



Q&A PETER HALL, AL-HASSAN ENGINEERING COMPANY

Al-Hassan Engineering Company was set up in 1982 and is one of three strategic business units in the Al-Hassan Group. It operates in Oman and the UAE, providing engineering, procurement and construction services for projects across a wide range of sectors, including oil and gas, petrochemicals, power and water, and wastewater. In 1998, the division became the first contracting company in Oman to be listed on the Muscat Securities Market. Peter Hall is the chief executive officer (CEO).



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How healthy is the construction sector in Oman at the moment?

The outlook for the construction sector remains positive. Oman's rapidly increasing population, which currently stands around 2.9 million, is driving demand for energy and associated infrastructure. The Omani government's five-year spending plan has assigned \$78bn to infrastructure investment, the majority of which will go towards developing transport and social infrastructure.

The government is investing heavily in rail, air and sea infrastructure in an effort to diversify modes of transport and encourage tourism. There has been heightened interest from developers in tourism. All these developments indicate a strengthening market.

How does the situation in Oman compare with other GCC markets?

Unlike other places in the GCC, such as Saudi Arabia and Qatar, foreign firms find Oman easy enough to operate in. In fact, the Oman Tender Board actively encourages international players into the market, and its tendering pro-

cess is seen as one of the fairest and most transparent in the region.

How is your company reacting to increased competition in the Omani construction sector?

In order to maintain and build on our current market presence and develop the growth that we are targeting in our various business sectors and markets, we must continue to be competitive against ever increasing levels of competition. The various efficiency improvements and cost optimisation programmes we have been running throughout our business have proven to be and will continue to be key to our success.

What are the key government projects and how crucial are they for the construction industry and the country?

Government investment in infrastructure is crucial given that, at current output levels, known oil reserves are pre-

dicted to be exhausted within 20 years. Plans for the national rail network are moving ahead, with the first phase of the 1,000-kilometre track linking Muscat to the UAE to be completed by 2017. Over the next five years, six new airports are to be constructed across the country and expansions of current airports are also expected, while Sohar Industrial Port Company is interested in constructing a new port city project at Sohar at an approximate value of \$1.2bn.

Projects in the energy sector represent 61 per cent of total construction projects [and] \$7.9bn will be invested over the next six years in five IWPPs [independent water and power projects].

What are the most significant projects that Al-Hassan Group is working on?

One of our current major projects in Oman is the Saih Nihayda depletion compression project where GS E&C of South Korea awarded a major portion of its construction work to us. Also, the civil and building works at the Barka-3 independent power project [being developed by Oman Power & Water Procurement Company]; and construction of a complex power transmission and distribution system for [US oil major] Occidental's production facility at Mukhaizna.

We are also providing civil and architectural works for the sewage treatment plant at Al-Seeb for Hyundai Rotem [of South Korea], and Petroleum Development Oman awarded the contract to Al-Hassan Engineering Company for executing the prestigious Zauliyah gas compression project on an engineering, procurement and construction basis.

do this. The group's contracting division is now getting involved in larger engineering, procurement and construction (EPC) projects.

This will most likely entail alliances or partnerships with larger international firms and there is reason to think that the strategy could pay off. In September 2012, the contracting division partnered with Spain's Técnicas Reunidas to win a three-year EPC contract for the Zauliyah gas plant being developed by state-owned Petroleum Development Oman.

MEED ASSESSMENT

Oman's economy is growing at a healthy pace, not least because of strong government spending, which is helping to fuel activity in the construction sector in particular.

This bodes well for local contractors and construction industry suppliers such as Al-Hassan Group. However, there is only so much growth possible in a country the size of Oman, which has a population of less than 3 million and had a total gross domestic product of \$72bn in 2011.

It is difficult to get a clear view of how well Al-Hassan Group is performing as no accounts are publicly available. The only part of the business that does release financial data is its listed subsidiary, Al-Hassan Engineering Company.

In 2011, the division posted a 1 per cent rise in revenues, but an 8 per cent fall in net profit compared with the previous year. Revenues continued to fall in 2012, dropping 18 per cent from 2011 to RO50.2m. The company made a net loss of RO3.6m for the year.

The figures reflect increased competition in Oman. According to other contractors in the market, price is often the most important factor in contract awards, trumping other issues such as quality. The falling revenues and the losses suggest Al-Hassan Group might be suffering from similar problems those other contractors have seen, including delays to state contracts.

The group's presence in the UAE should pay off in the coming years if the improvement in Dubai's economy continues and Abu Dhabi recovers as expected. But further diversification and the development of more export markets would help it to resist troughs and competition in the local market more easily.

Dominic Dudley