

Declaration of Intent: Transport and Logistics Infrastructure in Oman



Diversification, Transport and Logistics

Oman's 2040 initiative and its Tanfeedh programme for economic growth both cite the tourism and logistics sectors, amongst a handful of other sectors, as key growth areas in achieving the government's principal strategy of diversifying the Sultanate's economy away from dependence on its diminishing natural resource reserves. The recent transport infrastructure advances highlighted below will further enhance Oman's long record of providing a stable, business friendly environment with consistent infrastructure investment.

As highlighted in our earlier articles, legislation to facilitate enhanced public private partnership initiatives for government projects in Oman is expected to come into force soon. While the legislation has been under discussion for some time it is still possible that significant investors and influencers can inform the legislative framework, which the government clearly views as a vital part of its economic strategy. His Majesty Sultan Qaboos has himself recently stated: *"The private sector must play a greater role in supporting and diversifying the national economy. This should be done in concert and harmony with the efforts exerted by the government to stimulate domestic and foreign investment. It is to be done by establishing a new infrastructure; continuing to maintain the existing foundations upon which we have built; providing a wide range of services; improving the atmosphere of general investments; and instituting a programme of privatisation. This programme will help the continuation of economic growth, increase the efficiency of productivity and avoid monopolisation."*

Airports and Airlines

The most visible and arguably impressive testament to Oman's commitment to sustainable organic growth of a diversified economy is the US\$1.8 billion development of Muscat International Airport, including its 580,000 sq m passenger terminal. Opened in the first half of 2018 in tandem with the closure of the old airport, the new airport can handle forecasted passenger traffic of 48 million passengers per year by the time all four phases of development are complete.

The opening of Muscat International Airport followed the opening of a new terminal at Salalah International Airport in the south of the Sultanate in 2015. Passenger traffic at Salalah roughly doubled to 1.5m passengers between 2014 and 2017.

Sohar Airport is located about two hours' drive west of Muscat on the coast in the north of the Sultanate. It opened in 2014 and commenced international flights in 2017. The airport complements the key logistics hub of Sohar Port and Free Zone. Sohar Port has seen increased activity pursuant to recent changes in the political landscape in the GCC.

Operations at the Duqm Airport passenger terminal commenced on 16th September 2018. The development of the Special Economic Zone at Duqm represents to many commentators Oman's most visionary project due to its strategic location, half way down Oman's eastern coast, mid-way between Muscat and Salalah, with the potential to forge rail and road links with Saudi Arabia and the rest of the GCC. Duqm's location has the potential to facilitate some shipping being able to avoid passing through the Straits of Hormuz, aiding its ambition to secure its place as a key infrastructure and logistics hub in this region and the world.

In February 2018, national carrier Oman Air further expanded its roster of routes. Oman Air ultimately plans to increase its passenger numbers to 39m passengers per year by 2030. A new fleet of Boeing 737 Max aircraft is being acquired in stages with 35 planes already delivered in 2018 with the balance of the fleet to follow in addition to further new Boeing 787-9 Dreamliners. Meanwhile low cost carrier SalamAir has expanded its local, regional and international routes, since its 2016 operational launch, including cost effective travel to Salalah, the GCC, Iran, India and Pakistan.

Maritime and Shipping

The Oman Logistics Strategy 2040 sets out the government's aim for the logistics sector to become the second largest contributor to GDP after hydrocarbons. The initial target of an US\$7.8 billion contribution to GDP by 2020 is evinced by the ambition and breadth of Oman's vision for its ports.

The evolving development at Duqm has seen Oman Drydock Company announce an expansion program that will see it capable of building both ships and oil platforms by 2020, in addition to its current repair and maintenance operations.

Further maritime services capacity in the Sultanate will arise pursuant to proposed increased and diversified cargo handling at Salalah with the development of an agri-products terminal. The terminal will provide bulk freight and grain handling capacity of 15,000 tonnes per day and storage for 60,000 tonnes of grain. A second phase of the project will double throughput capacity. The project will provide opportunities for equipment and service providers. Significant contracts for multipurpose ship loading equipment, for transfer of aggregates and mining sector cargo, have already been awarded to international concerns.

A memorandum of understanding has been signed for a new dry cargo port at Khazaen Economic City, 60km north of Muscat. The 51m km² integrated logistics hub will be the first to host dry dock facilities and should ease congestion and assist cargo flow between ships and land transport. The hub will be served by road connectivity to Sohar Port, airports and logistic providers on the densely populated north coast of the Sultanate. Collaboration with Suwaiq Port is expected to develop in the medium term.

Roads

Oman has been assiduous in investing in its road infrastructure while developing the major logistic nodes of airports and ports. Oman has completed the Batinah Coastal Road, Bidbid-Sur dual carriageway and Batinah Expressway, which connects Muscat to the UAE border. Work continues on the Adam-Thumrait road dualisation project. This network of roads will connect the whole country and its ports, easing movement of goods and trade within the country and beyond.

Opportunities

The price of crude recovering to over US\$80 per barrel (at the time of writing) and Oman's fiscal discipline since the 2014 drop in oil prices should translate to further investment in infrastructure projects. Prior to the improved outlook for crude, Oman had planned its 2018 budget on the basis that it would maintain its dramatically reduced 2017 budget deficit at the same level in order to re-invest better revenue receipts, from an expected oil price of just USD50 per barrel. The dramatic increase in the oil price to well above the best-case scenario forecast of USD50 per barrel will have given the government finances a very welcome and unexpected boost. With logistics being one of two of the key focus sectors for the commitment to diversification of the economy beyond hydrocarbons, opportunities for domestic and foreign investors in Oman's exciting transport and logistics sectors and associated services and supplies continue to present themselves. The Khazaen initiative in particular demonstrates Oman government's commitment to continued investment in the logistics sector in partnership with both regional and international private sector investors.

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