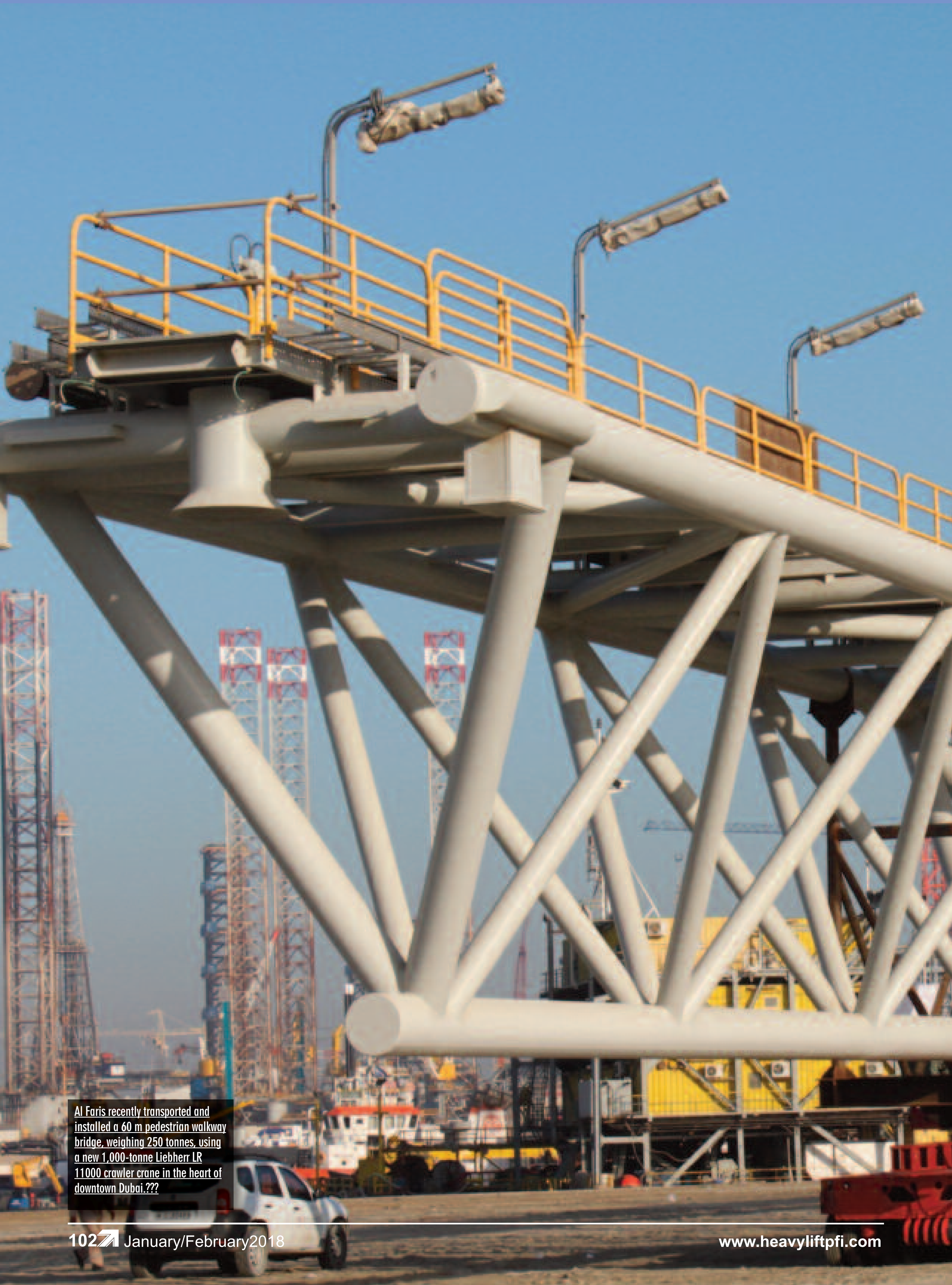

Al Faris recently transported and installed a 60 m pedestrian walkway bridge, weighing 250 tonnes, using a new 1,000-tonne Liebherr LR 11000 crawler crane in the heart of downtown Dubai.???

Paving the way for a new vision

The collapse in oil prices since 2014 has accelerated the Middle East's economic diversification, creating new heavy cargo opportunities in civil construction, transport infrastructure and renewable energy. Sam Whelan reports.

While the Middle East is no stranger to political upheaval, 2017 may yet go down as a definitive – and positive – turning point for its future economic development.

June's blockade of Qatar by fellow Gulf Cooperation Council (GCC) countries Saudi Arabia, Bahrain and the United Arab Emirates (UAE) shows no sign of coming to an end. The unprecedented land, sea and air embargo began when the Saudi-led trio – joined by Egypt – accused Qatar of supporting terrorism. Doha vehemently denies the allegations.

Central to the Qatar crisis is the region's economic heavyweight, Saudi Arabia, and its new Crown Prince, 32-year-old Mohammed bin Salman. Often referred to simply as MBS, he was recently named successor to the throne by his father King Salman and has acted quickly to assert his authority. Rumour has it that a power

transfer from father to son is imminent.

In November, global headlines were awash with the news that dozens of high ranking Saudi royals, ministers and businessman had been "purged" in what the Crown Prince claims is a crackdown on corruption. Critics say the arrests are nothing more than a bid to consolidate power and raise funds by seizing the assets of political rivals – reports suggest the government could "recoup" some USD800 billion in cash and assets in a much-needed financial boost to state coffers.

Key to this real-life Game of Thrones is the prince's plan to overhaul the Saudi economy by weaning it from an over-reliance on oil revenues. Supporters of MBS assert he is acting to implement necessary social and economic reforms, such as the lifting of a ban on female drivers.

Vision 2030

At the heart of this economic reform is Saudi Arabia's Vision 2030. Launched by MBS in April 2016, the blueprint lays out an ambitious plan to diversify the country's USD646 billion economy by upping the private sector contribution to GDP from 40 to 65 percent, and increasing annual government non-oil revenues from USD163 billion to USD1 trillion. The Vision earmarks education, health, tourism, infrastructure, manufacturing, and military equipment as sectors targeted for growth.

Furthermore, in October, MBS announced plans to build NEOM, a USD500 billion mega-city on the Red Sea coast. Interestingly, he said the city would function independently from the "existing governmental framework" and will be powered by clean energy.

This post-oil evolution of the Saudi economy is no doubt a tall order. At 12 million barrels pumped per day, oil currently accounts for around 50 percent of GDP and 90 percent of government revenues. At the same time, unemployment is on the rise, hitting 12.7 percent earlier this year.

Furthermore, FocusEconomics notes the Saudi economy entered into recession in the second quarter, with GDP expected to shrink by 0.4 percent in 2017. However, the analyst is more optimistic about 2018, predicting 1.5 percent growth on the back of increased infrastructure spending and rising oil prices.

Belgium-headquartered Sarens is one major heavy lift player seemingly unperturbed by the Middle East's current economic challenges. In fact, the company's joint-venture with Bahrain-based NASS Group appears to be going from strength to

Crane specialist SNME assisted with the expansions of international airports in Bahrain and Oman.

strength. Established in 2002, Sarens Nass Middle East (SNME) is embracing the regional diversification away from greenfield oil and gas projects.

"The Middle East has been improving in terms of projects and infrastructure work," said Alhanoof Nass, SNME director.

"We see a lot of big projects which require specialised heavy lift jobs, such as the Riyadh metro, and this type of construction project is something quite new for the region."

Due to begin operating in 2019, the USD22.5 billion Riyadh metro is the world's largest turnkey Metro project. With six lines and 85 stations, it could see up to 3 million commuters taken off the capital's roads.

SNME is involved with an array of civil construction works across the GCC region. For example, in Qatar, projects include

Previously a large part of the project work was generated from major oil and gas greenfield expansions, but this is more diversified now and spread out over multiple industries.

– Wim Sarens, Sarens

World Cup 2022 stadiums, the Doha Metro and the Lusail City suspension bridge; while in Bahrain and Oman the crane specialist assisted with the expansion of the two countries' international airports.

"This is something we see in general worldwide as well," said Wim Sarens, Sarens chief executive. "Previously a large part of the project work was generated from major oil and gas greenfield expansions, but this is more diversified now and spread out over multiple industries, especially civil construction and power plants."

Strong performer

Nass highlighted Kuwait as a particularly strong performer. Like Saudi Arabia, Kuwait has its own Vision 2035 and diversification agenda, which it hopes will attract USD50 billion in foreign investments amid a concerted shift towards cleaner fuels.

"In Kuwait we see a rise in heavy lift work which has really given us great exposure. While the price-return in Saudi might have decreased a bit, the price-return in Kuwait is actually very good, given the number of projects there and the fact that the supply of cranes is quite low."

The revamp of the Mina Abdullah and Mina Al Ahmadi refineries proved a milestone project for SNME in Kuwait. Scheduled for completion in 2018, the expansion will increase the combined capacity of the refineries from 736,000 to 800,000 barrels per day.

Working on behalf of the Kuwait National Petroleum Company (KNPC), SNME executed a record-setting lift using its Sarens Climbing Towers (SCT) and strand jacks to lift a 1,500-tonne reactor onto its foundation.

"The extraordinary aspect of the job was the unique set-up in which the towers were installed, completely intertwined with the adjacent reactor's bolting pattern. This allowed for a shorter lifting beam, cancelling all needs for a guyed tower system, ultimately resulting in a faster and safer execution," explained Nass.

At USD63 per barrel of Brent crude, oil prices hit a two-year high in November following the anti-corruption purge in Saudi Arabia. Some analysts doubt the rally will continue for much longer, however, and the muted recovery since 2014 has not triggered the oil and gas majors into a significant round of new investments.

"We expect it to take more time before projects start to return to market," said Michel Bunnik, regional sales director for Mammoet Middle East and Africa.

"Projects being sanctioned this year [2017] will not generate work for the contractors until 12 to 24 months later, so we do not expect the market to pick up before the second half of 2018."

New offices

The Netherlands-based heavy lift giant recently opened new offices in Abu Dhabi and Oman, which Bunnik said was down to an increased focus on core countries, rather than improving market conditions.

"We are currently involved in refinery projects in both Oman and Saudi Arabia, as well as an offshore construction project in Oman. Besides that we are also heavily involved in power generation and civil construction in the UAE," he added.

Saudi shipping line Bahri shared a similar experience of the 2017 project cargo market.

"We found the oil and gas sector in the Middle East still slow, generating the lowest growth, while petrochemical, power generation, infrastructure and utilities delivered the highest growth rates in terms of investment and project cargo opportunities," said Stephen Blowers, senior country manager.

Bahri is the world's biggest very large crude carrier (VLCC) owner and operator with 40 oil tankers. However, the carrier is expanding into the breakbulk and heavy lift markets, particularly the US market where it has been aided by the opening of its Houston office. In 2017, it shipped 40,000 freight tons to the US Gulf for one of the country's largest chemical projects.

"In 2017, we focused on developing new business with the major EPCs, supporting and working closely with their appointed project forwarders. We are a vetted and approved supplier of the leading EPCs who we found are increasingly looking to ship more frequently in smaller tonnage," explained Blowers.

In September, Bahri officially inaugurated its joint venture with French 3PL Bolloré.

Project cargo being handled by JSL.

Ali Al-Harbi, Bahri chief executive, said BahriBolloré Logistics would enable it to play a significant role in raising Saudi Arabia's "ranking in the global logistics market", which is an important objective of Vision 2030.

Another objective of Vision 2030 is the shift towards renewables, and Blowers confirmed Bahri expects to see increasing project shipping opportunities as the sector grows in both Saudi Arabia and across the region, particularly in solar and wind power.

Wim Sarens is also bullish on the subject of the Middle East's green energy push, which he described as having great potential. He also noted that although greenfield oil and gas projects are less common than before, opportunities exist in refinery maintenance and shutdowns, as well as servicing upstream requirements.

He said: "We are more active in oil and gas than before in terms of servicing the existing infrastructure like oil rigs and refinery shutdowns. So we are now diversifying a little bit more across the entire oil and gas chain.

"There is still quite a lot of work in the market; it is tougher to get it, but if you provide decent solutions and service to customers, you are the one that they pick and that is what we strive to be."

Implementing high health and safety standards is one way Sarens says the company stands out from the competition in the Middle East, where regulations tend to be less stringent than in the West. Furthermore, safety becomes even more important when executing maintenance and shutdown operations.

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>
> – Michel Bunnik, Mammoet

Safety standards

He said: "Operating in a live plant requires a lot more preparation, planning and safety than a new greenfield construction site – so the attention for those standards is only going up.

"With a large petrochemical plant where you have lots of people in one place, you can more easily provide the supervision – it is actually easier than say if you have lots of smaller, short-term projects in different industries where the standards are not yet as high as oil and gas clients are demanding."

The vast majority of SNME's work is carried out within the GCC, which allows it to easily shift equipment from one location to another. However, for the past five years the firm has also had a small operation in Iraq servicing oil companies in Basra. Sarens noted there has been an uptick in activity there, while Nass added that improving relations between Iraq and Saudi Arabia could give the projects market a further boost.

Wim Sarens said: "We still feel very confident of operating in Iraq; it has gone through quite a few changes through war, economics, and business, and compared with that environment the GCC is extremely stable."

Indeed, while the Qatar sanctions were shocking, the impact on logistics was reasonably short-lived, with the minuscule, gas-rich nation showing it has the resources to cope with the economic warfare waged against it.

"The embargo impacted sourcing patterns for Qatar's imports," said Jigar Shah, consulting director at Doha-based JSL Global. "Hamad Port now has direct container vessels from India, Oman,

Khimji Ramdas recently handled the transport of a rig and accessories, totalling 7,700 cu m, from Dubai to Oman.

Turkey, China and Kuwait."

Shah said his company observed increased heavy cargo activity at Hamad Port, while the Qatar Ports Management-operated container terminal at Mwani has also enjoyed an uptick in volumes since the crisis began last summer.

"Most project cargo is imported in the normal manner because the heavy lift vessel owners changed the routing and cargo is reaching Hamad port as scheduled," he noted.

Qatar's own drive towards economic diversification means plenty of project work within the civil and transport infrastructure. For example, Shah highlighted the Doha Metro, World Cup 2022 stadiums, the Manateq Special Economic Zones, the Water Security Mega Reservoir and the Qatar Power Transmission System Expansion.

JSL recently completed the re-export of two 1,660-tonne tunnel boring machines from Hamad Port to Germany. The cargo was shipped via ro-ro vessel to the Netherlands and then on to manufacturer Herrenknecht.

Multi-axle demand

According to Shah, one major challenge for project forwarders is the current high demand and rates for multi-axles, which can make it difficult to calculate long-term costs.

In the UAE, Al Faris Equipment Rentals faces a different kind of operational challenge. Executive director Kieve Pinto said stricter regulations are being enforced on the use of public access roads, upping the planning time required to complete a project move.

"Due to traffic on public roads, only a couple of hours a day are granted to move heavy equipment; therefore rigging and de-rigging is completed in phases, increasing costs for the overall job."

Al Faris provides heavy lift equipment services and heavy haulage transport to companies throughout the region. Pinto said 2017 saw a steady rise in projects, but not on the same level experienced pre-2008.

"Apart from the country's constant investment in the utility and infrastructure sectors, the UAE is moving to complete work on projects that were put on hold after the financial crisis."

He said there is renewed oil and gas investment in Abu Dhabi and in the northern Emirates, and that the UAE is investing in renewables, with particular focus on solar. The world's largest concentrated solar power project is due to be completed in Dubai in time for the Emirate's hosting of the World Expo 2020.

There has been a flurry of construction projects in Dubai in preparation for the huge world fair, Pinto said, which is expected to inject some USD40 billion into the economy.

"There have been projects for bridges and pedestrian walkways, and record construction of entertainment facilities in 2016/17 in preparation for Expo 2020," he said.

For example, work has commenced on Bluewaters Island and the Dubai Eye – the world's future tallest Ferris wheel – and the Dubai Canal project is now completed. The canal has a 120 m wide creek, five pedestrian bridges and 6.4 km of waterfront.

Al Faris recently transported and installed a 60 m pedestrian walkway bridge weighing 250 tonnes, using a new 1,000-tonne capacity Liebherr LR 11000 crawler crane in the heart of downtown Dubai beside the Burj Khalifa.

"This spectacular feat required months of planning to position the crane precisely beside an active tunnel and perform the lifts at night, when traffic had to be temporarily halted to allow the lift over the tunnel and within a designated brief window," explained Pinto.

Meanwhile, the heavy cargo market in Oman continues to benefit from oil and gas projects. The economy is expected to bounce back from sluggish growth to a 4 percent expansion next year, after increased foreign investment in key infrastructure projects.

"The project market is looking bright in Oman," said MC Jose, projects and logistics group chief executive at Khimji Ramdas, one of the biggest conglomerates in the country.

Notable oil and gas projects include the upcoming three-phase, USD20 billion Duqm refinery (partly funded by both Kuwait and China), the Rabab Harweel Integrated Project (RHIP), the Fahud natural gas extraction plant project, and Phase two of BP's Khazzan gasfield development, which will commence by the end of 2017.

The project market is looking bright in Oman.

– MC Jose, Khimji Ramdas

Non-oil revenue

Like its GCC neighbours, Oman has its own plan to strengthen non-oil revenues, including several investments in the manufacturing sector.

"The Oman China Industrial Park has been established and is seeing considerable interest among the Chinese investors keen to tap the potential in the Middle East and East Africa markets," said Jose.

Project logistics in Oman has been aided by the port investments made to handle heavy and oversized cargoes. For example, project cargo can now enter Oman directly through Sohar or Duqm, rather than by transhipment via Jebel Ali.

Jose explained: "Until a few years back, heavy lifts into Oman were usually discharged in UAE and brought overland owing to a lack of suitable vehicles, infrastructure and expertise. However, over the past decade, this has been addressed systematically and progressively. We now have 100 percent Omani entities quite capable of handling complex projects."

Khimji Ramdas recently handled the transport of a rig and accessories, totalling 7,700 cu m, from Dubai to Oman via Jebel Ali and Duqm.

"The job involved jacking the cargo on stools and beams and loading on suitable multi-axles," noted Jose. "We transported the packages through the Jebel Ali Freezone, crossing over the Sheikh Zaid Road and safely to the port at Jebel Ali, then loading the cargo onto a barge, sea freighting it to Duqm port, before transporting all the packages to Nimr and jacking down the cargo at the jobsite." HLPFI