable and families love it
 - Is it workable given relationship-based nature of region?
 - Possibly if you are a product supplier, selling to private developers, sub-consulting to other consultants.
 - Possibly not if your target-market is government

Summary

- The Arab spring hasn't affected all countries equally
- Saudi Arabia is now the region's largest market
- Qatar is a small country with a lot of money, incentive to spend and a deadline for spending (2022)
- UAE (Abu Dhabi) second largest market, but highly competitive. Limited housing development. A hub?
- Relationships and often partners crucial to success
- Take care in partner choice
- Austrade active and helpful in the region
 - Briefings
 - End-user or potential partner matching
 - Networking and trade delegations

Contact us

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