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Oman

Tourism thrust

Despite the global economic slump, the sultanate remains steadfast in its goals to drive the tourism and industrial sectors forward and continues to see work progress on key projects.

On site ... Phase One completed.

As recently as last month, despite the global gloom, a Kuwaiti investment company announced the launch of a residential project – Zahrat Al Khareef – in Oman's tourist city of Salalah. Indicating that the project's USPs were its views of the country's "majestic mountains" as well as its strategic location, Rasha Al Awadhi, head of investment of Iskan Oman Investment Company, had this to say at the launch: "The high demand for such real estate projects will minimise the effects of the global financial crisis on the Omani market, especially the realty sector as it garners high returns for investors."

This was a remarkable vote of confidence in Oman's long-term investment potential and a shot in the arm for the government's efforts to drive the tourism sector forward.

Investment platforms such as real estate developments are a part of the sultanate's 2020 diversification programme to reduce the oil sector's contribution to GDP to nine per cent. Oman has also put in place a strong industrial foundation, which it continues to build on, a striking example being Sohar, where a state-of-the-art port has been created as a hub for industrial expansion (see page 63).

Oman has allocated around 15 sites for tourism developments estimated to cost $20 billion over the next seven years. According to industry sources, some 23 new hotel projects are expected to become operational in the sultanate by 2011. Among the newest chains to have signed up over the past seven months are Fairmont, Four Seasons, Banyan Tree and Nissoni brands and the Rezidor Hotel Group, which will be opening its third property in the country when its 212-room Radisson Hotel and Resort is completed in Sohar in 2012.

Over the past three years, Oman has been cautiously moving ahead with its objective of boosting the tourism sector and associated infrastructure. According to one estimate, about $8 billion worth of construction is currently under way and a number of projects have been announced to tap the country's huge tourism potential and cater to the growing demand in the residential segment. These include the $7-billion Blue City, the $-2 billion Wave, Muscat, the $400-million Muscat Golf Course, $1.6-billion Omagine, the $2-billion Salam Yiti, and Muriya Tourism Development Company's (MTDC) two new resorts, many of which are proceeding at a steady pace.

Last year alone, a number of new projects were launched including:

• The $2.85-billion Mirbat development: Being developed in Salalah by the Dhofar Tourism Company, the 2-million-sq-m project will feature residential, commercial, tourism and entertainment facilities. Phase One includes the Royal Tulip Mirbat Resort and Spa, a five-star hotel while the second phase will comprise residential units.
• A RO400-million ($1.04 billion) healthcare city: Launched last March by the newly-formed, Majan Development Company, the integrated healthcare city is to be built on an area of 1 million sq m allotted by the Ministry of Tourism in Al Sawadi.
• Zahrat Al Khareef: Spread over 29,000 sq m, Iskan Oman Investment Company's flagship residential project will include over 600 luxurious apartments, commercial properties, a clubhouse, swimming pool, and close to 1,000 parking slots. The project is a freehold ownership for Omani and GCC citizens only.
• Old Town: A RO65-million residential and commercial project in Muscat comprising 550 residential units, which is being developed by Oman's Al Qandeel Real Estate Services.
• Qaryat Qurum: A RO400-million mixed-use development on a 130,000 sq m site in Muscat, by Al Qurum Properties (AQPL), a joint venture between ETA Star and OHI group, unveiled last November.
• Al Qaser: A luxury villa project launched last September by Arabian Gulf Gate Investment (AGGI).

Nevertheless, no country has been immune to the fallout of the global economic crisis. In Oman's case, however, the impact hasn't been major as its growth has traditionally been at an unhurried pace.

Yes, there is a slowdown in construction activity and the global credit crunch has, in fact, recently claimed its first victim in Oman – the Salam Yeti – which has been put on hold by its Dubai-based developer Dubai Holdings.

Another project that has suffered is the ambitious Blue City (Al Madina Al Zarqa), which is embroiled in an ownership dispute between the joint venture partners that launched the development. However, according to the developer, work started last month on the hotels and the construction of apartments should start soon.
However, integrated tourism projects projects have been virtually unscathed by the financial meltdown, with the pioneering The Wave, Muscat making significant progress (see page 50); and MTDC having launched work on two complexes at Jebel Sifah and Salalah Beach (see page 57). The concept of integrated tourism complexes has gathered momentum since 2006, when Muscat relaxed strict property laws that previously prevented foreigners from owning a home in Oman and limited GCC nationals to a maximum of three plots.

In the public sector, ongoing projects are going ahead, albeit at a slower pace. Inevitably, projects will be delayed as banks have been hit and finance is hard to come by. Also, a lot depends on how much a barrel of oil will fetch this year. Last year, the budget calculations were done based on the price of $45 per barrel – which at that time was considered conservative. The country predicted a deficit in its 2008 budget of $1.04 billion – with expenditure at $15.06 billion and revenue at $14.06 billion. This year's budget, too, has adopted the $45 benchmark. Ahmad Bin Abdul Nabi Macki, Minister of National Economy and supervisor of the Ministry of Finance, said that any deficit caused by prices falling below $45 would be covered by emergency reserve funds as well as restructuring projects.

An anticipated drop in oil prices and proceeds from non-oil exports would affect Oman's national economy negatively, he said, but added that it could be offset by the expected increase in oil production and some other sectors, the government's commitment to planned projects, and the improvement of the US dollar exchange rate.

Earlier, Abdul Malik Al Hinai, undersecretary of economic affairs at the economy ministry, had said Oman's economic growth could slow from seven per cent in 2008 to three per cent in 2009, and the country could revise its development plans from 2010 if oil prices stay low. However, the good news is that the government has no immediate plans to reduce expenditure. But if oil prices remain low, it could cut spending from 2010, Al Hinai said. More importantly, he said that tourism projects will not be revised. "Many of the projects have already been decided and there are enough resources to finance them. Maybe there will be a revision of the next development plan (2010). There may be some infrastructure projects that could be revised."

In terms of creating the requisite tourism infrastructure, Oman is building six new domestic airports, and expanding its two international airports, as well as its ports, and power and road infrastructure. In August alone, the Oman Tender Board (OTB) awarded contracts for 23 infrastructure projects worth RO759 million, primarily for Duqm port and roads and sewerage projects.

Oman's growing economy has created strong demand for housing in larger cities, real estate specialists say. According to one estimate, the country needs 20,000 to 25,000 residential units to meet the demand for middle and low-income housing.

Airports

The Minister of National Economy indicated last month that bids for the construction of the new departure terminal at the Muscat's Seeb International Airport will be invited soon, as RO186 million has been allocated for the expansion of airports at Muscat and Salalah and for new airports at Sohar, Al Duqm, Ras Al Hadd, Adam, Haima and Shaleem.

The expansion of Seeb airport includes construction of a new terminal, 32 air bridges, a new runway and an upgrade of the existing runway, a 90-m-high control tower and an air traffic management centre, and 6,000 parking spaces. Work is currently in progress on the initial phase of expansion, involving the construction of the northern runway and taxiway system,

along with aprons, roads, utility buildings and other civil works (see page 66).
The new terminal will have an initial capacity for 12 million passengers a year, up from the current 4.5 million. The project is expected to be completed by 2011. Three additional phases could increase capacity to 48 million passengers a year by 2050.

Work on the smaller Salalah airport is expected to be completed by 2011, involving the construction of a terminal with a capacity of one million passengers a year, rising eventually to four million. The existing runway and taxiways will also be upgraded to accommodate larger aircraft.

The new Sohar airport will be based near Oman's tallest mountain, Jebel Akhdar. Al Duqm international airport will service both the area's beach resorts and the proposed petrochemical complex.

Ports

Oman's 2008 budget set aside RO365 million for port projects, with RO199 million earmarked for Duqm port and RO66 million for quay walls in the third phase of Sohar Industrial Port. Despite the current global scenario, the second phase of the Duqm port project was given the go-ahead last month – with Jan De Nul awarded a €620 million ($887 million) extension of the existing contract currently being carried by the firm in consortium with CCC/STFA. With this contract extension, the total investment will amount to $1.43 billion with the additional work covering the extension of the breakwaters and deepening the harbour basin and entrance channel.

The consortium will require an additional two years for the completion of the expanded port complex, which is now due for May 2012.

Last February, a joint venture of Daewoo Engineering and Contracting of South Korea and Oman's Galfar Engineering & Contracting was awarded the contract to turn the port of Duqm into a major ship repair centre and industrial port complex. The ship repair facility will rank second only to Dubai, which is said to be the world's largest ship repair yard in terms of capacity. A full-fledged shipbuilding yard is also envisioned as part of the long-term development of Duqm Port.

Besides the ship repair yard, Oman's authorities have planned an ambitious industrial area and Free Trade Zone (FTZ) complex centering on the Duqm Port and dry docks project.
Meanwhile, Sohar Industrial Port is going ahead with the next phase of expansion. The project will involve the design, construction and maintenance of a deepwater jetty (see page 63).

Power & water

The sultanate will invest $1.7 billion in the power generation sector to raise its capacity by 2,000 MW until 2015, according to a recently-published report by Moody's, the credit rating agency.

Presently, plans are under way to implement four independent water and power projects

(IWPP), which will add 3,200 MW of power and at least 40 million gallons per day (gpd) of water capacity to Oman's existing infrastructure. These include the Barka 3 project, Duqm and Al Ghubrah West IWPPs, and the Salalah IWPP.

Plans for Barka 3 are reportedly being revised by its developer Oman Power and Water Procurement Company (OPWP). In its original configuration, OPWP had planned to develop Barka 3 as a 1,300 MW plant at either Barka or Sohar, which would have been the largest IWPP developed in Oman to date. Towards the end of last year, the OPWP indicated that it was exploring the possibility of dividing the capacity equally between two sites – at Barka in the northeast and at either Sur in the east or Sohar in the north.

In the case of Duqm and Al Ghubrah, four consortiums submitted their consultancy bids for the two projects last October. Duqm's 1,000 MW plant on a greenfield site is likely to be the country's first coal-fired power plant and forms part of a $20-billion project to develop Duqm. The Al Ghubrah West plant will add 500 MW of power and 25 million gpd a day of desalination capacity adjacent to an existing state-owned facility at Al Ghubrah.

During the last quarter of 2008, OPWP was also reported to be evaluating three bids for the Salalah IWPP, which will have a capacity of 400 MW of power and 15 million gpd of desalinated water.

Oman plans to invest more than $2 billion in its water sector under its 2006-2010 development plan – $1.82 billion for potable water and another $385 million for constructing dams. In June last year, the Ministry of Regional Municipalities and Water Resources outlined plans to construct a network of dams to regulate floodwater through wadis across Muscat.
After tropical cyclone Gonu hit Oman in 2007, two sets of flood protection schemes – for Wadi Adai and Wadi Samayil – have been planned by the authorities with the aim of securing major commercial and residential areas of the capital from flooding.

Roads & railway

Recognising that a sound infrastructure is vital to develop sectors like tourism and industry, the Oman government set aside RO730 million for road development under its 2008 budget, of which RO188 million was to be spent repairing damage sustained during Gonu.

New road projects include the Hasik-Al Shwimiah road (RO68 million), Al Amirat-Qurayyat dual carriageway (RO66 million), Salalah-Thumrat dual carriageway (RO48 million), and a RO50-million project to ease traffic congestion in the Muscat area. Other projects planned include the Birkat Al Mawz-Sayq Road phases One and Two, the $23-million upgrade of Wadi Adai-Al Amerat Road, and the $23-million, Rushtaq-Miskin Road.

Oman is considering building its first railway – a 200-km line between Sohar with Barka. It will initially carry goods between Sohar and Barka and will later be extended for passenger transport. According to industry sources, consultants have been appointed to carry out a feasibility study to build the railway network.