

KINGDOM OF SAUDI ARABIA
Saudi Arabian General Investment Authority
(SAGIA)

SAGIA Transportation & Logistics Sector

2010



Introduction

The Kingdom of Saudi Arabia is located strategically between 3 continents namely; Asia, Africa, and Europe. The Transport and Logistics (T&L) Sector in Saudi is supporting a population of 27.14 millions (2010), and within only 3 hours flying radius, the T&L sector can serve for both cargo and passengers more than 250 million inhabitants. Considering even wider service circle, the Two Holy Cities of Makkah and Madinah located in Saudi Arabia, this makes a great value proposition of the wider Muslim world where Saudi Arabia T&L sector can also provide services to a wider 1.4 billion Muslim consumers.

Economic indicators for 2010 states KSA GDP growth to 3.2%, and as emphasized in the 9th Five-Year Development Plan (2010-2014) GDP growth expected to raise to 5.2%. For the Transport and Communication Sector alone, Government expenditure in 2009 was SR 58.3 BN which comprised 6.8% of GDP. By 2014, Government expenditure expected to rise to SR 78.3 BN (7.1% of GDP) – growth rate of 6.1%.

Furthermore, the 9th Five-Year Development plan estimated Government spending on Transportation Sector (including Ministry of Transport, Railway Organization, Ports Authority, and Civil Aviation Authority) to increase from 8th Five-Year Development plan by 97.5% (from SR 51.4 BN to SR 101.5 BN).

The Saudi Arabian General Investment Authority SAGIA developed 2005-2010 strategy with a **Vision** to achieve rapid and sustainable economic growth in Saudi Arabia by capitalizing on the Kingdom's competitive strengths as the global capital of energy, and as a major hub between East and West.



Transportation and Logistics (T&L) Sector

SAGIA's **Mission** is to position Saudi Arabia among the top ten most competitive nations through the creation of a pro-business environment, a Knowledge-based society, and by developing world-class "Economic Cities".

A major part of SAGIA endeavor has been the Kingdom's launch of 4 new Economic Cities (ECs) with the aspiration of delivering a significant portion of the required growth. Transportation and Logistics (T&L) plays a crucial role as an enabler and prerequisite for growth in the country as well for the Economic cities. As a result of the economic growth and the development of ECs, annual cargo volumes will triple from 300 million tons in 2005 to around 900 million tons in 2020. 60% of the growth is due to basic demand growth, 30% due to the development of ECs, and 10% due to the successful leverage of launch pads on the Red Sea. The international share of cargo movements will increase to more than 60% in 2020 with a shift to relatively more trade with Middle East and Africa. Domestic volumes will remain to be predominantly transported by Road and Rail, while international volumes will be transported mainly by sea. KSA's unique location at the Red Sea allows launch pads to contribute ~10% to overall logistics demand growth by 2020.

Transport and Logistics (T&L) Sector in SAGIA is aiming to leverage Saudi Arabia's geographical position as a hub between East and West by working with relevant authorities to develop the country as an efficient launch pad for goods and services.

T&L Sector plays a major role to fulfil SAGIA'S vision and mission through developing transport infrastructures in the economic cities and in the base economy; through developing world class logistics hubs in economic cities; and through participating in creating pro-business environment and attracting investments to the economic cities.



The T&L sector in SAGIA was established in 2005 with a vision and missions complementing SAGIA's strategy.

T&L Vision is to position Saudi Arabia as a global launch pad and major hub between East & West.

T&L Mission is to develop the globally most competitive multimodal, integrated transportation infrastructure & systems, led by a comprehensive supply chain and logistics network"

SAGIA T&L Sector plays a major role in promoting key business opportunities to attract potential private partners, investors and stakeholders to invest in the sector. It aims to be the first and last destination to all investors interested in investing in all means of Transport and Logistics infrastructure and services in the Kingdom, while also providing all essential information about all business opportunities in the Sector and connect relevant Stakeholders and Government Agencies with investors.

As a focal point to the various Base Economy and Economic Cities, T&L will promote, facilitate and ensure the private investments are provided with necessary information to conduct due diligence and feasibility studies related to investment projects. SAGIA Transportation & Logistics Sector will also provide comprehensive support in licensing/marketing services for potential investors and match make identified investment opportunities in the transport and Logistics sector with key local players.

Status of Transportation and Logistic Sector

In Saudi Arabia, various government agencies play significant role in all levels of management in the T&L sector. All modes of transport; Road, Rail, Seaports, and Airports complement the infrastructure for the T&L sector. Those government agencies play complementary roles to provide comprehensive infrastructure and services to users in the T&L sector.



Transportation and Logistics (T&L) Sector



**Ministry of Interior
(MOI)**
Traffic Department



**Saudi Arabian General
Investment Authority
(SAGIA)**



**Ministry of
Transport (MOT)**



**General Authority of
Civil Aviation (GACA)**



**Ministry of Finance
(MOF)**



**Saudi Port
Authority (SPA)**



**Ministry of Economy
& Planning (MOEP)**



**Saudi Railway
Organization (SRO)**

**National and International
Private Sector**

Transportation and Logistics Sector Profile

With the right incentives and by leveraging the countries strategic location to attract more traffic to its Seaports, Airports, Logistics network; Saudi Arabian Government aims to strategically privatize operation and Management of components of the Transport and Logistics Sector. T&L sector Infrastructure coupled with best practices regulations will provide needed ingredients to position Saudi Arabia as a country of choice in the MENA region and be positioned as a global hub for cargo and services.

1) Rail:

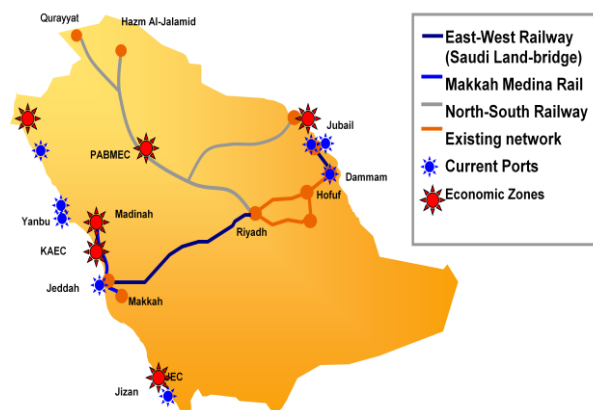
- a. **The existing railway network** of Saudi Arabia connects the port of Dammam to the capital Riyadh. This infrastructure of the current railway network comprises two mainlines and one branch line with a combined length of 1,018 km. The two mainlines 1 and 2 run in parallel between Hofuf and Dammam, but are operated as independent single lines.
- b. **Saudi Arabia's North-South Railway Project**
Saudi Arabia is undertaking a multibillion Saudi Riyals initiatives to develop a 2,300 kilometer north-south railway system that will link the northern mineral mines of Al Jalamid (phosphates) and Az Zabirah (bauxite) to processing facilities in Ras Azur on the Arabian Gulf. The railroad will also be extended to serve general freight and passenger along the line from Northern region to Riyadh through Hail City. Project under aggressive construction schedule and will be operational by 2012. The Saudi Government has established a 100% Government owned company with the intention of privatizing Operations and Maintenance.



Transportation and Logistics (T&L) Sector

c. Saudi Landbridge Railway

The project will involve construction and operation of 945 km of new standard-gauge track from Riyadh to Jeddah as well as a new 115-kilometre spur from Dammam port to the industrial city of Jubail. Expansion will transform the Kingdom's existing network into one of the world's most important strategic freight links connecting the port cities of Jeddah, Dammam and Jubail via Riyadh's inland dry port. Delivery time for containers tracked between Dammam and Jeddah will be less than 18-48 hours compared to up to eight days journey by sea around Ras Al-Mandab from the Red Sea to Arabian Gulf.



This project represents one of the most important regional transport developments since the opening of the Suez Canal. The project will radically alter the pattern and economics of container traffic in the Middle East and serve to enhance Saudi Ports on Red sea position as a trade hub.

c. Haramain High Speed Rail (HHR)

Saudi Railway Organization (SRO) is developing this project to connect the Two Holy cities of Makkah and Medina through Jeddah and King Abdullah Economic City (KAEC) in Rabigh. Project cost more than SR 28 BN. The route for HHR project and the locations for 5 stations in Makkah, Jeddah, Madinah and Rabigh have already been finalized. Phase 1 of project is under construction, with expected operations end of 2012. The project is designed to operate passenger trains with a speed of over 300 km per hour, reducing travel time between Jeddah and Makkah to 30 minutes and between Jeddah and Madinah to two hours.

2) Sea Transport and Port Sector: Saudi Arabia has the largest port network in the Middle East. Saudi Ports Authority supervises development, management and operation of the eight major seaports located on the two coasts of Saudi Arabia. These ports have together 183 berths, 137 of them in the six commercial ports and 46 in the two industrial ports,

The eight ports are:

1. Jeddah Islamic Port (JIP)
2. King Abdul Aziz Port Dammam
3. King Fahd Industrial Port Jubail
4. Jubail Commercial Port
5. King Fahd Industrial Port Yanbu
6. Yanbu Commercial Port
7. Jizan Port
8. Dhiba Port

Currently, 3 ports are under development in Saudi Arabia, Ras Alzore on the Gulf and two other ports inside the Economic Cities; King Abdullah and Jazan Economic Cities. Saudi Ports have become major contributors to Saudi economy (95% of cargo trade are through Ports) and a link between the national and international economy.

3) Air Transport Sector: Currently, 27 airports are being operated by the General Authority of Civil Aviation (GACA), 23 domestic airports, and four International Airports (King Khaled International Airport Riyadh, King Abdulaziz International Airport Jeddah, King Fahd International Airport Dammam, and Prince Mohammed International Airport in Medina. Jeddah & Riyadh Airports account for ~ 75% of traffic. GACA has introduced the Public Private Partnership (PPP) model to the newly developed airports within the country; the First Private International Airport is currently being developed in Prince Abdulaziz Bin Muesaed Economic City (PABMEC) in Hail province; while the second project is the development of Prince Mohammed International Airport in Medina.

4) Road Transport Sector: The KSA is served by an extensive road network with a total length of 97,000 km. The network consists of two components. The first comprises the inter-city roads whose lengths is more than 55,000



km of paved roads under authority of the Ministry of Transport, with expressways and main roads connecting most populated nodes in the network. The other component covers the urban roads which are 42,000 km long and are under the authority of the Ministry of Municipal and Rural Affairs. The inter-city roads constitute 55% of the entire road network, while urban roads constitute 45%.

Saudi Arabia – An Attractive and Large Transportation & Logistics Market

- Large market, with huge growth potential:
 - Large Land Mass
 - Strategic Location
 - Rich with Natural Resources
 - Fast Population Growth
 - Large Consumer Market
- Commitment of the Saudi Government to develop the Transportation Sector.
- The Transportation Sector is one of the main focus areas of Saudi Arabia and the Saudi General Investment Authority (SAGIA), and it is believed to be the Kingdom's second most added value sector after energy.
- Complete Facilitation to Investors
The One Step Shop & Smart Service Center:
 - SAGIA & Economic Cities Authority (ECA) will provide comprehensive licensing and support services.
 - All Investor's Ministry related work will be handled by SAGIA's representatives.
 - SAGIA & ECA will become the investor's Information Clearing House.

Business/Investment Opportunities

As mentioned, with the Saudi Government expansion plans on spending in the Transport Sector as stated in the 9th (2010-20140) to SR 101.5 BN, Government Agencies included in this budget expenditures:

- Ministry of Transport (MOT)
- Saudi Ports Authority (SPA)
- Saudi Railways Organization (SRO)
- General Authority of Civil Aviation (GACA)

However, other government agencies such as Ministry of Municipality and Rural Affairs MOMRA, has substantial part of their budgets spent on urban road networks.

Multi Modal Transportation and Logistics Opportunities

Investment Opportunities in the Railway Sector

1. Saudi Land-bridge Build, Operation and Management
2. Haramin High Speed Rail - Operation and Management
3. North-South Project Operation and Management

Investment Opportunities in Public Mass Transit:

4. Riyadh Light Rail
5. Makkah Light Rail
6. Jeddah Light Rail
7. Madinah Light Rail

Investment Opportunities in Maritime Transport Sector

Saudi Ports Authority (SPA)

8. Developing and Administration of a Logistics Park Adjacent Yanbu Commercial Port



9. Operation of the Passenger Terminal in Yanbu Commercial Port
10. BOT of a 2nd Container Terminal in Jubail Commercial Port
11. BOT of a 4th Container Terminal in Jeddah Islamic Port
12. Upgrade and Operation of the Jeddah Shipyard
13. Operation of the Passenger Terminal in Jeddah Islamic Port
14. BOT of a 2nd Container Terminal in King Abdulaziz Port Dammam
15. Upgrade and Operation of the Dammam Shipyard
16. Development and Administration of 3 Logistics Parks adjacent King Abdulaziz Port Dammam

Investment Opportunities in the Air Transport Sector

17. Domestic Low Cost Carrier (LCC)
18. Hajj Charter carrier
19. Logistics Cargo Distribution Hub (e.g. at DMM airport)
20. Recreational Facilities at Int'l Airports
21. Commercial Retailers at Major Airports
22. Privatization of Dammam Airport (KFIA)
23. Privatization of Saudi's Catering Unit
24. Fuel Farm Operator
25. Aircraft Leasing Company
26. Internationalization of Madinah Airport
27. Privatization of Hail Airport (HAS)
28. Airport City projects.

Investment Opportunities in Logistical Services

29. Set of warehouses & Bulk storage Facilities
30. Packaging and Construction Material Distribution Service Providers
31. Logistics and Transportation Centers
32. Manufacturing & Distribution of Vehicle Spare Parts & Tires.
33. Logistics Management Consulting Firm
34. Specialized Logistics Vehicle Maintenance Services Firm
35. Perishable Warehousing and Logistics Services

Investment Opportunities in Economic Cities:

36. Intermodal transport Terminals and Transit Systems.
37. Implementation of modern logistics Centers and Service facilities.
38. Developing Aerospace Manufacturing and Distribution Facilities.
39. Operating PABMEC International Airport and Service/Retail facilities
40. Industrial and Logistical Park Development and Operations in KAEC & JEC.
41. Develop & Operate Training Academies in Rail Operations, Bus Systems, Aerospace Managerial, Industrial, Technical fields, Port Operations.

King Abdullah Port (KAP) inside King Abdullah Economic City (KAEC)

42. Shipyard / Ship Repair
43. Bunkering
44. Emergency Response
45. Insurance / Reinsurance
46. Nautical / Institute



Jazan Economic City (JEC) Port

47. Third Party Logistics Services
48. Maritime Training Institute
49. Container Terminal
50. General Cargo / Dry Bulk Terminal
51. Maritime Services
52. Ship Repair / Construction / Recycling
53. Tank Farm and Bunkering
54. Warehousing / Regional Distribution Centers
55. Container Depot
56. Container Freight Station