Delivering the GCC’

The GCC member states are pushing ahead with plans to develop an integrated railway network between Oman and Kuwait. **Kevin Smith** reports from the GCC Metro and Rail conference in Muscat where the leading lights in the GCC railway industry gathered to discuss progress and the challenges facing this mammoth project

THE Gulf Cooperation Council (GCC) was founded in 1981 as a trade bloc with the mission to improve the cooperation, coordination and integration between each of its six member states: Saudi Arabia, the United Arab Emirates (UAE), Qatar, Oman, Kuwait and Bahrain. Fuelled by its oil and gas riches the region has gone through untold changes in the 34 years since with glitzy skyscrapers in all the leading cities hinting at their new-found wealth and modernity.

Despite the individual states’ success at accumulating petroleum riches - the GCC is now the world’s 13th largest economy and fifth largest exporter - desire for greater integration has not diminished: a joint power infrastructure project is up and running and a custom union intended to boost trade within the GCC was enacted on January 1 following more than a decade of negotiations. A shared water project is also scheduled for completion by 2020, while there is a proposal to introduce a joint currency, the Khaaleji.

Competing with the currency union for ambition is the region’s railway project. Running from Oman to Kuwait, the idea first emerged around 2005, and in 2009 an agreement was signed by each state to develop a 2177km network. However, unlike many other integrated railway projects talked up around the world but struggling to get off the drawing board, the GCC is pressing ahead (see panel p31).

With only Saudi Arabia having any pre-existing railway infrastructure, the GCC is in an advantageous position over other cross-border schemes because it is developing a greenfield project. While daunting in scale, the GCC has the opportunity to build infrastructure to unified and established standards avoiding historical gauge differences and variations in signalling systems, as well as the political stumbling blocks which are holding many other projects back.

Yet developing a railway from scratch in a region with limited past expertise comes with challenges. This is resulting in delays, and as the years slip by and deadlines are extended, the 2018 opening date appears increasingly unrealistic.

Nevertheless the region’s railway CEOs and transport ministers remain bullish that the deadline will be met. Indeed in their presentations at the GCC Rail and Metro conference, which was hosted by Oman’s Ministry of Transport and Communications in Muscat in January, there are no extensions in their overall timeframes for implementation, just reductions in the expected construction period.

Etihad Rail’s acting CEO Mr Faris Saif Al Mazrouei told the conference that continuing government support, and their success at implementing phase 1, means that the deadline remains achievable. “The government is behind this and there is the initiative and leadership to get this done otherwise you would not see us here,” he said. “We are working on making this happen and it will happen.”

His contemporary at Oman Rail,

s integrated railway

Mr Abdulrahman Al-Hatmi, was equally forthright.

"We can see the level of commitment to this project," Al-Hatmi says. "It was suggested that we don't look to 2018, but to 2020. But we said no, we have to stick to it, because psychologically if we say 2020, it will happen in 2020 or even later. That is why we need to stick to 2018."

Dr Abdul Latif bin Rashid Al-Zayani, secretary general of the GCC, expressed a more pragmatic view. He described the development of the integrated railway as "a dream" for the leaders of the GCC but emphasised the importance of getting the project right. "It is better to be late than to rush," he said.

With work underway to establish cooperative agreements with the Intergovernmental Organisation for Carriage by Rail (Otif), the European Railway Industry Association (Unife) and European Railway Agency (ERA), he revealed that the GCC is conducting a study to establish a regional railway regulator. "Without a proper GCC regulatory authority there is no integrated railway," he said.

This view was supported by Ms Maryam Ahmed Jumaan, undersecretary for land transport at Bahrain's Ministry of Transport.

"The GCC secretary general is acting as the project manager for the GCC rail alliance," Jumaan said. "This covers technical and operational requirements. That is happening. However, the key for us and for all the member states is that because all of the projects are taking place at the same time, we are all competing for the same resources. Having a strategy to manage that is critical to ensure that costs are kept under control and all of the targets are met."

As the smallest GCC state, Bahrain's concerns at getting a fair deal for its rail and causeway projects are understandable.

A centralised procurement strategy and labour market could reduce costs and ease pressure on resources. For example there is huge demand for TBMs with Qatar alone planning to purchase 18 over the next two to three years, while Riyadh will require seven to eight for its metro projects. A regional authority would also have the foresight to tackle operational challenges for a railway crossing a vast territory and six states. This includes the issue highlighted by one delegate of the difference in requirements for wagons operating on Oman's network, which will feature severe gradients due to its topography, and the rest of the GCC, which is relatively flat.

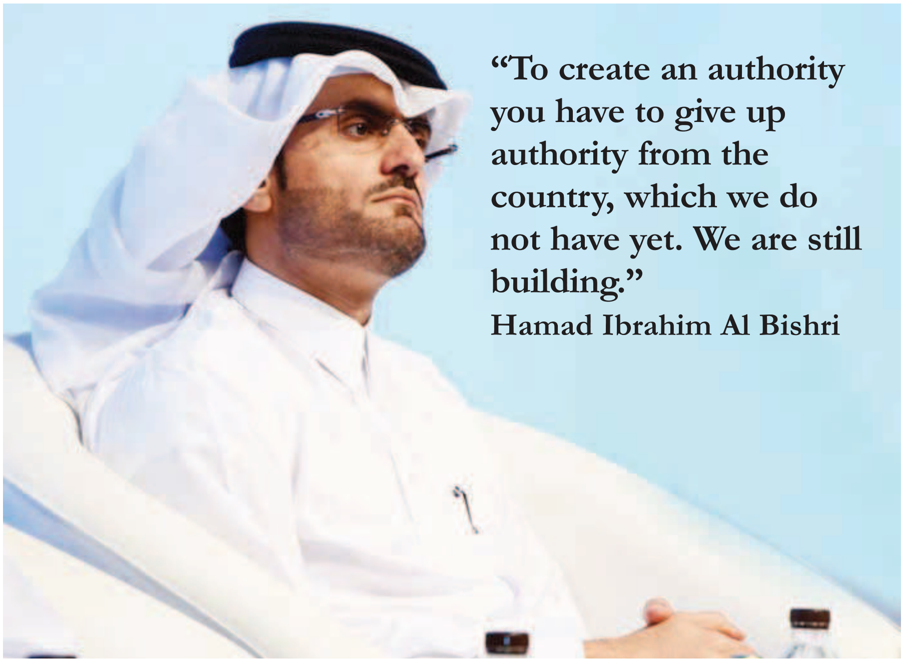
However, the GCC railway project accounts for only 2177km of more than 40,000km of both main line and urban railway infrastructure planned across the GCC, and only $US 15bn of the expected $US 200bn investment. As a result there is a general reluctance from the newly formed railways to cede greater power to a centralised body at this stage, which they fear could jeopardise their national programmes.

Responding to Al-Zayani's comments, Dr Ahmed Bin Mohammed Bin Salem Al-Futaisi, Oman's minister of transport, said that due to the size of the project and the differences between the respective states, which have limited railway experience, it makes sense for each country to lead its own efforts. "For us as the programme manager it is important to make sure that there is an environment within Oman in which the project can progress satisfactorily," he said. "I think this is a much better model than the centralised model."

"Without a proper GCC regulatory authority there is no integrated railway."
Dr Abdul Latif bin Rashid Al-Zayani

Arguments that the GCC should look to a regulator based on the European Railway Agency (ERA) model were also largely dismissed.

Mr Philippe Citroën, director general of the European Railway Industry Association (Unife), said that given the time it took to form ERA, developing a centralised strategic body should be an immediate priority for the GCC to avoid the mistakes made in Europe. Brazil's recent agreement to share best practice with ERA already shows its international reach, while Citroën pointed to the example of the Californian High Speed Rail Authority which is adopting some of the European Technical Specifications for Interoperability (TSIs) for the Los Angeles - San Francisco project.



"To create an authority you have to give up authority from the country, which we do not have yet. We are still building."
Hamad Ibrahim Al Bishri

"The tools are there, the documents are there, we have the proper framework," Citroën said. "We are developing a single system for Europe through the nine corridors, and by looking to do something similar here, we think the relationship between the GCC and Europe will be strengthened."

However, Mr Hamad Ibrahim Al Bishri, deputy CEO of Qatar Rail, said that he does not feel the GCC's railways are "mature enough" to establish such a body, which is not yet a priority for the GCC. He added that the existing GCC railway steering committee, which meets four times a year to discuss interoperability issues, is sufficient for now.

"To create an authority you have to give up authority from the country, which we do not have yet," Al Bishri says. "We are still building, and this is the problem. The most essential thing is to agree on the minimum requirements and the minimum standards - safety, gauge, signalling, platform height, all of these things, which we have done.

"I think that when all of us are in operation and all of us are mature enough we can start to establish a regional body and a GCC authority to take care of this. But in doing so we shouldn't create another layer. We already have a rail operator in each country. We don't want a regulator of a regulator. We need someone to organise more than we do already."

While the national railways are

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Dr Rumaih Al-Rumaih says privatising operations will provide the GCC's railways with the best opportunity to make a profit.

focusing largely on their own internal affairs at present, there are some signs of GCC integration in shared training proposals. Delegates at the conference agreed to prepare a detailed study to create a development fund to promote sustainability in the GCC railway sector. Funded by the GCC member states, this will look at establishing training programmes and a GCC railway academy, as well as support local research and technology initiatives, and study and establish programmes to localise supporting industries and knowledge and experience.

Saudi Railway Company (SAR) CEO Dr Rumaih Al-Rumaih also expressed his willingness to share Saudi Arabia's railway training academy, and highlighted its existing cooperative arrangements with Etihad Rail. "Sharing our experience and expertise is very important and we would welcome our partners from the GCC," Al-Rumaih said.

Private partners

While an ERA for the GCC seems a little way off at this stage, one area where the European model is finding credence is the institutional split between infrastructure ownership and operations. Al-Rumaih said he favours a model of infrastructure owned by the government and operations run by the private sector which will optimise opportunities to run a profitable service.

"It must be privatised," Al-Rumaih said. "This is definitely something that we need to work on to make sure that there is healthy competition."

In addition to operations there is an emphasis across the GCC on attracting private firms, and small and medium-sized enterprises (SMEs) in particular, to the railway projects to boost domestic industry.

Oman is embracing this notion by including an in-country value (ICV) clause to require 10% of the value of contracts to go to local companies. It has outlined 265 categories in which the private sector, including domestic companies, can participate. The result is that all of the prequalified bidders for its inaugural civil works contract have established partnerships with local contractors. Qatar Rail has similarly awarded 69% of its subcontractor contracts for the Doha metro project to Qatar-based companies.

Saudi Arabia is also emphasising localisation in its projects and is encouraging the establishment of domestic manufacturing facilities. For example, Voestalpine recently opened a turnout production plant in Riyadh, in Dammam Freight Car America is supervising the production of 250 cement wagons, and Vossloh and its Saudi partner Masar are building a turnout plant, while Timken and Plasser & Theurer are expected to develop their own Saudi-based facilities.

However, Al-Rumaih cautioned against including local SMEs at the expense of the project.

"It is a challenge to keep SMEs involved in everything," he said. "It is true that local contractors are part of the consortium, it is a must. But the SMEs must add value. If they are only start ups, they offer no value to the project itself. The SMEs should focus on the innovations they can bring because they are there as subcontractors."

Interest in attracting private finance to support future projects is also growing. While the GCC's current railway undertakings are predominantly government-funded, many upcoming projects, particularly urban transit schemes are looking at alternative means of funding including private finance, bond issues and public-private partnerships (PPPs).

Mr Mario Salameh, managing director of project finance for Middle East North Africa at HSBC, told the conference that there is little desire for a bank to support a 100km freight railway through the desert. However, he does see long-term potential in infrastructure investments in the Middle East, including railways, through project finance or on a corporate basis.

"The bank's role is to finance projects that are strategic and important for the countries, their economies and people," Salameh said. "I look at the rail industry, especially from a passenger model in the region, and there is a huge and important business rationale so naturally the banking community is interested in becoming involved."

Private investments may become more common in the GCC if the current low price of oil, which is hovering around $US 50 a barrel compared with around $US 100 a year ago, persists. However, the notion of this current trend affecting railway projects in the long-term was strongly dismissed during the conference.

"I think we need to look back at the history of the GCC states," said Dr Abulla Bilhaif Al-Nuaimi, the UAE's minister for public works and chairman of the Federal Authority for Land and Maritime Transport. "This is not the first time we have faced such a challenge and we have the capacity, the ability and desire to face this challenge. The existing projects will continue."

Indeed rail is considered a vehicle to delivering greater diversity in the GCC economy by enabling states to tap into their vast mineral resources. For example, Oman's network is designed to connect with existing and prospective mining sites while Etihad Rail's inaugural project will establish the UAE as the world's largest exporter of granulated sulphur. In addition UAE deputy prime minister Sheikh Saif bin Zayed's recent remarks that oil will account for only 5% of the UAE's GDP by 2021 compared with 30% at present, and 90% in the 1970s, reflects its economic diversification efforts.

The integrated railway project may not open in 2018 as is widely hoped, but it will open. And when it does, it will serve to boost trade within the GCC, and from this global economic powerhouse to the rest of the world. **IRJ**

GCC network takes shape

SAUDI Arabia is responsible for two projects and 633km of the total network, including the Ras Al Khair to Jubail section which is currently under construction. The plan is to extend this line north to Al Khafji and Kuwait, and south to Damman (IRJ June 2014 p18.).

However, as Saudi Railways Organisation (SRO) president HE Mohammed Khalid Al Suwaiket indicated to IRJ in May 2014 (p18), delays with the Kuwaiti segment mean the southern section is the priority. From SRO's line at Hofuf, the line will run to Salwa and Batha to link with the UAE's 628km section which is the second phase of its network plan. The line runs from the Saudi border via Habshan to Al Ain to Oman's railhead at Buraimi. Tenders for the project were issued as long ago as 2012 but Al Mazrouei says the UAE government is close to granting approval to proceed. Oman is also expected to award civil works contracts for its initial 207km phase by the end of the year (p32).

Qatar, while currently focusing on metro and light rail projects in Doha and Lusail ahead of the football World Cup in 2022, is also committed to its long-distance agenda. Preliminary design of the 510km network is complete and preparation for procurement is underway. The network consists of a mixed passenger and freight line from the Saudi Arabia border to Doha, and from Doha to Dukhan and Al Shamal, a dedicated freight line from Port Mesaieed to Ras Laffan and a high-speed line via a new causeway to Bahrain.

Following delays in 2014, there was a fresh call last month to prequalify for the project's phase 1 civil works tender, which includes construction of 143km of line, including 26 bridges, and three freight terminals and an intermodal hub. The tender is expected to be called by the middle of the year and awarded in the second quarter of 2016. Work is due to commence the following quarter and conclude in 2018.

A little further behind is Kuwait which is planning a 574km network to link Al Khafji, Saudi Arabia, with Al Nuwaiseeb, Shuwaikh and Al Shoiaba ports in Kuwait City and the future Mubarak Al Kabeer port on Bubiyan island, terminating at Al Abdali, close to the border with Iraq. Kuwait's Municipal Council approved construction on January 22 and the Ministry of Communications is now coordinating plans with other government agencies and ministries to finalise the alignment. Prequalification of consultants for design work is currently underway and the ministry says it hopes to begin construction next year.

In Bahrain studies of the dedicated causeway to Saudi Arabia by Canadian consultancy SNC Lavalin are nearing completion with the results set to be made public in March. Two routes are proposed for the 87km link which will include 28km of approach tracks, a 26km causeway and 10km bridge. Construction is expected to take five to six years to complete with a provisional opening date of 2022, although Jumaan stated that 2018 "remains the target."