With every sign that strong oil prices and revenues will continue for years to come, the boom in Saudi Arabia is just beginning. Petrodollars are flowing into the Gulf Kingdom faster than they can be spent, giving the world’s largest oil producer the confidence to plan for the future on an ambitious scale.

Under its new ruler, King Abdullah bin Abdul Aziz, Saudi Arabia is looking determinedly towards the future and its vision is a bold one.

Bolstered by oil wealth and increasing foreign investment, it has set in motion a process of development aimed at doubling the rate of economic growth and ensuring the long-term prosperity of its citizens.

Over the coming years, a series of mega projects will boost oil production and transform the Kingdom into a regional leader for finance, transport and tourism.

New ports, airports and railway networks will strengthen links with neighbouring countries and beyond, and rapid expansion of information technology will revolutionise business and the everyday lives of ordinary Saudis.

The groundwork has been laid through liberalisation, privatisation and moves to make the Kingdom investor-friendly. The economy is opening up and the private sector is being encouraged to play the lead role in national development. The Kingdom’s accession to the World Trade Organisation signals a clear commitment to the global economy and opens the way to diversification and growth.

Young people make up the majority of a population that is increasing rapidly, setting major challenges for the Saudi Authorities in terms of employment, homes, education and healthcare.

As the land of the Two Holy Mosques, Saudi Arabia is at the heart of Islam, attracting increasing numbers of Muslim pilgrims every year. Traditional values remain to the fore, but the Kingdom has recognised the need to modernise and engage more fully in business with the wider world. The creation of a 21st century economy is under way.
A NEW ERA OF VISIONARY EXPANSION

Oil revenues are facilitating several mega projects with a combined value of one trillion riyals

The £14 billion King Abdullah Economic City in Rabigh, less than an hour from the holy cities of Makkah and Madinah.

The largest economy in the Middle East, Saudi Arabia is thinking big when it comes to planning for the future. Huge investment schemes already underway or planned for the next few years have been valued at more than one trillion Saudi riyals (£150 billion), according to the Samba Financial Group.

New landmarks will be created across the Kingdom as a series of mega projects get underway. Futuristic skyscrapers will appear as whole new cities are built, creating new economic hubs with billions of square feet of space for commercial and industrial use, integrated transport infrastructure and new residential areas.

The oil and gas sector alone will see around SR259 billion (£36.5 billion) of investment. Exploration and production are being boosted with the aim of hitting 12.5 billion barrels per day by 2009. Giant new refineries will be constructed to increase the Kingdom’s refining capacity by up to 60 per cent.

Across the economy, investment projects are planned to increase growth; develop new sources of revenue and create jobs. The ongoing eighth five-year development plan targets the establishment of a knowledge-based economy and the expansion of the mining and tourism sectors.

With cash to spare thanks to soaring oil prices, the government will be a major contributor to the cost of realising the mega projects.

Saudi Arabia will earn more than SR760 billion (£107 billion) this year, mostly from oil exports, according to a mid-year report on the economy by the Samba Financial Group. That represents a 25 per cent increase on last year and will provide the Kingdom with its eighth surplus in a row—a record SR250 billion (£35 billion) – placing the authorities in an enviable position for boosting spending on new schemes.

However, it is the private sector that is expected to play the leading role in investment in the country’s development.

Major new multi-sector projects are springing up across the Kingdom, fuelled by a £35 billion revenue surplus.

In Ha’il in the northwest, the Prince Abdul Aziz bin Mousaed Economic City will centre on the development of a comprehensive transportation and logistics hub. The $8 billion (£4.2 billion) project will include an international airport, a railway station, and dry ports and operation centres capable of handling more than 1.5 million tons of cargo a year.

A third centre, named Knowledge Economic City, will be built at Madinah. Dedicated to knowledge-based industries, it will include a technology zone, an advanced IT studies institute, a campus for medical research and life sciences, a retail zone and a business district.

Major new projects are also being initiated in Jubail in Eastern Province, where Jubail Industrial City II was recently launched. And in the capital city, Riyadh, the proposed King Abdullah Financial Centre – another mega project – is intended to become a hub for the Kingdom’s financial institutions.

Underpinning this drive for growth will be a significant upgrade and expansion of Saudi Arabia’s transport infrastructure. Improvements at airports and ports will cater not only for increased exports and transhipment but also for the rising numbers of pilgrims visiting the holy cities of Makkah and Madinah.

Most notably, the Saudi Landbridge project will connect the various parts of the Kingdom by rail, linking the Red Sea coast on the western side of the country with the Gulf on the eastern side.

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SAUDI ARABIA 30TH SEPTEMBER 2006
IT sector set for upsurge

Liberalised products and services and a government initiative to equip homes and schools drives IT industry

Laptops are big sellers in Saudi Arabia, where the young and affluent population is embracing information technology with growing enthusiasm. The market for IT products is seeing an unprecedented surge in demand with individual consumers and businesses eager to get their hands on the latest products.

The Kingdom has become the fastest-growing market for computer and software in the Gulf region, accounting for 40 per cent of total sales worth approximately $5 billion (£2.6 billion).

Between 2002 and 2005, the internet penetration rate in Saudi Arabia rose from 4.7 per cent to 10.1 per cent, one of the highest in the Arab world. Over the same period, the number of internet service providers increased from 18 to 23.

Saudi companies such as oil producer Saudi Aramco, Saudi Basic Industries Corporation, Saudi Telecom, Saudi Arabian Airlines and the banks use state-of-the-art technologies, while more than 80 per cent of industrial firms employ computer systems.

The trend is set to continue in the next few years, with use of the internet and e-commerce forecast to see a dramatic increase. The high level of interest was in evidence at the Gitex trade fair, the largest IT exhibition in Saudi Arabia, which was sold out well in advance of its opening at the Riyadh Exhibition Centre in April.

Contrary to what might be expected in such a deeply traditional and religious society, internet use is actively encouraged by the Saudi authorities, although access is blocked to sites whose content the authorities consider offensive or contrary to the principles of Islam.

The government has made it a national objective to build a strong and competitive information and communications technology (ICT) sector, which it sees as making a vital contribution to the Kingdom’s economic development. Telecommunications has been opened up to foreign investment and competition, and the growth rate for mobile phone users is significantly higher than in other Arab nations.

According to the Saudi Arabian Investment Authority, $10.6 billion (£5.6 billion) will be invested in the IT sector over the next 19 years. The Communications and Information Technology Commission has been given the task of improving and developing the sector in coordination with other agencies.

A long-term National IT Plan has been drawn up to establish a Saudi IT industry and to make e-government, e-commerce and remote access to health and education services part of everyday life.

An e-government initiative known as Yesser, meaning “simplify”, will ensure that by 2010 all Saudis have user-friendly electronic access to world-class government services 24 hours a day from anywhere in the Kingdom, and even from outside the country.

In addition to providing improved and easy-to-use facilities for business and the Saudi public, the objective is to raise the productivity and efficiency of the public sector.

A home computing scheme is aimed at boosting internet penetration, computer manufacturing e-commerce and teleworking, creating job opportunities for thousands of young men and women.

One million computers will be provided to Saudi households before 2008, while in a separate initiative thousands of schools are being equipped with computers under Crown Prince Abdullah’s Wattani Project.

Last month, the government announced plans to establish the Kingdom’s first IT park in Riyadh. Designed to promote the local IT industry, the complex will be located close to King Saud University and King Abdul Aziz City of Science and Technology.

Earlier in the year it was announced that the Kingdom’s first integrated technology zone is to be established in the Eastern Province. The Dammam Technology Zone will cluster high-tech industries and knowledge-based enterprises specialising in energy environment, advanced petrochemicals and new materials.

A technology zone and an advanced IT studies institute will also be included in the new Knowledge Economic City in Madinah.
The transport sector is vital to the kingdom’s economy. A vast network of railways and roads connects the thirteen provinces, and airport access is being constantly expanded.

**INTERVIEW**

*Jobarah Al-Susaieri, Minister of Transport*

> Spending on transport and communication services has been increased by 33 per cent this year, to a total of SR1.5 billion (£1.6 billion). The government has allocated SR9.2 billion (£1.2 billion) for new projects to develop roads, ports, airports and railways.

**How important is the role of the transport sector?**

The transport sector plays a vital role in the Kingdom’s socio-economic development. This is why, despite the large size of our country, all cities and villages are connected by highways, roads or agricultural roads. Today, our network has more than 50,000 kilometres (31,000 miles) of roads, and there are 16,000 being built. Our goal is to connect through highways not only the thirteen provinces, but all of our neighbouring countries as well.

The ports are also very important. Saudi Arabia has eight commercial and industrial ports along its 1,500 kilometres (930 miles) of shore on the Red Sea and its 600 kilometres (370 miles) on the Gulf. We consider the Ministry of Transport one of the most important, as other ministries depend on us to reach their objectives. The Ministry of Agriculture needs roads connecting production areas with the markets in order to develop the sector, and the same applies to industry or tourism to name but a few. We consider ourselves a pillar of the economy and we execute our plans accordingly.

**What part does the ministry play in projects like the expansion of the railway network?**

Our role is to oversee and coordinate all these projects from the very beginning. We launch the ideas, we promote them, we look for investors and, finally, we make sure that everything is implemented in the right way. Once the railway project is finished, Saudi Arabia will be connected not only to Jordan, Syria and Turkey but to the entire European network as well.

**Once the railway project is finished, how will the ports be used?**

Jeddah Islamic Port is one of the pillars of the Saudi economy. More than 65 per cent of our imports come in through the port and now, with the Landbridge rail project being built, it will become even more important. It will boost the distribution of products, not only to Riyadh or the Eastern Province, but also to the Gulf countries.

**What are the most recent initiatives of the national bus service, Saptco?**

One of their recent achievements is the implementation of an intelligent monitoring system, whereby they know at all times the position, the speed and the driver of each bus. Their entire fleet will be covered by the end of this year, and we at the ministry are asking all companies to do the same. We have big plans regarding intelligent transportation. They are also focused on improving urban public transportation, increasing the number of buses operating and selecting the new ones carefully, so they serve the public better.

**How is Saudi Arabia benefiting from accession to the WTO?**

Saudi Arabia has always been an open economy. Our leaders have never imposed restrictive or protective measures, and, consequently, we have drawn great benefits. Competition with international markets has raised the quality of Saudi products and boosted exports.

We are a major player in terms of international trade, so I think the accession is positive for Saudi Arabia, for the WTO and for the rest of the world. The international trading system is under constant evolution, and it is very important to adapt to the times. Saudi Arabia has proven to be extremely successful at this.

**What part does the ministry play in expanding the airports?**

Now airport capacity can only reach 20 million passengers a year. The ministry is working on a new terminal to increase this capacity. It is currently under construction and will be ready in five years. We hope to reach 80 million passengers a year.

**What are the most recent initiatives at the airports?**

A new terminal is scheduled for completion in five years’ time as part of a three-phase development plan. Last phases will increase the airport’s capacity to 80 million passengers a year. In Madinah itself, Prince Muhammad Airport is being raised to international status. The airport is being upgraded to receive more than one million passengers annually, including pilgrims. Its change in status increases the number of international airports in the Kingdom to four. Pilgrims are also being provided for at Yanbu, where a SR1.90 million (£27 million) airport is expected to give a boost to the city’s industrial and commercial development. Covering an area of 8,500 spare kilometres, it will include runways capable of receiving large aircraft, departure and arrival lounges, cargo facilities, a power station and a mosque.

Jeddah airport currently handles nearly twice its capacity.
Privatisation spurs a buoyant sector

Shipping traffic in the kingdom is increasing dramatically, representing 90% of total import and export trade.

With the Red Sea on one side of Saudi Arabia and the Gulf on the other, ports play a vital role in the commercial life of the Kingdom, accounting for more than 90 per cent of export and import trade.

According to the Saudi Ports Authority (SPA), the total amount of cargo other than crude oil handled in Saudi Ports during 2005 reached more than 132 million tons, an increase of more than 10 per cent over the previous year. Containertised cargo shipments increased by over 17 per cent.

Saudi Arabia's principal port at Jeddah handled almost 40 million tons of cargo, an increase of 18 per cent. Volumes at other commercial ports rose by around 20 per cent, while the industrial ports of Yanbu and Jubail handled more than 70 million tons of exported petrochemicals and industrial products.

A notable success for the Kingdom in recent years has been the sharp increase in transshipment volumes. Transshipment to ports overseas, especially in the Middle East-Africa region, is a highly profitable business that the SPA is keen to develop, and last year's 26-42 per cent increase in containers handled shows that its efforts are paying off. Modern facilities and machinery have been installed, handling more volume and storage fees halved or suspended, procedures speeded up and efficiency increased. Jeddah Islamic Port is the main transshipment hub because of its size, operational capacity and strategic location on the Red Sea at the confluence of major international shipping routes connecting the Eastern and Western hemispheres. The port has 58 quays and can accommodate the largest container vessels. Officials say the streamlining of operations has reduced the waiting period to zero.

Dahheel Saad Al Nagem, Managing Director of the Gulf Stevedoring Contracting Company, says that the rise in volume at Jeddah's north container terminal — an increase from 150,000 tons in 2000 to 1.25 million tons last year — mainly comes from transshipment business.

“We have improved efficiency tremendously and the SPA and customers have worked really hard together in easing up the procedures, especially for transshipment. People are looking at Jeddah now as one of the possible hotspots within the Red Sea and the Mediterranean. When the liners use Jeddah and find that it offers them the possibility of outting more volume, they will come again.”

The SPA completed a process of privatising all port operations in the year 2000, and contracts with the private sector include a commitment to modernise and increase equipment. As a result, investment has poured into the ports and a number of development projects are under way. Capacity at Jeddah Islamic Port will be increased by 45 per cent with the construction of a third container terminal. The $1.66 billion (£233 million) handling and storage facility will be built over three years on 400,000 square metres of reclaimed land alongside the re-export zone. It will have the capacity to accommodate 1.5 million teu containers annually. A private firm, Saudi Commercial and Export Development Company (Tusdeer), has signed an agreement with the SPA to develop and operate the terminal on a build-operate-transfer basis.

A major development project is also under way at King Abdul Aziz Port in Dammam, on the Gulf which is second among the commercial ports in volume. A SR300 million (£42 million) scheme to improve and expand operations at the terminal is scheduled for completion by 2007, increasing capacity from 800,000 teu containers to 2 million teu. This involves dredging the basin and approach channel to accommodate bigger ships and the provision of new gantry cranes.

At Yanbu on the Red Sea, a floating dock is being constructed for shipbuilding and maintenance. The project is due to start operations from 2008.

What impact do you think the new container terminal will have?

The new terminal will be built in the free zone area, and this will help the zone to develop. Building a new terminal there will make it a very busy area and we are looking forward to it being more active.
East-West link becomes reality

The Landbridge will revolutionise commerce in the region and reduce transport costs

A long-held vision of connecting landlocked Saudi capital Riyadh with the east and west coasts is well on its way to being fulfilled. Saudi Railways Organization (SRO) has been engineering a comprehensive multi-billion pound rail network expansion programme set to have far-reaching benefits on economic activities and transshipment across the Gulf region.

The Saudi Landbridge project will be the first ever rail link between the Red Sea and the Gulf, connecting Jeddah Islamic Port to the west with Riyadh dry port inland and King Abdul Aziz Port in Dammam on the east coast. The project involves laying 590 miles of new track between Jeddah and Riyadh and upgrading the existing 280-mile Riyadh to Dammam line. An additional 70 miles of track from Dammam will extend the line further to reach Jubail, Saudi Arabia’s main industrial city.

An efficient rail network will increase the sector’s contribution to the economy and have a positive impact on other sectors, such as shipping. Currently, freight traffic from the US or Europe bound for the Arabian Gulf – Kuwait, Dubai, Bahrain or even Dammam itself – needs to circumnavigate the Arabian Peninsula.

President of the SRO Khalid Alyahya says: “The east-west project is of strategic importance for the region. It could result in a Panama Canal effect with considerable savings in time and shipping costs if vessels drop their cargoes bound for the Gulf in Jeddah. The Landbridge will enhance Jeddah Islamic Port’s position as a major hub in the region. Distribution from the port to the rest of the GCC countries will be cheaper and faster, and will attract all types of businesses and products.”

The SRO has offered concessions to the private sector for the construction and operation of the prestigious project via one of the largest build-operate-transfer (BOT) schemes ever undertaken in the region. The bidding process started mid-June with a shortlist of four consortia led by Saudi Binladen Group, Bouygues, Mada Industrial and Commercial Investment Company, and Public Warehouse Company (PWC) all having gained qualification.

Focus now is on the latest major project of the SRO, which will have a significant impact on the social and economic development of the areas around the two holy cities. The Makkah-Madinah Rail Link (MMRL) will create a high-speed, safe, reliable and comfortable transport service for millions of passengers, religious pilgrims and commuters.

The SRO will grant concessions for the construction and operation of the MMRL through a design-build-operate and transfer contract, with state-of-the-art trains running on new tracks connecting Makkah, Jeddah and Madinah.

The new lines will enable passengers to travel the 78 km distance between Jeddah and Makkah within 30 minutes and a 410-km line will connect Jeddah to Madinah in only two and a half hours.

There will be two stations in Jeddah: one at King Abdul Aziz International Airport and the other at the old airport, with the possibility of linking Jeddah and Riyadh together as part of the two-phase project. Additional stations will be built in Makkah, Madinah, Badr and Rabigh, which will also serve the King Abdullah Economic City.

High speed rail links will cut travelling times between Makkah, Madinah and Jeddah.
Eastern Province: an industrial and trade centre

Industrial advances underline the potential of Saudi Arabia’s southern state

These are fast moving times in Eastern Province and a busy schedule awaited King Abdullah in June when he made his first visit as monarch. He was in the province to launch the latest stage of the transformation of the city of Jubail — until as recently as the 1970s a small fishing village, but now well on the way to becoming one of the largest industrial areas in the world.

At the press of a button, the King inaugurated the first phase of the new industrial area, Jubail II, which is expected to generate private sector investment of up to SR300 billion (£43 billion). This was followed by the launch of 20 new petrochemical oil and infrastructure projects worth SR82 billion (£12 billion), mostly joint ventures by Saudi Basic Industries Corporation (Sabic) and international partners.

King Abdullah also inaugurated the expansion of King Fahd Industrial Port and formally commissioned a new petrochemical complex belonging to the Saudi International Petrochemical Company (Sipchem).

Jubail is the location for 50 per cent of the total foreign investment in the Kingdom, but major investment projects are taking shape right across Eastern Province in infrastructure, industry, minerals, oil and natural gas, real estate, services and tourism.

Located alongside the Persian Gulf, the province is the industrial and petrochemical hub of Saudi Arabia, extending over 275,000 square miles — around a third of the Kingdom. Most of the main oil and gas fields are located there, both on and offshore. Saudi Aramco recently signed a deal with Total of France to construct a world-class oil refinery in Jubail at a cost of almost SR22.5 billion (£3.3 billion).

The province has good road and air connections with neighbouring countries and boasts some of the world’s busiest ports. The planned east-west Landbridge railway project will provide a major enhancement to the transport infrastructure by linking Dammam and Jubail and connecting them to the national capital Riyadh and Jeddah on the Red Sea.

Finance is pouring into new industrial projects and the province’s pristine beaches are attracting tourists.

Dammam, the provincial capital and the location of Saudi Arabia’s principal harbour in the Gulf, is one of the Kingdom’s fastest growing industrial cities, opening up new industrial areas to meet demand from investors. Plans have been made to establish Saudi Arabia’s first technology zone in Dammam’s second industrial city, which will be run by the private sector under a build, operate and transfer contract.

In another massive development, the state-owned mining company Maaden is investing SR30 billion (£42 billion) in a mineral industrial complex at Ras Az Zwar on the Gulf. This will include one of the largest diammonium phosphate plants in the world, an aluminium refinery, a smelter, a power plant and a port.

Big investments are planned in power and water. Saudi Oger to build and operate four cogeneration plants in the province, the first large-scale independent power project (IPP) to be undertaken by the private sector. An ambitious development programme has been drawn up by the utility company Marafiq that will see a giant dual-purpose independent water and power plant established in Jubail.

Tourism is another sector with high development potential. The vast stretches of beaches along the Eastern Province’s Gulf coast are only three and a half hours drive from Riyadh. Domestic tourism from other cities in the Kingdom and neighbouring Gulf countries is being targeted.

The tourism sector has great potential

What role does the Chamber play in encouraging investment in the Province?

The Chamber tries to trigger economic activities through many channels. We highlight business opportunities and work with our counterparts in Europe, the United States and Canada, to set up partnerships between our members and business people in these countries.

We provide information for potential investors and host specialised seminars, symposiums and exhibitions. We encourage trade missions to explore all the potentiality of this region, and we send delegations from here to other countries. We are trying to build bridges.

Which sectors would you highlight for investment?

We are talking about industry, tourism and the development of real estate. Eastern Province has a vast amount of empty land that can be developed. We have made a proposal to a major real estate company to develop leisure facilities, shopping malls, commercial installations and tourism activities.

The tourism sector has great potential. We are located only three and a half hours drive away from Riyadh, which is a highly populated area that lacks the geographical advantages we have, like the vast stretch of beaches and proximity to the GCC countries. So we were looking into domestic tourism from other cities in Saudi Arabia and from neighbouring GCC countries.

How has the Chamber reacted to Saudi Arabia joining the WTO?

We started a programme last January, right after the accession to the WTO. We have the economic and information departments at the Chamber studying the protocols and the commitments that the Kingdom has signed, and we feed the private sector with this information.

The competition will be tough, that is for sure, especially in the services sector. But it will help the businesses to become creative and they will have to adjust. Five years from now the Kingdom will be a much stronger competitor. We are encouraging our businesses to be more professional, improve quality and reduce costs.

A record-breaking industrial development

In 1975 the Saudi government designated two undeveloped coastal areas as the sites for two industrial centres. Jubail, then a small fishing village on the Gulf coast and Yanbu’ al Bahr, literally “spring by the sea”, on the Red Sea coast would become the largest engineering and construction project ever attempted, a fact recorded for posterity in the 1983 Guinness Book of Records. The Dilmun civilisation settled on the site of present-day Jubail around the fifth millennium B.C., while Yanbu was a branch of the Mediterranean spice routes 2,500 years ago.

Today, both Jubail and Yanbu are bustling industrial and commercial centres and together the two cities are the industrial flagstone of modern Saudi Arabia. Jubail contributes 70 per cent of the kingdom’s non-petroleum exports while Yanbu is home to Saudi Arabia’s second largest commercial port. A 730-mile pipeline running from east to west transports the kingdom’s vast natural gas resources from Jubail to support projects in Yanbu, and several oil pipelines traverse the desert, supplying the Red Sea export fleet; Jubail also processes and delivers desalinated water to Riyadh, a vital exercise in a country characterised by wide deserts.

The Royal Commission for Jubail and Yanbu has excelled in its mandate to provide world-class industrial infrastructure and a high standard of living for residents. The Jubail residential area lies on an island adjacent to the industrial zone while the picnic zone to the west of Jubail offers leafy scenery, play areas for children and water sports.
Viewed at night, the King Fahd Causeway is a 15-mile blaze of golden light reflected in the calm waters of the Gulf of Bahrain. The spectacular illumination of the four-lane highway linking Saudi Arabia with Bahrain comes from 1,600 fibreglass lighting poles supplied by Shairco, a Saudi-owned company that has – quite literally – lit up the Kingdom. Thousands more of Shairco’s lighting poles adorn the streets and a variety of civil and military installations in Saudi Arabia and other countries in the region.

Since its foundation in 1979, Shairco has grown into one of the biggest manufacturers of fibreglass products in the Middle East, supplying items for a wide variety of uses, from industrial, architectural and institutional, to domestic, marine and automotive.

Check in at an international airport anywhere from Riyadh to Tunis, Amman, Cairo, Khartoum, Kuwait, Doha or Tripoli and you will find yourself standing at one of Shairco’s counters or sitting on one of its seats. The company supplied the ceiling of the Islamic Development Bank headquarters in Jeddah, while for the home it manufactures everything from doors, bathtubs and beds to swimming pools. Its factory in Madinat Yanbu al-Sinayah in western Saudi Arabia is one of the biggest of its kind in the world.

Shairco has been involved in a number of high-profile projects in the field of real estate development, including the prestigious Al-Shair residential complex, which commands a superb view of the Prophet’s Holy Mosque in Madinah.

Major projects to which it is currently contributing include a new airport for the Madinah region, the Madinah-Yanbu and Jeddah-Riyadh railways, a free zone in Yanbu and the Nabaa complex of industrial clusters, also in Yanbu.

High standards have won Shairco products international recognition. The Saudi Arabian Standards Organisation has awarded the company a seal of quality mark and it is one of the few firms to have gained ISO 9001 certification for quality management, covering both design and manufacture.

Talal Al-Shair, Shairco’s founder, Chairman and CEO, also heads Cristal, the largest privately owned chemical company in the Kingdom. Otherwise known as the National Titanium Dioxide Company, Cristal uses rutile ore imported from places such as Australia and Canada to produce TiO2, or titanium dioxide, a pigment used in the manufacture of paints, powder coatings, plastics, textiles, paper and other products.

Based in Jeddah, Cristal is a joint venture owned by three partners: TASNEE, the National Industrialisation Company (66%) and the Gulf Investment Corporation (33%). The sole producer of TiO2 in the Middle East and North Africa, and a leading world supplier, the company has been producing TiO2 at its ultra-modern Yanbu Al-Sinayah plant since 1991.

Cristal has built up a strong market worldwide, exporting to more than 70 countries. Liaison with overseas customers is handled from its offices in the UK and Singapore, and the company also owns three warehouses in Europe and one in Singapore.

In 2002 Cristal raised its annual production capacity from 70,000 tons to 100,000 tons to meet steadily increasing global demand. Since then the market for TiO2 has continued to grow, prompting moves by the company to further expand its Yanbu facility.

“Demand for our products is increasing,” says Dr Al-Shair. “We are going through a second expansion. In 13 years we have quadrupled our capacity to 100,000 tons and now we are in our third expansion to 200,000 tons.”

Recently, the company has been studying a possible joint venture with a to manufacture titanium metal.

Other enterprises that Shairco has developed include companies manufacturing non-woven polypropylene fabrics, toner products, building blocks and other architectural products, a solvent refinery and a precious metals refinery.
The Red Sea has vast economic potential

TALAL AL-SHAIR, Chairman and CEO of Shairco and Cristal

What have been the objectives that have driven you?
During the first decade, my goal was to establish small to medium-sized industrial projects, such as fibreglass production. I focused on creating intensive, technology-based projects and securing my position in the market.

Strategic positioning was the most important factor during the second decade. The Red Sea has vast economic potential, and logistics and shipping costs determine the viability of many projects. We anticipated this situation, which is why we are focusing on Yanbu. The Saudi Arabian Basic Industries Corporation is projecting a huge petrochemical complex there.

In our third decade, we know exactly where we stand and where we want to go. We will continue to be export-oriented, meeting demands, especially in the Middle East.

What is your involvement with the Nabaa project?
Shairco is the main sponsor of Nabaa, an industrial project in Yanbu, which is to be a complex of industrial clusters depending on local feedstock resources in both petrochemicals and minerals. Three years ago we created a development company whose role is to promote and guide investment projects there.

The concept of industrial clustering is well spread around Europe, but is relatively new in the Middle East. Companies will benefit from sharing costs in energy, stock feeding, distribution and services, and investors will have a wide range of opportunities to choose from. They might invest in one project or in a cluster of projects. We will be there to offer already developed platforms of investment and eliminate possible obstacles.

How will membership of the WTO benefit business in Saudi Arabia?
We have been waiting for this for a long time. It will upgrade Saudi products, the system, the approach and the overall quality. It will immediately open a new market for people in the export business, but it will also open mid- and long-term opportunities for those who are not.

Which areas should British investors be looking at?
There are many opportunities for British investors here. One of them is the development of vocational schools, a field in which the UK is very successful.

Another area, of course, is the petrochemical industry, from contracting to engineering and consulting.

Engineering works are becoming more expensive, so the business community in the UK needs to subsidise and support engineering companies to come here and launch their business. The Offset Programme tries to generate business partnerships, but it is not enough. There are many opportunities that would be very beneficial to the UK here, and we also need to know about what the UK has to offer.

Another interesting possibility is taking advantage of the basic industry here and then investing in downstream services in Europe. We are thinking of taking our raw material, the pigment, and personalising the final product near our clients, following their specifications and transforming them into plastics, paper or paint.

State-of-the-art route leads to clean gain

Titanium dioxide pigment (TiO\textsubscript{2}) is a product in high demand worldwide. A white powder offering high opacity, brilliant whiteness and exceptional UV resistance, it is an essential ingredient in the manufacture of paints, inks, plastics and rubber. Other products for which it is used include soaps and toiletries, adhesives, concrete curing compounds, candles and crayons.

The paint industry consumes more than 50 per cent of world TiO\textsubscript{2} production, followed by the plastics and paper industries, which account for 19 per cent and 17 per cent respectively. The largest consumer is the United States, consuming 33 per cent, followed by Europe (24 per cent) and Japan (8 per cent), and substantial growth in demand is expected in developing, densely populated economies such as China and India over the next decade.

The premium quality TiO\textsubscript{2} produced by Cristal is inert, non-toxic and available in a variety of grades enabling it to deliver the colour, tone, strength and protection required by an increasingly diverse global market.

Cristal employs the chloride route state-of-the-art technology that produces TiO\textsubscript{2} of superior whiteness, brightness and tight particle size control. The chloride route also generates lower levels of pollution than the alternative sulphate route.

Environmental responsibility is at the top of Cristal’s agenda. The environmental management system at the Yanbu Al-Simah plant exceeds both national and international regulations. Air emissions have been continuously reduced and a policy of zero discharge into the Red Sea is strictly adhered to.

Affiliation to the American Society for Quality and the UK’s Institute of Quality Assurance reflects the company’s commitment to developing effective quality management strategies throughout all areas of its operation.

The plant’s product application laboratory is fully equipped for testing paints, pigments, plastics, powder coatings and inks. Other facilities include a natural weathering station located in a high-UV marine environment on the Arabian Gulf and equipment for simulating an accelerated weathering process on a variety of products.

Cristal also owns and operates the Arabian Chemical Centre (ACC) in the Western Region of Saudi Arabia, which boasts state-of-the-art membrane technology for the production of chlorine gas, a vital ingredient in the manufacture of pure titanium dioxide. Other products manufactured by ACC include caustic soda, hydrochloric acid and sodium hypochlorite. Cristal is a major shareholder in the Australian company BeMaX Resources NL, the third-largest supplier of Rutiles and Zircon.
Major investments to boost production and refining

Four new, ambitious mega-projects in processing, petrochemicals, mining and manufacturing are set to expand the kingdom’s oil empire

Sitting on the world’s largest oil reserves, Saudi Arabia is undertaking its largest expansion of oil production for a quarter of a century. By pumping SR259 billion (€36.5 billion) into the oil and gas industry, it plans to boost production to 12.5 million barrels per day (bpd) by 2009.

Four mega-projects – Haradh Increment III, Khurais, Shaybah, Nuayym and Abu Hadriya, Fadhili and Khursaniyah – will produce an extra 1.9 million bpd. At the same time, the kingdom is aiming to become a key player in the refining and petrochemicals sectors by building huge new complexes.

Ali Al-Naimi, Minister of Petroleum and Mineral Resources and Chairman of Saudi Aramco, says the kingdom has embarked on an expansion programme of historic proportions. “Mega-projects currently under way include massive oil and gas exploration and production programmes as well as bold initiatives in the refining and petrochemical sectors.”

The minister acknowledges that the continued growth in energy demand will pose challenges over the next 20 years. But he declares that there is plenty of oil left in Saudi Arabia and that the kingdom is committed to resolving what he terms the deliverability challenge.

“We are undertaking a massive investment programme to increase our production capacity to 12.5 million barrels per day by 2009, with the potential for more later if market conditions warrant. This expansion will make a significant contribution to meeting the world’s increasing needs for energy,” says Mr Al-Naimi.

“In addition to the programme to increase oil production capacity, the kingdom is undertaking large projects in a number of areas, including oil and natural gas exploration, petroleum refining, petrochemicals, power generation, water desalination, mining, and manufacturing.”

Already the largest refiner in the Middle East, the kingdom is addressing the worldwide problem of limited refining capacity with a programme to expand facilities both at home and through joint ventures in other countries, including China, Indonesia, South Korea and the United States. A five-year investment plan, valued at $50 billion (£26.5 billion), is designed to raise capacity by as much as 60 per cent.

Construction has already started on the kingdom’s largest integrated refining and petrochemical complex in the Red Sea town of Rabigh. Scheduled for completion by the end of 2008, the SR37.5 billion (£3.3 billion) project also includes an industrial complex for further downstream and secondary businesses.

According to Saudi Aramco, a joint venture partner on the project with the Sumitomo Chemical Company of Japan, PetroRabigh will be one of the largest integrated refining and petrochemical complexes ever built. It will produce 18.4 million tons per year of petroleum products and 2.4 million tons of ethylene and propylene-based petrochemical derivatives annually.

Funding has been provided by the Islamic Development Bank, the Japan Bank of International Cooperation, the Saudi Public Investment Fund and a number of other financial institutions. Saudi nationals will be allowed to participate when 25 per cent of the project’s capital is floated for public subscription.

Plans for two more large new refineries – one on either side of the country – were advanced with the signing of two joint venture deals by Saudi Aramco in May. The French company Total has agreed to develop a 400,000 bpd refinery in Jubail on the Gulf coast, while ConocoPhillips will conduct a detailed evaluation of a 400,000 bpd complex in Yanbu on the Red Sea coast. Each will cost around SR22.5 billion (£3.1 billion) to build.

Plans for drilling in the southeast

Saudi Energy Forum to discuss future projects

Future plans for the oil and gas industry will be presented at the Saudi Energy Forum, to be held on November 18-20 in Dammam. The forum, to be hosted by the Eastern Province Chamber of Commerce and Industry, will be attended by senior-level government and industry leaders.

New gas field discovered

Saudi Aramco has discovered a new gas field in the Eastern Province, Zambil-1, situated 31 miles to the south of the Ghawar field and 155 miles southeast of Riyadh, has an average flow rate of 20 million standard cubic feet of associated gas with 1,400 barrels of condensates per day.

Mega projects to create jobs

Construction work on Saudi Aramco’s four production mega projects will create up to 30,000 jobs. More than 20 per cent of the skilled trade positions will be awarded to Saudi nationals.

Halliburton to collaborate with Saudi Aramco

US giant Halliburton has been awarded a three-year, multi-million dollar contract for Saudi Aramco’s Khurais mega project. Halliburton will contribute a full range of integrated services and technology to the project which will utilise up to 23 rigs to support the drilling and completion of more than 300 wells.

New plans for drilling in the southeast

A joint venture between Saudi Aramco, Shell and France’s Total has started drilling in the Emery Quarter, a vast area of desert in the southeastern part of the kingdom. The South Rub Al Khali Company which has been exploring for gas, condensate and natural gas liquids in the area since 2004, plans to spud a second well next year.
Diversified groups: key to success

From petrochemicals to infrastructure to telecoms, Rawabi is making a name for itself

Family firms dominate the private sector in Saudi Arabia and some of the most successful have tied their fortunes closely to the development of the kingdom by diversifying their activities across the economy.

One of the leading industrial players in the region is the Rawabi Holding Company, part of the Abdulaziz Al-Turki Group, which has interests ranging from the oil, gas and petrochemicals sectors to construction and engineering, utilities, power and electricity, telecommunications and IT, freight forwarding, trading and manufacturing.

Ali Al-Turki, Rawabi’s Vice President of Operations, sees bright prospects ahead. He points to the liberalisation of the major sectors such as banking and telecoms, Saudi Arabia’s recent accession to the World Trade Organisation and the huge sums being poured into expanding infrastructure, and urges British and other foreign investors to seize the opportunities available.

“The next 15 years will be the real boom years and we intend to be heavily involved in the expansion of the economy,” says Mr Al-Turki. “Foreign investors should take advantage of the recent relaxations in regulations involving direct foreign investments and foreign ownership. The local business climate is very impressive and we as a company are very optimistic about Saudi Arabia’s future.”

Rawabi itself is involved in construction through Nesma and Partners, one of the Middle East’s largest contractors, which it jointly owns, and through its fully owned subsidiaries Aba-corp and the Infrastructure Development Company.

Beyond oil and gas, Mr Al-Turki highlights infrastructure, telecoms, power, warehousing and logistics as growth sectors – all of them areas in which Rawabi is involved through either wholly owned subsidiaries or joint ventures.

In telecoms, for example, the company’s latest venture is the partial acquisition of DigitalSkys of Dubai, a “last-mile” communications provider using satellite-based technology. In the power sector, through its partner Nexans, it has a contract to manufacture and install an extra-high voltage underwater link interconnecting the power grids in Saudi Arabia and Bahrain.

Rawabi Holding Company

“We invest in the latest technologies, continue to improve our working environment, and always strive to build upon our accomplishments in order to maintain the trust of our clients and to overcome any future obstacles.”

Abdulaziz Al Aturki
President

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Kingdom in midst of construction boom

Construction is on the rise as the profits from high oil prices afford Saudi Arabia the chance to grow like never before.

Soaring oil revenues mean boom time for the construction industry, as the kingdom invests in expanding the economy and meeting the needs of a fast growing population. In addition to the mega projects like the new economic cities, numerous public and commercial schemes are in progress and more are being planned.

Construction, the largest non-oil sector in Saudi Arabia, is forecast to contribute more than $8 billion to the economy in 2006 as the government launches essential infrastructure projects and the private sector invests substantially in real estate and commercial centres. Massive sums are being spent on power, water, sewage, transport and telecommunications projects, and on building new housing, hospitals, schools and universities. It has been estimated that development of the kingdom over the next 20 years will call for investments worth SR33.7 trillion ($477 billion).

Lending to the construction sector has been growing steadily with low-interest credit available from commercial banks and the Real Estate Development Fund. Ali Alzebd, who chairs the contractors committee at the Council of Saudi Chambers of Commerce, estimates that private companies will invest more than SR74 billion ($10 billion) in construction this year.

Growth in the kingdom’s real estate sector is said to be the highest in the world after Shanghai, with large numbers of new companies starting up and even ordinary Saudis eager to invest their personal funds in the hope of a big return.

Demand for housing has been rising by about 3 per cent a year for the last decade, generated by population growth, increased urbanization, rising per capita income and liberal financing facilities.

With the population forecast to expand to over 33 million by 2020, it is estimated an additional 2.3 million housing units will need to be built — more than 600,000 in Riyadh alone. Spending on public housing projects has been increased to SR10 billion ($1.4 billion).

Tourism is another sector attracting major construction projects. One of the largest is planned for the city of Taf in western Saudi Arabia, which will include an international airport, a luxury hotel, public parks and recreational facilities.

Creating a new age metropolis

Saudi Arabia’s ambitious plans to build the King Abdullah Economic City are well underway.

In temperatures rising to more than 35 degrees centigrade, hundreds of men are working on a wide, flat swathe of land extending for 22 miles along the shoreline of the Red Sea. Despite the hot and humid conditions, the area is a hive of activity. In one place the excavation of a canal is underway, in another the creation of a boulevard. Contractors pour over plans for office buildings, villas, a coastal road and a marina, and the air is filled with the sound of bulldozers, earthmovers and steamrollers.

Welcome to the beginnings of King Abdullah Economic City (KAEC). Even for a region renowned for ambitious construction projects, KAEC is extraordinarily bold and visionary, consisting of the creation, from scratch, of a new age metropolis in which future generations of Saudis will live, work and do business. Its purpose is nothing less than to usher in a new era of economic growth and prosperity for the kingdom.

Construction began in December last year when King Abdullah launched the plan, and so far progress has been rapid. The project will be carried out in several stages, with the first phase due to be completed within 24 to 36 months.

Dubai-based Emaar Properties, the world’s largest real estate developer, has a reputation for finishing on time, and its Chairman, Mohamed Ali Alabbar, has pledged to stay on schedule, even if he personally has to join the labourers.

While plans are to extend over 21 square miles north of Jeddah near the industrial city of Rabigh, the city could end up being even larger. Emaar has recently been negotiating with the Saudi government to almost double the area to include additional development projects.

The original master plan for the city includes six distinct components: a world-class seaport, an industrial district, a financial island, a waterside resort, residential districts and an education zone.

The most striking area will be the financial area, an island of futuristic high-rise buildings dominated by two towers reaching up to 100 and 60 storeys respectively. Up to 60,000 professionals will work in the five million square feet of office space of this “city within a city”, which will be occupied by leading international and regional financial institutions, business hotels and a new exhibition and convention centre.

Positioned away from the skyscrapers will be the Millennium Seaport, which, at 28 million square feet, will be one of the largest ports in the world. Deep enough to receive the largest of vessels, it will boast state-of-the-art equipment, operational networks and a designated area for light industry and logistics.

With the capacity to handle millions of containers a year and a fully integrated transport system, the port will serve as a gateway to the rest of the kingdom and make an ideal choice for the onward movement of cargo to destinations in Europe, Asia and Africa. It will also feature a dedicated Haj terminal, hotels, medical centres and other world-class amenities to receive pilgrims on their way to the holy cities of Makkah and Madinah.

A mix of small, medium and large-scale industry, representing sectors such as downstream petrochemicals, pharmaceuticals and research and development activities, will occupy the 86 million square foot industrial district, which will also include educational institutions that will prepare young Saudis for the jobs in the city.

The waterside resort will feature hotels, villas, upmarket shops and a world-class golf course. There will be three residential districts, including traditional and modern elements, and the education zone will comprise universities, schools and research and development centres.
We are planning on creating 120,000 jobs for Saudis in the private sector every year
ga

GHAZI AL GOSAIBI, Minister of Labour

**In brief**

**King Abdullah** visited the site of the presentation centre at the Economic City on August 16. Work has progressed rapidly and the installation of precast walls is nearly finished. Construction has also begun on the project's first boulevard, which is set to stretch 15 kilometres and have more than 3,000 palm trees.

**After the IPO** was 2.82 times oversubscribed, Emaar Economic City (EEC) Consortium Chairman Mohammed Ali-Alabbar said, “We are thankful to the large number of Saudi investors for their trust in our company and in the prestigious KAEC project. KAEC will usher in a new era of economic prosperity for the kingdom and play a critical role in the housing, education, healthcare, financial and economic sectors. The huge response to the IPO is therefore a reiteration of the confidence investors have in the project and the value it brings to Saudi society.”

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**A successful IPO**

New venture sets new records

When the consortium behind the King Abdullah Economic City (KAEC) launched an initial public offering (IPO) to raise funds, the response from the Saudi public was overwhelming: A record 10 million Saudis applied for shares in a project they see as a guaranteed success.

The SR100 billion (£14 billion) venture is the largest single private sector initiative in the kingdom. The developers are Emaar Economic City (EEC), a consortium headed by Emaar Properties of the United Arab Emirates. Emaar’s partners are the Saudi Bin Laden construction company and Asiar, a diversified Saudi company with interests in trading, tourism, industry, agriculture, real estate and contracting.

The project coordinator for the plan is the Saudi Arabian General Investment Authority (Sagia), which is responsible for attracting foreign investment.

The EEC consortium has a share capital of SR8.33 billion (£1.1 billion), consisting of 850 million shares with a nominal value of SR1 each. The IPO of 255 million shares — open only to Saudi citizens — was aimed at raising SR2.55 billion (£357 million). In fact, when the offer closed at the beginning of August, it was oversubscribed three times, with bids totalling SR7.1 billion (£997 million).

EEC Chairman Mohamed Ali-Alabbar describes the KAEC project as a “path-breaking initiative” that will bring prosperity to the kingdom and play a critical role in the economy.

“The huge response to the IPO is a reiteration of the confidence investors have in the project and the value it brings to the Saudi society,” he says.

Majority-owned by the Dubai government, Emaar is one of the world’s largest property developers, boasting a SR28 billion (£4 billion) asset base. In December 2005 the company was awarded the Euromoney Gulf Real Estate Award for Best Overall Developer in the United Arab Emirates (UAE), as well as Best Residential Developer in the UAE.

Emaar’s primary market is in Dubai, where it has more than 13 projects underway. Notable among these is the Burj Dubai tower, which on completion in 2008 will be the world’s tallest skyscraper. The company is also engaged in joint ventures and projects across the region in India, Egypt, Turkey, Morocco, Syria, Pakistan and Tunisia.

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Economic City to create half a million jobs

About 350,000 people between 18 and 25 enter the job market annually, and the KAEC aims to provide more opportunities.

One of the major benefits expected to flow from the building of the King Abdullah Economic City (KAEC) will be the boost in employment. The industries and service-oriented companies the new economic hub will attract are expected to generate up to 500,000 jobs. Further employment will be created with the development of other planned economic cities, in Hail in the north and Madinah in the Eastern Province.

Job creation poses an important long-term socio-economic challenge for the kingdom, which has one of the world’s fastest growing populations and a high percentage of foreign workers.

Approximately 60 per cent of Saudi Arabia’s population of 27 million is between the ages of 18 and 25. According to government estimates, the number of young people seeking to enter the job market is around 350,000 annually.

The long-term solution lies in expanding the kingdom’s economic potential by encouraging investment and building up the national infrastructure. This year’s budget puts special emphasis on spending that will enhance economic growth and job creation. Diversification and the development of sectors such as tourism and transport will open new avenues for job seekers.

Officially, unemployment among Saudis males stands at 5 per cent, but some observers estimate it at 13 per cent or higher. Labour Minister Ghazi Al-Gosaibi says the government is determined to eradicate unemployment by 2010. A process of Saudization gradually replacing expatriate workers with the skills of Saudi nationals. Education, training, technical and vocational training programmes have been given the largest allocation in the budget, a 25 per cent increase to SR87.3 billion (£12 billion).

According to Mohammed Al-Bat’hi, Vice President of Human Resources at the Saudi Arabian Basic Industries Corporation (Sabic), employment statistics show that of a total private-sector workforce of 6.5 million, Saudis represent just 12 per cent.

“Although that number is rising without a concerted effort, money spent on mega projects over the next five years, government, business and academic leaders are looking at ways to develop the Saudi workforce to ensure that more of that money stays in the kingdom.

Over the next few years, the skills of Saudi nationals, education, technical and vocational training programmes have been given the largest allocation in the budget, a 25 per cent increase to SR87.3 billion (£12 billion).

Mr Al-Bat’hi says more than 30,000 engineers and 300,000 technical and trade positions will be required by 2010. He believes the current building boom presents an opportunity to raise skill levels in the construction and engineering sectors of the economy.

“Alongside the steel and concrete of our new facilities, we want to leave behind a core competency in engineering, procurement and construction for Saudi Arabia.”
For almost three decades, the Al-Tuwairqi Group of Companies has been strengthening business in the Kingdom of Saudi Arabia and growing with the nation. Steadily building up a portfolio of diversified business activities, the group has gone beyond the borders of the Kingdom into other areas of the Middle East, Europe and Asia, forging partnerships based on the foundations of merit, fairness and continuity. In addition to being the specialists in steel, the Al-Tuwairqi Group is also extensively engaged in an extensive range of contracting, construction and trading activities. An ISO 9001:2000 certified company, the group is a responsible corporate citizen with ethical practices and environmentally friendly waste disposal methodologies. Underpinned by a solid team of professionals and a growing base of satisfied customers, the group is facing a dynamic future ahead and embracing its destiny with the knowledge that only fear itself limits an organization’s ability to conquer new grounds.

Quality, Commitment and Customer Satisfaction

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Saudi steel industry built on solid commercial foundations

Cheaper petrol prices in the Middle East mean that the Saudi steel industry is set for global expansion

The projected expansion of economic infrastructure in Saudi Arabia and other GCC states is very good news for the steel industry. Major construction projects like the kingdom’s new economic cities and refineries will require huge quantities of steel and local manufacturers are raising production levels to keep up with demand.

Arab iron and steel manufacturers achieved a record output of 15 million tons last year, with GCC companies leading the way. Saudi firms contributed 5.2 million tons – around 67 per cent of the 7.8 million tons produced in the Gulf region.

Saudi Iron and Steel Company (Hadeed), the largest manufacturer of steel products in the kingdom, plans to boost its production capacity to 1.25 million tons today. Adjacent to the factory in Damman, Al-Tuwairqi has recently been rebuilding the first of two 400,000 tons-per-annum Mifred direct reduction plants bought from the US company Corus and shipped over from Alabama. This is due to go into production this year with plans for the second module to become operational next year.

As a result of the construction boom the iron and steel industries have posted record outputs. In Pakistan but also in Afghanistan, where reconstruction will require an extensive supply of steel. In 2003, Al-Tuwairqi acquired the Sheerness melt shop and other assets of the Kent company Thamessteel. SMS Meer of Italy was contracted to supply a bar mill plant designed for an annual capacity of up to 600,000 tons of steel products.

As a family. Our assets are not our factories, our assets are our people. This is excluding Pakistan Steel, which alone employs about thirteen thousand people.

How are you developing your steel business?

We are selling within Saudi Arabia, but we are also in Pakistan and India. We are building another complex in Sharja in the United Arab Emirates and we are building two more here in Saudi Arabia. So here we will be having four direct reduced iron (DRI) and three palatisation plants. We will have three melt shops, flat products, coils, rails and steel. Saudi Arabia is booming, and we cannot build anything without steel.

Our vision is to acquire shares in every government-owned entity in the steel sector that is open to privatisation.

Interview

I believe that our true asset is not money, but people

HILAL AL-TUWAIRQI, Chairman of Al-Tuwairqi Group

What has been the key to the Al-Tuwairqi Group’s success?

The credit has to be distributed between everyone in the company, since we all share the same vision. We are a group of people working with each other as a family. Our assets are not our factories, our assets are our people. When I started the business a long time ago, it was a one-man show, but then I got together with my colleagues and my brothers, and now we are more than two thousand people. This is excluding Pakistan Steel, which alone employs about thirteen thousand people.

How are you developing your steel business?

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Mr. Ali Al-Naimi, Minister of Petroleum and Dr. Hilal H. Al-Tuwairqi, Owner and Chairman

Do you have any plans for further expansion in the region?

Afghanistan needs to be rebuilt and for that they will need steel. Anything they want to import comes either by India, which is a long way, or through Karachi. So we will be there to fulfil the growing demands for infrastructure building in Afghanistan.

Our vision is to acquire shares in every government-owned entity in the steel sector that is willing to be privatised. For example, in Indonesia there is a huge complex called Krakatau. It belongs to the government, and it can make a lot of money if they allow business people to manage it.
Saudi Arabian Airlines takes off

As one of the world’s largest airlines, SV continues on its path of exponential growth

Plans to privatise Saudi Arabian Airlines (SV) were approved earlier this year and the process has started with an invitation for bids for a stake of up to 49 per cent in the company’s catering unit. Other divisions such as cargo, baggage handling, pilot training and technical services will go on offer in the near future—some through public listings—before flotation of the main transport business.

One of the largest airlines in the world, SV boasts a fleet of 140 aircraft, including the most advanced wide-bodied jets. Internationally, it flies to more than 50 destinations in Europe, the Middle East, North America, Asia and Africa. Its domestic operation links the kingdom’s major cities and towns, providing a network of transport and communication across a national territory as large as Western Europe.

The airline’s popularity is on a steadily upward curve. Passenger numbers have been rising at an average rate of one million per year, exceeding 16 million just last year. They include an increasing number of pilgrims travelling to the holy cities of Makkah and Medinah. In 2005, SV carried more than three million Hajj and Umrah visitors, scheduling extra flights to cater for the demand.

Cargo services have also taken what the company describes as a “quantum leap”, with the transportation of 287 million kilos of consignments last year.

SV’s earnings for 2005 passed the SR1.5 billion mark, rising from SR13.5 billion (£1.9 billion) in 2004 to SR15.4 billion (£2.2 billion). While other major airlines were hit by spiralling oil prices, the company’s profits were up by SR60 million (£8.5 million), rising from SR440 million (£62.5 million) in 2004 to SR500 million (£71 million).

SV has been profitable since 2002, and in recent years its revenues and profits have risen steadily. This represents a remarkable financial turnaround, given that its losses in 1998 were SR1.4 billion (almost £2 million). All of this puts the airline in a strong position to meet the challenge of operating in an increasingly competitive environment.

Investment in a brand new fleet is an essential part of SV’s strategy for staying competitive and meeting the expectations of its passengers. Fifteen new Embraer 170 jets were acquired last year for service on domestic and regional routes in a fully self-financed deal that also included a maintenance centre for the aircraft. The jets will be used to open the sector to foreign investment.

To prepare for becoming a private company, SV has undergone major restructuring in order to boost its efficiency and profitability. Costs are being reduced, but the airline says its reputation for safety and services will not be compromised. In 2005 the company was awarded the International Air Transport Association’s Operational Safety Audit Certificate, ranking first among 43 international airlines in terms of its operational performance.

SV has also strengthened its cooperation with Gulf Air. The two companies have been extending the integration of their networks and adding more services through their code share agreement.

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