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Docking infrastructure

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Sultanate floats the foundations for a modern state

While construction workers are putting down their tools throughout the Gulf and the future of many massive infrastructure projects is in jeopardy, the Sultanate of Oman is bucking the regional trend by investing billions of dollars to bolster its nascent tourism sector, aviation sector and industrial base.

Compared to its GCC neighbors that have spent lavishly over the past decade on infrastructure and real estate projects, the sultanate, the relative poor man of the Cooperation Council, has lagged behind in infrastructure roll out.

That Oman is doing so now is not down to Muscat possessing a financial crystal ball that foresaw the cost of raw materials plunging from record highs and contract bidding becoming more competitive. For Oman, the projects are out of necessity, to catch up with regional developments and to be viewed as more of a GCC player than merely the better half of the lower Arabian Peninsula.

The sultanate has always had to be prudent with its revenues, and never so much as at present with tumbling oil prices accounting for some 75 percent of national revenues. The last two immediate budgets, which ran a $1.04 billion deficit in 2008 with revenues of $14.06 billion, were both based on $45 a barrel. That was conservative thinking 16 months ago when oil hovered around the $100 mark, but roughly on par for this year.

If prices drop, some projects could be frozen, but Oman also has new oil and gas fields coming online and is aiming to average out production at 550,000 barrels of oil per day. Furthermore, Oman has not been hit to the same degree by the financial crisis as the more service-based economies of the rest of the Gulf, in addition to only relaxing property laws as late as 2006, which had previously prevented foreigners from owning property and restricted GCC citizens to just three plots of land. As a result, the real estate sector has only started to flourish over the last few years, further compounded by the entrance of international realtors that have changed the face of the sector in addition to driving up rents.

But the path the sultanate wants to tread doesn't differ much from that of other GCC countries: investing heavily in airports, roads, ports, industrial zones and high-end tourism projects. Oman is just the last member of the GCC to board the 'speed-development' train.

Infrastructure roll out
Talking of trains, Oman is mulling the idea of its first railway, a goods carrier that would run 200 kilometers between the industrial city of Sohar and Barka. Reportedly in its consultancy phase, the line would eventually cater to passengers.

But where Oman is really placing its infrastructural transport emphasis is on roads and airports. In such a large country with populated areas confined to Muscat and the cities of the northeast, and a vast, relatively empty expanse of 1,000 kilometers to the second major city, Salalah in the south, a developed road network has been vital. Some $1.9 billion was earmarked in the 2008 budget for highway and road development, in addition to improving traffic flow in Muscat, according to Gulf Construction.

The impacts are already being felt, with the newly opened Muscat-Sur highway so new the tollbooths are still not operational slashing two hours off drive time.

But with tens of billions to be spent on industrial projects, ports and tourism projects, roads alone are not enough to connect areas like Duqm, Salalah and Sohar.

"To speed up access to Duqm, as four to five hours by road from Muscat, an airport is 'essential' infrastructure," says

George Bellew, chief executive officer of Oman Airports Management Company.

Airports are where the big money is being invested, to the tune of $3 billion for the expansion of Muscat International Airport (MIA) and billions on six other airports.

"Like everywhere else, there has been an increase in travelers, tourism and commercial trade in Oman. Six airports are to be built, maybe more," says H.E. Sheikh Mohamed Bin Sakhar Al-Amry, Under Secretary for Civil Aviation Affairs. "We will build airports as needs dictate," he adds. Some $43.86 million has been earmarked for consultancy studies, design and supervision of the airports.

All airports are to be located in areas of industrial activity or tourist destinations, a potential major currency earner given Oman's nature, history, 2,700 kilometers (km) of coastline and two months in the summer known as Al Khareef when the area surrounding Salalah is uniquely endowed with monsoon rains that transform the landscape into a lush green oasis.

"There is a determination by the Omani government to diversify non-oil revenues and an aspect of that is clearly tourism and air travel," said Bellew.

Numerous multi-billion dollar tourism projects are underway in Oman, including the $7 billion Blue City, the $2.5 billion Wave Muscat, the $2 billion Salam Yiti, the $1.6 billion Omagine and the $400 million Muscat Gulf Course.

In Salalah, the Dhofar Tourism Company is developing the $2.85 billion Mirbat project, consisting of residencies and hotel resorts, while the Muriya Tourism Development Company, a joint venture between Oman's Ministry of Tourism and Egypt's Orascom Development Holding, is developing Salalah Beach. Covering 15.6 million square meters, the project will have 3,000 residences, a marina, a PGA golf course and hotels from the major chains Club Med, Rotana and Movenpick.

To meet the expected surge in tourism when such projects are finished, Salalah's airport is being expanded from the current needs of 300,000 passengers per year to accommodate two million in phase one and eventually to four million.

Domestic links

Three domestic airports are to be built in the southern towns of Haima and Shaleem, as well as in Adam, a gateway city to Oman's interior region some 300 km south of Muscat.

Duqm is to be the country's third international airport with a capacity for 500,000 passengers per year and it is the site of a $1.8 billion port project, refinery, shipyard and tourism resorts. Firms are currently bidding for a $200 million contract for the construction of the airfield and infrastructure projects.

Further airports are to be built in Ras al Hadd and Sohar, located 200 kilometers from Muscat on the way to Dubai. "Ras Al Hadd is being progressively developed as a tourist area, where turtles nest [at Ras al Jinz] and covers the local area of the city of Sur. There also is the expectation of eco-tourism developing along the Eastern coastline," said Bellew.

Sohar has risen as the country's foremost industrial hub, driven by more than $12 billion of investment in the city's port, a joint venture between the government and the Port of Rotterdam. The Sohar Special Economic Zone (SSEZ) is also under development, primarily catering to downstream petrochemicals and the steel industry as well as logistics at a 500-hectare site. The SSEZ will compliment the 220-hectare Sohar Industrial Estate and the Oman International Container Terminal, which the country is banking on to bolster trade due to Sohar's proximity to Muscat and the nearby UAE. The Sohar airport is slated for completion by 2013, although a $300 million tender for the passenger terminal has not yet been appointed.

The biggest airport development is at the MIA.

"MIA is a gateway airport with one main runway. The plan is to build a standalone midfield terminal," says Bellew.

The first expansion phase will allow for 12 million passengers a year, with a new passenger terminal control tower, 32 air bridges, VIP building, air traffic management center, 6,000 car parking spaces and a cargo terminal to handle some 200,000 tons per year. The second terminal will be connected to the rest of the airport via an underground metro system, with the design brief making it possible to expand to 48 million passengers per year by 2050. "In six months we will finish the planning and award contracts," adds Bellew.

There was a need, however, to expand in March to increase capacity to seven million passengers per year. Indeed, last year MIA saw air traffic rise 18 percent over 2007 to 4.5 million passengers. In January, passenger numbers were up by 19 percent, largely due to Oman hosting the Gulf Football Cup.

"January figures are an anomaly to the global figures, where there has been a lot of negative results, largely due to the underdeveloped nature of the market here," Bellew notes.

The sultanate will no doubt be hoping that Oman is an anomaly in weathering the financial storm as so many projects get off the ground. Economic growth, however, is expected to slow from seven percent in 2008 to three percent this year, but major projects are nonetheless still years off completion.

"We budgeted for this a long time ago, so I don't think we will change plans," states Al-Amry.

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