

BY SIMON WEST

SAUDI'S PROJECT COMMITMENT

GCC Country Still Expects Grand Development



Saudi Arabia's grand plan to open up its crude-dependent economy over the next decade is forging ahead, despite a deep recession caused by the double blow of Covid-19 and the oil price collapse.

Saudi Vision 2030, unveiled by Crown Prince Mohammed bin Salman four years ago, is seeking to diversify the nation away from oil and usher in a new era of economic sustainability. The government's National Industrial Development and Logistics Program, launched last year, is leading the charge to boost the GDP contribution of industry, mining, logistics and energy to 1.2 trillion Saudi riyals, or about US\$320 billion, by 2030.

Billions of dollars of investments

have been slated for new industrial projects, with breakbulk and project cargo movers already in the thick of the action.

Moataz Hussein, regional project and energy manager for logistics and freight forwarding firm Expeditors, said the current crisis is unlikely to knock long-term Saudi construction plans off course.

"It might still have its effect on pushing back some of the projects or at least pushing back the deadlines a bit, but at the end of the day I think all the plans in place are going to go forward," Hussein said. "Once the pandemic is over I expect Saudi Arabia will go full throttle on the direction of that Vision 2030."

Running parallel to the economic

shake-up is a nationwide policy designed to boost the role of male and female Saudi nationals in the private sector, dubbed Saudization.

More far-reaching than other local content initiatives in Gulf Cooperation Council, or GCC, countries, Saudization in one form or another has been around since at least the 1980s, but the policy gained momentum following the oil price crash six years ago and the launch of Vision 2030.

A focus on upping private-sector opportunities for Saudi citizens – and reducing an over-reliance on foreign workers – is seen as a surefire way to tackle local unemployment, which in this year's first quarter stood at 11.8 percent.



Saudization hiring policies affect
breakbulk and project cargo companies
operating in the Kingdom.
CREDIT: SHUTTERSTOCK



In line with the economic reforms, authorities are hoping that the Saudization drive will create 1.6 million new jobs across a range of industries by 2030, reducing unemployment to 7 percent over the same period.

“The Saudi government has a long-standing goal to bring its large native population into the private sector so that its economy can effectively function when peak oil demand takes hold and the Saudi government is no longer able to provide a generous welfare state for its citizens through public jobs and direct subsidies,” said Ryan Bohl, Middle East and North Africa analyst at U.S.-based consultancy Stratfor.

MEETING REGULATIONS

Saudization hiring policies, which affect breakbulk and project cargo companies operating in the Kingdom, are regulated by Nitaqat, a system that gauges the number of Saudi employees in a firm’s workforce against the number of non-nationals.

Companies are given colored ratings based on their compliance with the labor ministry’s local content targets – which vary from industry to industry – with red the lowest, then low green, medium green, high green and finally platinum.

A government decree in August for example ruled that 20 percent of all private sector engineering jobs from 2021 must be given to Saudi nationals. The quota applies to private firms with

five or more employees in engineering professions, and aims to create at least 7,000 new positions.

The majority of businesses operating in Saudi Arabia are ranked in “safe color zones,” according to the labor ministry, but those that pay scant attention to Nitaqat targets inevitably face problems.

“Red being the lowest rating, companies in this zone face challenges in terms of ease of doing business,” said Rafael Vicens, head of global projects and industry solutions, Middle East and Africa, for Germany-based logistics specialist DB Schenker. “If you are in the green or the platinum zone, you will get easier access to government permits, for example, to move cargo on the roads. One has the facility to hire expats, therefore their visa procurement process is easier.”

Operators in the red zone may also have trouble opening new branch facilities with the labor office, changing the occupations of their foreign employees and securing pre-qualification for government contracts.

According to Vicens, multinational project logistics firms typically employ Saudi nationals to manage functions such as accounting, sales and administrative roles, which require strong local knowledge. Expats on the other hand are either hired as skilled labor or in executive positions.

Companies operating elsewhere in the GCC, such as the United Arab Emirates, Qatar and Bahrain, where non-nationals make up the bulk of the labor force, often encounter skills shortages for many professions. Either education systems are not up to scratch, or poor training leaves candidates unprepared for private sector careers.

Not so in Saudi Arabia, Hussein said.

“Saudi is not short at all with the local talent. When project logistics look to hire the right people, the right talents are there in the market, people who have the skills, the knowledge and the qualifications to meet the positions. And I think Saudi Arabia’s Vision 2030 is just making sure to open the doors and giving this local talent an opportunity.”

LOCAL CONTENT LAWS

The success of the policy, from a Saudi standpoint at least, is yet to be seen. Unemployment in the country remains high and is likely to worsen amid the Covid-19 crisis, while many executive positions continue to be held by expats. Deeper structural reforms to Saudi Arabia's subsidy-laden political economy may be needed to achieve long-term employment goals, Stratfor's Bohl said.

A much-lauded result of the localization drive, however, has been the rise in female employment, especially in industries traditionally dominated by men. The Saudization of the private jobs sector has gone hand in hand with the easing of long-standing social restrictions, such as the right to travel abroad without needing permission from a male guardian, or the government's headline-grabbing decision two years ago to quash a decades-old law banning women from driving.

And as boundaries disappear, more

female workers are joining the sector's ranks.

King Abdullah Port, a privately owned terminal located on the Red Sea coast and a big handler of Saudi-bound project cargo, said it had broken the gender employment mold by hiring only women to staff its control rooms.

"More than 80 Saudi women work in control rooms, management, IT and engineering, the last being one of the final frontiers for Saudi women," a representative at King Abdullah Port told *Breakbulk*. "The vast majority of women hail from the surrounding area, a section of Saudi Arabia that for years has offered little in the way of employment beyond the petroleum facilities located there."

While Saudization has focused on boosting opportunities for its citizens, the policy is unlikely to close the door when it comes to project cargo involvement from other nations, with the success of Vision 2030 hinging on the kingdom's ability to lure overseas

investment and know-how to expand the private sector into an engine for growth.

"The Saudization program has helped and continues to help bring more employment opportunities for local nationals," said Haider Hussain, a Dubai-based partner at immigration law firm Fragomen. "The labor ministry has been in pursuit to balance that nationalization effort along with ensuring that the foreign expertise also continues to enter the Saudi workforce."

And as the country's efforts to reform the economy ramp up in line with its Vision 2030, that expertise will be called on to help the buildout of new industries.

RENEWABLES DRIVE CONTINUES

Although crude still accounts for about two-thirds of government budget revenues, and state-owned oil producer Aramco remains one of



King Abdullah Port broke the gender mold by hiring only women to staff its control rooms.
CREDIT: KING ABDULLAH PORT

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- Moataz Hussein, Expeditors

the world's most profitable companies, pressure to diversify the nation's domestic energy mix is building, with the focus on expanding renewable capacity.

According to the government, Saudi Arabia is targeting 60 gigawatts, or GW, of installed green energy capacity by 2030, of which 40 GW would come from PV solar plants, 2.6 GW from concentrated solar power, 16 GW from wind turbines and the remainder from other renewable sources.

Development of a sustainable sector, which could intensify amid the fallout from Covid-19 and the low oil

price environment, is expected to create up to 750,000 jobs over the next decade, the U.S.-Saudi Business Council said.

Although solar dominates, the expansion of wind power, of more interest to breakbulk movers, is starting to shape up.

Saudi Arabia's first-ever utility-scale wind farm, the 400-megawatt, or MW, Dumat Al Jandal project in northern Al-Jawf region, is slated to start commercial operations in 2022. Once completed, the facility, developed by a consortium led by France's EDF Renewables and the UAE's Masdar, will be the largest wind project in the Gulf.

In June, a first batch of 20 Vestas V150-4.2 MW wind turbines arrived at Saudi's Duba Port on the Red Sea coast, marking a milestone for the project.

According to Saudi shipping company Faisal M. Higgi and Associates,

which acted as the port agency for vessels delivering the turbines, additional cargo for the project is expected to arrive at Duba by the end of the year.

Managing Director Abdulaziz Higgi told *Breakbulk* that multinational heavy-lift and logistics specialists were needed to support the buildout of new industrial sectors in Saudi Arabia. "Such global companies could be considered as a kind of school and education place for Saudis to get experience and knowledge about such projects in the forthcoming years," Higgi said.

The country also has plans for off-shore wind development.

Last year, Italy's Saipem and Abu Dhabi-based renewables investor Plambeck Emirates signed a memorandum of understanding to build a 500-MW floating wind farm off the coast of Saudi Arabia. Further details on the project, including location, have not yet been disclosed.

PROJECTS ABOUND

Aside from renewables, exciting opportunities that point to a steady stream of contracts over the next decade include an expansion of the Two Holy Mosques, a US\$800 billion plan to double the size of capital city Riyadh and the development of so-called smart cities such as Neom on the Red Sea Coast.

Meaning “New Future,” the US\$500 billion Neom project was first announced in 2017, and when completed will include towns, ports, enterprise zones, sports stadiums and tourist destinations. The city, scheduled for completion in 2025, will be built on 5G technology and powered by renewable energy, and will eventually be home to 1 million people, according to the project’s official website.

“Cities are getting built from scratch, so opportunities are going to be there,” Expeditors’ Hussein

said. “I expect in the next period to hear about more and more projects in Neom that companies like us, as project logistics and service providers, will surely be able to add value to. Because it is not only about the city itself, but also each city like that will require a lot of support industries to be around it, such as port facilities, solar parks and desalination plants.”

Like everywhere though, supply chains throughout the region have been severely hit by the pandemic, causing project delays and bottlenecks. The crisis has pushed Saudi Arabia into recession, with the International Monetary Fund predicting the economy will shrink 6.8 percent this year.

Aramco, too, is feeling the strain: the world’s largest oil exporter reported in August that its second quarter profits had sunk by 73 percent as a result of lower sales. The crisis has forced the producer to cut

its capital expenditure plans this year and next.

Jobs markets have also been thrown into chaos, with the extent of the pandemic’s longer-term consequences yet to be revealed.

According to Fragomen’s Hussain, lockdown restrictions have slashed mobility and cross-border travel, forcing local businesses to temporarily adapt their hiring plans and to focus more on the local Saudi workforce to ensure companies keep ticking over.

“It will be interesting to see whether businesses will continue with the same strategy once Saudi Arabia opens its doors to the world again,” Hussain said. **BB**

Colombia-based Simon West is a freelance journalist specializing in energy and biofuels news and market movements in the Americas.