

World Report

Part two

Saudi Arabia

22 SEPTEMBER 2007

A bright future well prepared



Cover illustration:
Martina L. Teichner

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Saudi Arabia's economy is mirroring the progress and approach of the country's large companies - varied interests and activities in a range of sectors. It is paying off both on a national level and for Saudi companies



National Day sees much to celebrate



For the past few decades, Saudi Arabia has been synonymous with oil-based wealth. With the world's largest oil production capacity and plans to increase this even further to 12.5 million barrels per day by 2009, massive refining capacity, low production costs and continued investment in the sector, it is likely to remain the world's largest net oil exporter.

So it would be understandable if the Kingdom received the news of the recent three per cent drop in oil prices with apprehension. Fortunately, it has spent the last few years developing its non-oil based economy, and King Abdullah's efforts to create an efficient and attractive economic environment have helped to bring in more than £2.7 billion in foreign investment. Today's economic news stories, courtesy of national publishers Saudi Research and Marketing Group, are not so much about oil as about massive flows of non-oil investment and multi-billion dollar construction, infrastructure and industrial projects.

Non-oil exports, headed by petrochemicals, have risen 13 per cent to £9.9 billion since Saudi Arabia joined the WTO, and other sec-

tors are gaining ground. The Saudi building materials industry is showing solid growth; new investment is being directed at aluminium and copper production facilities; and companies such as Tamer Group are fast creating a regional niche in healthcare and biotechnology investment. The national drive for economic diversification mirrors the efforts of firms such as Rawabi Holding Company, which combines its interests in oil and gas with telecoms, construction and manufacturing.

Celebrating its National Day on September 23, the Kingdom has much to rejoice over this year. In addition to the diversification of the economy, King Abdullah has also made great strides in improving poverty, empowering women in the workplace, expanding the country's diplomatic role abroad, and opening Saudi up to new tourism. Now, keeping in mind the Kingdom's youthful and fast-growing population, education, health and housing infrastructure are the priorities for government spending; employment is another. Six new mega-cities that will each concentrate on different aspects of the economy, and which form part of King Abdullah's efforts to address regional inequalities within the country, are expected to create around one million jobs by 2020.

Work has begun on the King Abdullah Economic City, which will support Saudi Arabia's bid to become one of the world's biggest financial players, while the Jazan Economic City, developed by the Saudi Binladin Group, will be home to heavy industry, including oil refining, petrochemicals and metals processing.

The Saudi banking sector, one of the most profitable in the world, also has plenty of scope for growth. Even after it was opened up to foreign competition in 2005, profits have been consistently high – up by 30 per cent in 2006 – and the recent stock market shocks are having less of an impact than expected. Relative newcomers to the field Bank AlBilad and specialist service providers Bank AlJazira remain confident in their respective abilities to expand both nationally and regionally.

The government's decision to liberalise the economy is benefiting national companies across the board. In property construction, Olaya Real Estate is behind several new housing projects; in aviation, new budget airlines have broken the monopoly held for 60 years by Saudi Arabian Airlines, itself heading towards privatisation; and winds of change in the insurance sector enabled veteran firm ACIG to launch a highly successful IPO in May this year. ●

ACIG

Bringing order to growing £1 billion market

In October 2003, the Saudi Arabian Government enacted the Control Law for Co-Operative Insurance Companies, effectively bringing regulation to an unregulated environment. Until then, the National Company for Cooperative Insurance (NCCI) had a monopoly on all government business, and up to 100 foreign-registered firms dealt with the private insurance sector. With the privatisation of the NCCI, the government aimed to establish a number of Saudi firms that would operate in keeping with Islamic principles.

All insurance companies operating in the Kingdom now need to be locally registered, publicly owned firms, operating on a co-operative or mutual basis, with foreign participation limited to 49 per cent. New entrants need to establish a locally incorporated cooperative insurance joint-stock company, while existing foreign insurance providers have been granted a three-year transition period during which they must convert to either a Saudi cooperative insurance company or to a direct branch of a foreign insurance company. All firms are now supervised by the Saudi Arabian Monetary Agency (SAMA).

Like many insurance companies in the Kingdom, the Allied Cooperative Insurance Group (ACIG) saw its recent IPO massively oversubscribed. ACIG was a small, specialist company dealing with the motor insurance sector. Now, explains Dr Omar Hafiz, President and CEO, since the implementation of a new law that promotes the health insurance sector, the company is seriously studying the most profitable areas in the Kingdom, with a strong determination to focus

on the health market in particular.

From the beginning of 2006, all companies employing 500 or more expatriate workers have been required to provide them with medical coverage; a second phase for companies employing 100-500 expatriate workers is currently being



OMAR HAFIZ
President and
CEO of Allied
Cooperative
Insurance Group

implemented. The third and final phase will involve all other companies that employ expatriates.

The current value placed on the Saudi insurance market has been estimated at approximately SAR8 billion (£1.05 billion), with expectations of a leap to SAR18 billion (£2.37 billion) in the next five years, and ACIG sees itself comfortably benefiting from this growth.

"Bearing in mind that there are around eight million expatriates in Saudi Arabia, and considering that an average cost for each health insurance policy at 700 to 800 riyals, this amounts to around SAR5.6 billion (£739 million). Expatriates are required by law to obtain these insurance policies. Once companies have completed the insurance coverage for expatriates, Saudis working in the private sector will have to be insured. If we include Saudis in the private sector, our calculations could reach up to £1.9 billion. This is only in medical insurance, and if we add motor insurance, we add another SAR2 billion (£264 million). Other types of business may add another billion, to reach a total of £2.4 billion in the next three years," says Dr Hafiz.

"The market is booming and we are over-achieving our projections in all aspects of the business. We aim to be one of the five top insurance companies in Saudi Arabia."

SAGIA

FDI levels grew an astounding 51 per cent in 2006

A good sign of a nation's economic health is the amount of foreign investment it can attract. Saudi Arabia's concerted efforts over the past few years to diversify away from oil and gas, to open up its markets to the private sector, and to create a safe, efficient, and productive investment environment have resulted in a remarkable increase in foreign investment flows.

According to statistics provided by the Saudi Arabian General Investment Authority (SAGIA), investment in 2006 totalled SR68.6 billion (£9.07 billion), up 51 per cent on the previous year. Other positive indicators are the fact that investment from countries other than the U.S., Europe and Japan has risen, and now accounts for nearly half of total figures, and that investment trends are shifting, with sectors such as finance and insurance enjoying a marked leap in foreign interest.

Dr Awwad Bin Saleh Al-Awwad, Deputy Governor of SAGIA, attributes these changes to the organisation's unrelenting implementation of its current goal, which is to make Saudi Arabia one of the top ten most competitive na-

tions in the world by 2010. In his opinion, current FDI inflows are still below optimum targets, given the potential of the Saudi economy, and there is every indication that they will continue to grow over the next few years.

SAGIA already provides a one-stop-shop for potential investors, which in addition to licensing investment projects supplies facilities,



**AWWAD
AL-AWWAD**
Deputy Governor for
Investment Affairs
SAGIA

information and support services, and acts as the link between businesses and government ministries and organisations. As a new development in its agenda, SAGIA has prepared a comprehensive study on the most competitive public and private investment opportunities available nationwide and across eight economic sectors. With this database providing summarised information on around 400 new openings, SAGIA aims to fulfil its role as matchmaker between opportunities and investors.

Perhaps the most ambitious project in SAGIA's portfolio is the development of the new Economic Cities, each designed to provide a unique, business-friendly environment that maximises Saudi Arabia's advantages, including low-cost energy and geographic location.

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The King Abdullah Financial District - a place where companies meet to do business, where students come to learn and where the best technology will serve the brightest minds.

City of dreams, made a 21st century reality

The provision of pensions to retired government employees and their beneficiaries requires substantial financial resources and any organisation faced with such a task must be able to generate sufficient funds to fulfil these commitments. Saudi Arabia's Public Pension Agency (PPA) has been operating since 1958, during which time it has paid out almost 195 billion Saudi Riyals (approximately £25 billion) and has benefited more than 1.1 million pensioners and dependents.

"The PPA is a government agency that provides social security to government employees, not a government-related financial institution. It is owned by retired civil and military government employees," explains Mohammed A. Al-Kharashi, the agency's governor. "At present, we have about 784,000 beneficiaries including wives and families of deceased pensioners."

Payments are fully automated through the banking system, and the agency oper-

The Public Pension Agency of Saudi Arabia is an active participant in development projects across the Kingdom

ates a computerised archiving system to expedite the processing of transactions. While a call centre handles telephone enquiries, improved access to the system has been provided with the creation last year of 46 branch offices across the Kingdom, fully equipped with the latest technology, particularly for the scanning of all types of documents.

In line with its stated objectives, the PPA is actively developing its financial resources through investment activities and projects. Given monthly expenditure of SAR1.9 billion (£251m), the agency needs to achieve annual returns of at least six or seven per cent. Diversification is the key, says Mr Al-

Kharashi, in order to build up a set of strong assets which can guarantee valuable returns.

"The Board of Directors, which is chaired by Minister of Finance Dr Ibrahim Abdul Aziz Al Assaf, plays a supporting role in the implementation of creative projects that



Dr Ibrahim Abdul Aziz Al Assaf
Minister
of Finance
Saudi Arabia

KING ABDULLAH FINANCIAL DISTRICT

'Putting Saudi Arabia on the world banking map'

Saudi Arabia's record in the financial sector is a good one. The Kingdom's stock exchange, Tadawul, is one of the world's most technologically advanced, and the largest in the Middle East in terms of value traded. The country has the biggest and most high-tech banking sector, and the largest asset-management industry in the region. In terms of foreign investor confidence, the Capital Market Authority (CMA), established in 2004, has introduced and implemented international standards of regulation and transparency. So it is perhaps not surprising that Saudi Arabia will soon be home to the most advanced, self-contained financial district in the Middle East. With the approval of the Custodian of the Two Holy Mosques King Abdullah, the eponymous centre is the latest

step in the Kingdom's carefully implemented financial modernisation programme.

The chosen site, measuring 1.6 million square metres, is already a thriving business centre. Experts brought in by the Public Pension Agency, owner and developer of the project, have already begun the design and development work that will allow completion of the master plan by the end of the year, with initial construction scheduled immediately after. "As well as housing Tadawul, the CMA, and major financial institutions, the city will accommodate related service providers. Foreign firms already established in Saudi Arabia have expressed their interest in relocating to what will be a hub of business activity," explains PPA governor Mohammed A. Al-Kharashi. The importance of infrastructures has not



Mohammed A. Al-Kharashi
Governor of the
Public Pension
Agency

been underplayed. Telecommunication services, data centres, additional roads to the airport and the city, housing, hotels, shops, a conference centre and a mosque have been included in the design, and a financial training academy will provide a steady flow of skilled workers. At a more immediate level, the actual construction will create thousands of jobs over a three-year period.



The King Abdullah Financial District's plaza.

can add value and stabilize investments without focusing only on a certain category – either local equities or foreign equities," states the PPA governor. "We want to diversify investments and end up with a set of strong assets to enable the PPA to get valuable returns. This will then help in enhancing the return of the assets."

Among the several projects in hand are the development of a 2.7 million square metre site in Jeddah, set to become a housing or commercial area; the creation of a major mortgage financing firm for PPA shareholders; and an asset acquisition drive focusing on real estate.

However, the projects attracting the most media interest at present are the King Abdullah Financial District and the Technology and Information City (TIC). The first of these, a self-contained business and investment centre to be designed and built using the very latest technologies, will be home to the Kingdom's major financial institutions and companies, as well as providing essential services such as telecommunications, data centres, hotels and housing.

The TIC, which will be totally financed by the PPA, will include research and development centres, small and medium-sized local and global enterprise buildings and production labs for the big ITC businesses.

"From the very beginning, we have opted for non-traditional and strategic projects," says Mr Al-Kharashi. "We do not want to compete with the private sector, so we focus on mega projects that add value to the country and create an environment which is in line with the prestige of the Kingdom."

The Technology and Information City (TIC), a project also owned by the PPA, is a high-tech park on a par with similar business centres world-wide. Equipped with the latest IT infrastructure, the TIC will include research centres, production labs, and IT firms such as Microsoft Arabia, which has already signed up for office space. Also moving in are the Saudi Organization of IT and Communications, Intel and CISCO, with many more big – and small – IT corporations expected to follow suit.

"The Technology and Information City will play a strong role in the development of our local economy. It will help create high-tech industries, new jobs, attract foreign capital and increase local and national competitiveness," states Mr Al-Kharashi.



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Every year, hundreds of engineering students graduate from the King Fahd University of Petroleum & Minerals in Dhahran. The campus is situated on top of a geological dome where hydrocarbons were first discovered in the Eastern Province of Saudi Arabia. Not far away are the headquarters of Saudi Aramco, the oil giant, which along with the highly diversified Rawabi Holding Company, leads many King Fahd academics to opt for the vast options available in all related fields of the industry.

From geophysicists and IT engineers to drilling foremen, Rawabi Holding Company is the outlet for today's regional engineering talent. The formula is simple: a vertically integrated company that includes oil & gas, petrochemicals, telecommunications, fire proofing, power infrastructure, industrial support and international trade.

Young people can work at Rawabi Industrial Support Services as a non-destructive testing specialist (NDTS) or enter new fields, such as software development at Rawabi Telecom Company, or special roofing, water proofing, and thermal insulation at Abdul-

laziz Ali AlTurki & Partners for Contracting (ABACORP). For newly graduated engineers, Rawabi United Safety Services provides opportunities within its field of hydrogen sulphide safety supervision, gas detection system, and breathing equipment.

In engineering and construction, Rawabi Holding subsidiaries are involved in water networks, pumping stations and plants including pipeline construction capability. They are also involved in manufacturing various types of electrical substations, panel boards, control panels, and telecommunication shelters.

Major government-led projects in Saudi Arabia are slated to cost \$629 billion over the next few years. Upgrades at Saudi Aramco alone are valued at \$15 to \$20 billion per year. With explosive growth in mind, Rawabi Holding Company has opened training institutes to hire foreign workers. It is a short-term solution, but one that will allow Saudi Arabia to manage its second development



ABDULAZIZ ALI ALTURKI
Rawabi Holding Group Chairman and CEO

thrust. "It's not the money that makes a company, but the people. That's the only way to achieve excellence in the long run," says Abdulaziz Ali AlTurki, the Group Chairman and CEO. With each development cycle, there are new needs requiring a pliant services network. "Today, Saudi Arabia is a virgin industry. Wherever you go, you find business opportunities," he says.

In the 1980s, Mr AlTurki worked alongside his elder brother. He later partnered with other siblings to launch engineering projects. Today, he is the proud owner of a company that claims to have the roadmap to the Kingdom's energy sector. Eastern Province, after all, is home to a quarter of the world's entire oil reserve.

Rawabi Trading and Contracting (RTC), the flagship enterprise, was established in 1980. It acts as a purveyor of chemicals, cabling, tubing and mechanical equipment to the domestic oil sector and installs drilling units and pipelines for upstream operations. Mud engineering, like water handling, is a serious task in the lifting of oil crude. For AlTurki, it makes perfect sense to run in tandem with global energy demand – Rawabi Holding Company has a reputation for making things happen. Cathodic protection technology is part of the extensive list of activities that the company is engaged in, while AlTurki makes special mention of his Corrosion Services Company as an industry leader in the field.

"We started the diversification process seven years ago. In an economy like Saudi Arabia's, you cannot depend only on oil and gas. You need to have other activities to keep the company, and its people, afloat," says Mr AlTurki. Another vivid example of diversifying its activities, Rawabi Holding has become a key food supplier in the Saudi market.

Rawabi Holding owes much of its success to the way it acquires technology and rapidly incorporates it into its in-house training programmes. As an example, Mr AlTurki points to Paris-based Geoservices, the worldwide leaders in mud-logging services who have integrated with Rawabi Holding Company to take up the challenges posed by this facet of the business. ●

TECHNICALLY PARTNERS

A wise choice of partner

These days, Rawabi Holding is a gateway for foreign engineers into the Saudi market. Abdulaziz Ali AlTurki, the Group Chairman & CEO, has signed partnership agreements with more than 65 international firms as their sole agent in the Kingdom. In addition, Rawabi has been working on long-term projects with 25 partners from different countries. This type of strategic alliance, particularly with British engineering firms, gives Rawabi an edge over domestic competitors. "We're still expanding in the oil & gas sector and we aim to add more companies to our profile. We look forward to investing in the latest technology and attracting interest from the best-qualified companies in the world," says Mr AlTurki.

One of the advantages of working with Rawabi is its forthrightness. Mr AlTurki is

proud never to have had a case of arbitration in his roster of joint ventures. "Honesty, integrity, quality and customer satisfaction are our driving forces. If we shake hands on a deal, the deal is done," he says.

With the Kingdom's massive expansion of oil crude capacity, the trend will continue. In the Gulf alone, industry sources speak of 400 wells that need to be drilled at a single field site like Khurays, which is undergoing expansion. An estimated 20 rigs are necessary there to raise production targets to 1.2 million barrels. Water injection to maintain pressure, pipeline construction – it all requires engineering savvy.

"At Rawabi, we are planning to grow 25 per cent a year according to our five-year plan. The market is there, the only thing we have to do is explore," says Mr AlTurki, who

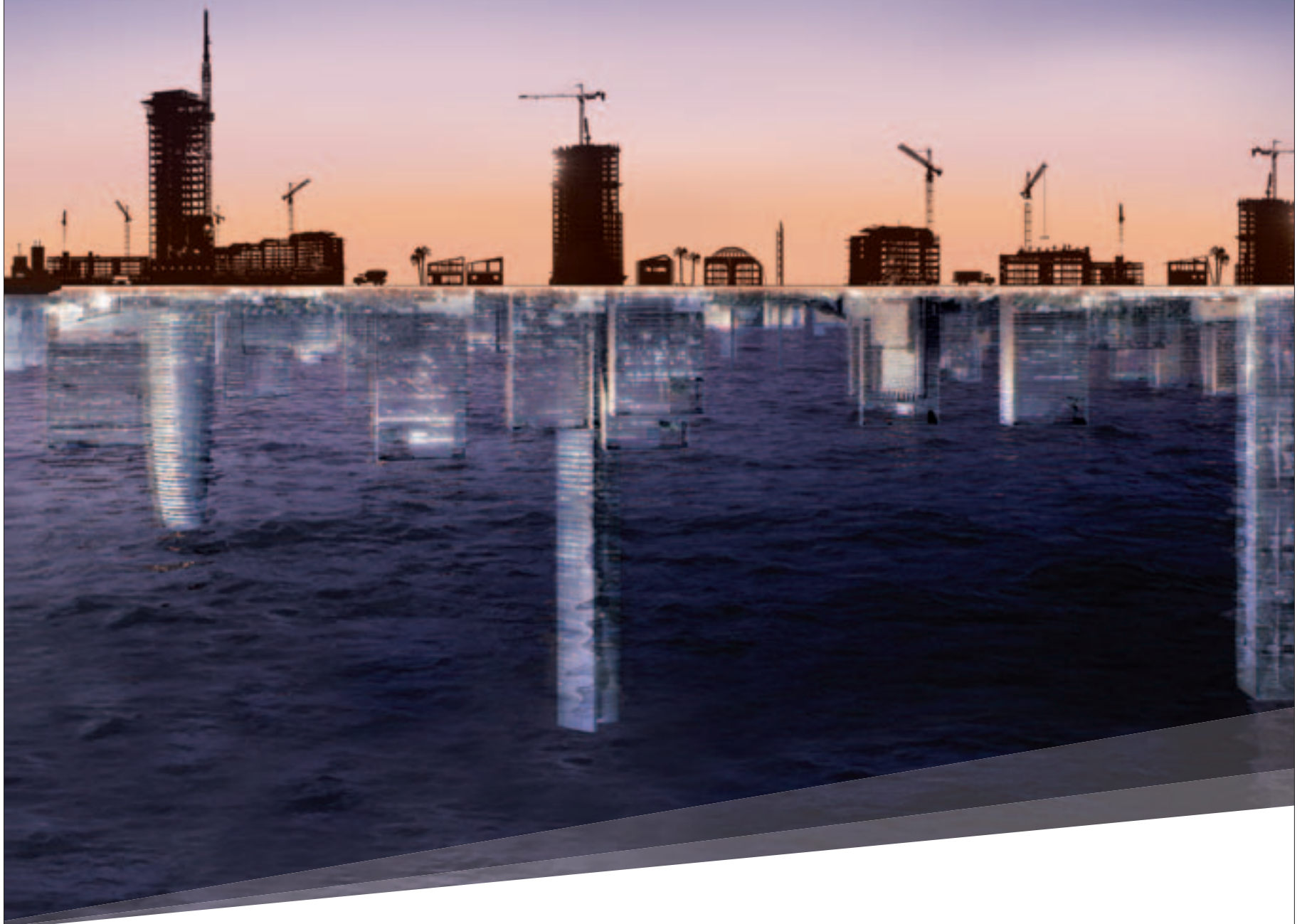
underscores that oil-related activities foster diversification. "That is why today you see the petrochemical industries here are massive and require state-of-the-art know-how from abroad."

The technical partnership with Rowan Companies is a glowing example of the benefits a foreign company can obtain from allying with Rawabi Holding. The Houston-based contractor was awarded five offshore rigs for exploration and production only two months into its venture with Rawabi Holding. Each of the rigs is valued at \$250 to \$300 million. At a board meeting with Mr AlTurki in 2006, Rowan Companies decided to put more capital into the Saudi market. "Rowan Companies had not been active in Saudi Arabia for 25 years and were looking for a chance to come back," says Mr AlTurki.



Saudi Arabia's extraordinary crude oil capacity is a magnet for investment.

Rising Opportunities



King Abdullah Economic City is the single largest private sector under-taking in the Kingdom of Saudi Arabia. This fully integrated 168 million sqm metropolis is becoming one of the world's most attractive investment destinations in transportation, logistics, manufacturing, business, retail, real-estate and education.

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King Abdullah Economic City

A Spectrum of Opportunities



Saudi Arabian General Investment Authority
(SAGIA)

EMAAR: smart city developers

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Saudi Arabia has never been a better place in which to invest. This, in brief, is the message being sent out by the government via the Saudi Arabian General Investment Authority (SAGIA), not just in words but also in actions. All the stops have been pulled out to make investing in the Kingdom a trouble-free experience for foreign companies; new economic and industrial sectors have been opened up to international participation; and a previously unparalleled range of opportunities are being created by the development of the country's new economic cities.

Of these, the first and largest is King Abdullah Economic City (KAEC), located on the Red Sea near Jeddah and between the holy cities of Makkah and Madinah. Royal approval for commencement was given in December 2005 and the project is already well into the first phase development plan, which includes the building of the main roads and infrastructure network.

The statistics for KAEC are impressive: it is the single largest private sector investment project in the Kingdom, as well as the biggest construction project in the Middle East. Covering a landmass of 65 square miles, the projected cost over the next 10 to 15 years is estimated at around SAR100 billion (£13.2 billion); it will house two million people and create one million jobs. Saudi Arabia's youthful – and growing – population means that the creation of employment is a priority.

A project of this calibre and scope requires the best input from the outset. This

is why Dubai-based Emaar Properties, one of the major real estate developers in the Gulf region and the winner of several development awards, has been chosen as the main developer. Emaar, The Economic City (Emaar E.C.), a Tadawul-listed Saudi company, has been created specifically to manage and develop the entire project.

"What SAGIA wanted to do with this project is allow the maximum involvement possible from developers and stakeholders. Emaar has a lot of experience, a good reputation and they want to expand in Saudi Arabia," says Ahmed Linjawi, Executive Director, City Management, at Emaar E.C.



AHMED LINJAWI
Executive Director,
City Management,
Emaar E.C.

The city will consist of six zones: an industrial park, a port, a business district comprising the Kingdom's world-class financial area, an educational zone with a range of training and academic institutions, a resort district with hotels and recreational facilities, and a residential area of more than 170,000 houses and apartments.

One of the main challenges, explains Mr Linjawi, is to create the city with these distinct areas as one seamlessly operating entity. Looking at other cities of this type in Dubai, Singapore and Malaysia has allowed Emaar to benefit from lessons learned: underestimating potential population figures, for example, can lead to eventual traffic and environment problems.

KAEC will be a smart city, ensuring from the start that the residential and business aspects work together efficiently to get the maximum out of available technologies. Security is also being dealt



Emaar E.C. is creating a city that will consist of six zones seamlessly blended into one fully integrated entity.

with using the very latest technological advances.

The visible aspects of phase one will be works commencing on the industrial zone and port, a residential waterfront village, and the creation of 10,000 jobs. Less obvious but just as necessary are negotiations with potential operators, studies into the specific clusters to be included in the industrial zone (which will in turn influence the research and educational areas that will be needed) and ongoing work with SAGIA on regulatory changes required for the project.

Eager investors for the city are by no means lacking, but a solid marketing and sales programme remains vital to the project. Emaar is working closely with SAGIA on an advertising campaign and on the preparation of road shows that will target specific investors at home and abroad to maintain the flows, while on-site a large presentation centre provides information for investors and visitors alike. ●

King Abdullah Economic City

One of the largest construction projects in the world, KAEC will have:

- A total development area of 65 sq. miles and overall estimated cost of SAR100 billion (£13.2 billion)
- An industrial district covering 17 sq. miles for more than 2,500 tenants
- The largest seaport in the region with annual handling capacity of 10 million TEU containers and integrated land to sea to air transport system
- 1.5 sq. miles of office space and the biggest regional financial district
- Higher educational facilities for 20,000 students
- Housing for two million people with recreational infrastructure
- 1.7 sq. miles of parks and 26 miles of canals
- 12 beachfront hotels, two 18-hole golf courses and a waterfront leisure complex

KAEC SEAPORT

Masterplan to create the region's largest port

As the developer of King Abdullah Economic City (KAEC), one of Emaar's main responsibilities is to find the best operators for each project. Regarding the seaport, the company has held advanced discussions with major operators and a joint venture is expected to materialise by the third quarter of 2007, allowing construction to commence before the end of the year.

The strategic location of the port on the

Red Sea close to the industrial city of Jeddah already gives it an advantage: the development master plans see it becoming the largest port in the region, equipped to receive the largest shipping vessels and providing connections to road, rail and air onward transport networks. In addition to the existing volumes of traffic through the Red Sea, KAEC itself will create around 10,000 businesses and industries, all with shipping requirements.

"There is an opportunity for us to create a world-class port that can become a hub, a place for transshipment," says Ahmed Linjawi, Executive Director, City Management, at Emaar E.C.

Other improvements that are happening in transport and logistics within the Kingdom will also benefit the port, particularly the railway that is being developed between the Red Sea and the Gulf.

The port will be situated between the holy cities of Makkah and Madinah. It will have a purpose-built Hajj terminal complete with hotels capable of receiving more than 300,000 pilgrims every season.

"There are a number of factors that make the port a viable business idea and if we continue as planned it will eventually become one of the biggest ports in the world," says Mr Linjawi.



RAWABI HOLDING

AbdulAziz AlTurki Group of Companies



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SAUDI ARABIAN AIRLINES

Air travel rise spawns competition

A growing economy and the development of several new business and technology parks in Saudi Arabia mean that travel is a booming industry. Saudis spend around SR60 billion (£7.9 billion) annually on domestic and international travel and tourism, and passenger numbers are on the increase. As a response to this growing demand, and in line with the Kingdom's initiatives to open up to private investment, the domestic air sector has been opened for competition. Although Saudi Arabian Airlines has been the sole carrier for the past 60 years, the company welcomes the decision, arguing that competition in this sector is beneficial for companies and customers alike. Saudi Arabian Airlines announced in April that it too is considering launching a low-cost service.

Khalid A. Almolhem, the airline's director general, has set up 11 working teams to manage the different strategic units created to strengthen the company in the face of increased competition. These include the proposed new budget service, still under internal discussion, and a separate service for Hajj and Umrah travellers.

Growing competition is not the only reason for Saudi Arabian Airlines to build on its strengths. The Saudi Minister of Defence and Aviation signed a contract in October 2000 to conduct studies for the airline's privatisation; in preparation for this, major restructuring is under way within the organisation. Saudi Arabian Airlines' support services, such as ground handling operations and maintenance, as well as the Prince Sultan Flight Academy in Jeddah, are going to be turned into discrete commercial units. So far, the privatisation process is on schedule. The organisation will be split into six strategic business units (SBU) each with its own strategic partners, functional departments and investors all under the umbrella of the mother company – Saudi Arabian Airlines. The first of these SBUs was the Catering department and with that process on schedule, next in line is the Cargo department. Youssef A. Attiah, vice president of Customer Services, believes that all changes are for the convenience and comfort of the passenger; increased competition and restructuring are merely opportunities for company improvement.

Innovation and growth are main priorities

Saudi Arabian Airlines The first Middle Eastern airline to fly jets, SV is rapidly expanding its fleet

In 1945, US president Franklin D. Roosevelt presented King Abdul Aziz Ibn Saud with a Douglas DC-3 aircraft. This gesture of friendship between the two nations marked the starting point for the development of Saudi Arabia's national civil aviation industry, with the founding of Saudi Arabian Airlines as a government agency a year later and the initiation of passenger flights out of Jeddah.

Saudi Arabian Airlines has come a long way since then, becoming a fully independent company in 1962, and consistently expanding its fleet, extending its routes and services, and introducing new, profitable operations such as cargo services and catering over the last sixty years.

Under the directorship of Khalid A. Almolhem, innovation and growth continue to be the company's priorities. The last twelve months have seen aggressive development for the airline. The introduction of electronic services such as e-ticketing – the first e-ticket was issued in February this year – and interactive SMS information are the external evidence of progressive technological development, while increased passenger numbers have led to an overhaul of the flight schedule and the launch of several new destinations, including Manchester.

More passengers and more flights require more airplanes. Discussions are ongoing with suppliers to expand the Saudi Arabian Airlines' fleet, although finalising a deal takes some time, and once completed, the first order will not be received before 2010. For this reason,

the airline dealt with the surge in demand over the summer by leasing 14 aircraft, which Saudi Arabian Airlines' officials take as a healthy sign for the organisation and an example of their expansion.

The purchase of two Boeing 720s in



Cargo services and catering have added to Saudi Arabian Airlines' profitability over the years.



KHALID ALMOLHEM
Director General
Saudi Arabian Airlines



YOUSSEF ATTIAH
VP of Customer Services of Saudi Arabian Airlines

1962 made Saudi Arabian Airlines the first Middle Eastern airline to fly jets; today, negotiations are under way for the latest plane in the Boeing stable, the Dreamliner 787. This relies on better fuel efficiency and longer air travel between destinations, and is able to travel up to 15,000 km without refuelling, an important aspect for an airline that flies to New York over four continents.

In 2006, Saudi Arabian Airlines carried over 16 million passengers, a half million increase over the previous year, and recorded a rise in profits, and

prospects continue to look good. With a booming economy and the airline industry in general expanding, 2007 is expected to be a prosperous year for the airline. King Abdullah is working to strengthen bilateral relationships with other nations which will increase business opportunities in both countries and in turn lead to increased travel traffic.

Already flying to more than 70 destinations world-wide, Saudi Arabian Airlines caters to both business and leisure travellers, operating additional services in the busy Umrah and Hajj seasons for religious pilgrims. And the Kingdom's current opening-up to foreign tourism – Saudi Arabia has recently begun issuing group visas through tour operators to foreign visitors as part of its efforts to attract 1.5 million tourists a year by 2020 – may eventually provide an extra market for the airline. ●



The Intercontinental Riyadh, shown above, is the perfect base from which to explore Saudi Arabia's many attractions.

Group visas now issued

Tourism in Saudi Arabia is undergoing a comprehensive sectorial makeover aimed at creating 1.5 million new jobs

Saudi Arabians love to travel. While business as well as leisure takes them all over the world, movement within the Kingdom itself shows that national sites and attractions are also prime motivators to travel. So far this year, domestic tourists have spent around SR13 billion (£1.73 billion) according to the Supreme Commission for Tourism (SCT).

The SCT was established in 2000, and since then has handled all aspects of na-

tional tourism in Saudi Arabia. Its studies have shown the advantages of pursuing a human resources development strategy within the tourism sector – as a labour-intensive industry, tourism is eminently suited for job creation, a factor of prime importance to the national economy. For this purpose, the SCT has launched the National Project for Tourism Human Resources Development, which provides requirements for operations, education and

training in accordance with international standards.

The government aims to create around 1.5 million employment opportunities in the tourism sector over the next two decades, a vital factor in a country with a growing young population. The role of women within the industry is also being given importance.

Developing the tourism sector provides new challenges for the Saudi Arabian government. Traditionally, non-Muslims have not been granted easy access to the Kingdom for tourism purposes, but slowly the country is being opened up. This year, the SCT has started issuing group visas for organised tours visiting the Kingdom.

Conditions, for the time being, are fairly strict: visas can be obtained for a maximum of 60 days, groups must be of at least five people, and women not travelling with close relatives have to be over 30 years of age. So far, tourists entering the Kingdom have done so by sea, allowing information on their identities to be transmitted by the shipping line prior to their arrival.

In May, 121 German nationals visited the Kingdom, landing at Jeddah Islamic Port and taking a six-hour tour of Jeddah's historic and cultural sites. In a complementary action to boost tourism, the historic old city of Jeddah is currently being prepared for registration as an international heritage site. Plans have been approved to hold two major annual festivals there – Abhur Festival and Okaz Souk Festival – and to refurbish the area with the aid of the private sector.

At present, the tourism industry (including Hajj and Umrah services) contributes six per cent to the Kingdom's GDP; around SR55 billion (£7.28 billion) each year. The decision to issue tourist visas through licensed operators is a bid to increase these figures. Eighteen licensed tour operators are now authorised to bring foreigners on tourist visas to the country.

The SCT has several projects in hand to help develop the Kingdom's tourism industry, including plans to establish advanced tourist cities on the coasts of the Red Sea and the Arabian Gulf. Among the most popular existing attractions, aside from the old town of Jeddah, are the tombs of Madain Saleh, carved by the same people who built Jordan's city of Petra; the state-of-the-art National Museum in Riyadh; the stunning traditional architecture of Najran, the unspoilt beaches of the Farasan Islands, and other areas of natural beauty and historical interest such as Taif, Al Baha and Abha. ●

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INTERCONTINENTAL RIYADH

Think business

Let's face it, most foreigners travel to the Kingdom for business, not leisure. In Riyadh, the gold souks next to the Musmak fort are definitely worth a visit, as is the old city of Dir'iyah. But beyond night entertainment at the Faisaliah Tower, your schedule in Riyadh is likely to be marked by a company boardroom. That is where the InterContinental comes in: your office away from home.

Located less than 25 minutes from Riyadh's King Khalid International Airport, the six-floor Intercontinental is a choice for pragmatists. The 275 guest rooms and 61 suites are as lavish as you are likely to encounter in Saudi Arabia. But the competitive edge is not only in the hotel's location—or even in its nine-hole golf course—but in the conference spaces. There are six meeting rooms of different sizes. The Main Ball Room, lit by rows of chandeliers, has capacity for up to 1,400 guests. Smaller boardroom-style conference halls come equipped with slide projectors, DVDs, lecterns, microphones and high-speed Internet. In total, the InterContinental boasts

more than 20,000 square feet of corporate space.

"Our last renovation of the Club InterContinental wing was designed in a manner that reflected local tastes, as well as the three decades of our chain's hospitality tradition in Riyadh," says Nassir Al Dossari, the general manager. The hotel industry here has been experiencing high demand since oil prices took off in 2002. The average occupancy rate at five-star hotels in the city reached 70 per cent in 2006.

Besides the convenience of meeting inside the hotel, the InterContinental has three specialty restaurants. Although it is only five minutes away from the bustling downtown, the level of security is very high. And security is highly maintained perhaps due to the proximity of the Saudi Ministry of the Interior. For those less inclined to part from this world of self-contained convenience, there is always the golf course, the swimming pools (both indoor and outdoor), floodlit tennis courts, squash courts and a 12-lane bowling alley.

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The Public Pension Agency (PPA) of Saudi Arabia is developing one of the most modern, state-of-the-art, and beautiful projects in the area: the King Abdullah Financial District. With full governmental support, this new financial area will offer world-class services to a carefully selected group of financial institutions. High and low-rises with offices, housing, commercial establishments, a college and support services will be set among spacious and lovingly landscaped open areas. This comfortable ambience will be complemented by the most advanced security and infrastructure, including a monorail that will allow the area to be free of cars.

As Saudi Arabia's economy continues to grow and open up to further investment, the King Abdullah Financial District will be an asset to the nation and will help Saudi Arabia to become the leader in the Middle Eastern financial sector. Local, foreign and international institutions coming to Saudi Arabia are looking for excellence and high quality in a well-equipped and well-organised area, and our project will be sure to fulfil their every need. The PPA warmly invites British banks and financial institutions to form relationships and join forces in the King Abdullah Financial District project.

A Dream Coming True



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