

# Oman Tourism: Open for Business

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## Oman's tourism drive

Oman recently implemented a definitive strategy to push forward with its economic diversification strategy and one of the key beneficiaries of this strategy is the tourism and leisure sector, which aims to capitalise on Oman's unique topography and outstanding natural beauty. As a tourism destination, Oman has often been overlooked by travelers for countries either further afield or in favour of other more obvious destinations in the Middle East. The Government is determined to change the status quo and increase the number of visitors to Oman by five times the current level by 2040. It proposes to do this by showcasing a variety of natural and manmade attractions and provide incentives to leisure companies and hotel operators to introduce their brands to the Sultanate.

## Increasing Capacity

Figures provided by the Ministry of Tourism highlight that the number of licenced hotels increased by seven percent from 2014 to 2015. More recent statistical information highlights that the number of hotels in operation in Oman stands at over 352, with 81 alone opening in the period 2017 - 2018. Increasing hotel capacity is one way to stay ahead of the expected growth in tourism numbers, which are anticipated to hit five million visitors per annum by 2020. Numbers of temporary leisure accommodation, including hotel apartments, lodgings, and boutique hotels, is also increasing as the Sultanate prepares to cater for visitors from around the world with different budgets.



## Room for Growth

The vast majority of visitors to Oman are from the GCC region, followed by the Far East and Europe. As the category and background of visitor coming to Oman changes over the coming years, the leisure accommodation market will need to diversify to cater to these different needs and expectations demanded by the modern international tourist. Locations of hotels, facilities offered, and proximity to key attractions will all play a part in the decision making of operators looking to establish a footprint in the Sultanate. Based on studies put together by the National Centre for Statistics and Information, conservative growth of the tourist economic activity is placed at eight times current levels, with a more optimistic view being at

12 times current levels. Growth in the sector is expected to create over half a million employment opportunities by 2040 and add further number to the burgeoning small and medium enterprise sector. The contribution to GDP is expected to grow from the current sub two percent level to around six to ten percent during the next 25 years.

## **Clusters**

The Government is aware that increasing hotel stock by itself will not create a tourism drive. The Government plans to develop and market a range of cluster destinations to offer visitors a wider variety of experiences, the aim being to encourage longer stays and returning visitors. The clusters will seek to capitalise on the natural and cultural resources in fourteen locations across Oman, many of which are already well known to tourists visiting from the GCC region.

## **Training institutes**

Tourism cannot occur without structural change. The Government plans to work with existing colleges and other educational centres to provide the requisite top quality training to those intending to work in the tourism sector in Oman. The Oman tourism strategy contains a detailed plan on training and educational needs that will take place to prepare the workforce in this sector. Formal training programmes in Oman and in specialised institutes abroad will be offered, in addition to on-the-job training in Oman.

## **Costs**

The estimated cost of implementing the strategy is in the region of USD 35 bn, most of which is expected to come from the private sector. This estimate includes upgrading existing transport and urban infrastructure and developing the clusters around the country.

## **Conducting Business in Oman**

The current international model of conducting business involves operators licensing the right to use their brand to a land owner who will construct a hotel and obtain all licences in connection with conducting business in Oman. Land owners will be advised to clarify that the land is permitted for tourism purposes and that any restrictions on the leisure facility, for example obtaining an alcohol licence, are limited to enable the business model to flourish. Maintaining all business licences is obviously key to ensuring that there is no business interruption. The current model also provides that the vast majority of the business risk remains with the owner of the land and issues, such as compliance with labour, environmental, and taxation laws rests solely with the land owner, meaning that that the operator can administer the business relationship predominantly through the contractual arrangements entered into with the land owner, without having to become an expert in and ascertain the risks of entering a new legal jurisdiction.

One of the key advantages afforded to the tourism sector is that when incorporating a legal entity through which to run the business, establishing the commercial registration licence and tourism licence (two of the key licences that are required to validly conduct business in Oman) have become easier and more efficient to obtain. The Ministry of Commerce and Industry, the body responsible for authorising the business licence, has taken a more pragmatic view to new company registrations and documentary requirements. The requirement to provide evidence of paid up share capital has been relaxed somewhat over the last 12 months. This, in part, has enhanced the incorporation application procedure and promoted Oman several

places higher in the World Bank's "Doing Business" publication. In the Middle East economy rankings, Oman was recently elevated to position number one for ease of starting a business.

