KING ABDULLAH ECONOMIC CITY

Growth accelerator

An area roughly the size of Washington DC is being developed on Saudi Arabia's west coast. One day King Abdullah Economic City could be home to hundreds of thousands of people employed by a raft of world-class industries

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PEERING out at the brilliant blue waters of the Red Sea from under the awnings of a beachside café, one is reminded of the more pleasant aspects of the kingdom's west coast.

One day, hundreds of thousands of people could be enjoying a similar view as King Abdullah Economic City (KAEC), one of the kingdom's flagship socio-economic projects, takes shape along a 55 kilometre coastal strip some 150 kilometres north of Jeddah.

Much is expected of the 181 million square metre KAEC, from both economic and social standpoints. Strategically, it will be a vital asset in the emerging economic corridor linking the cities of Jeddah, Medina and Makkah, a market of more than 8.5 million people. A high speed passenger rail service, called Haramain, will soon be serving points along this corridor, including KAEC, establishing Saudi Arabia's first true commuter belt.

A lot of work lies ahead for KAEC's master developer, Dubai-based Emaar Properties, however. On first inspection from the highway linking Jeddah to Rabigh and points north, the site appears little more than a vast, desolate area of flat coastal plain. Aside from the impressive Haramain railway station close to one of KAEC's entrances off the highway, there are few signs of major progress, and few cranes on the horizon. Yet there certainly is activity. King Abdullah Port is operational (albeit well short of the planned capacity of 20 million TEUs, which will make it one of the world's 10 biggest ports). There's a five star hotel and leisure facilities already open, and some 5,000 new residential units will be completed this year to complement the existing 2,500 units. A school even chimes with the voices of some 400 children, giving life to a community evolving in this most remote of locations.

Then there is, of course, the business aspect. Ultimately, KAEC's success will be determined by the quality of investments it attracts, no matter how critical the supporting infrastructure such as schooling and healthcare is in making the city an attractive place for skilled workers and their families.

"We are developing light to medium industry for specific sectors, which would include automotive, pharmaceuticals, FMCG [fast moving consumer goods], plastics (downstream), building materials and logistics," explains Rowan Kelly, a senior director of KAEC and head of business development & commercial at Emaar, The Economic City. One of Kelly's jobs is to promote Industrial Valley, a 55 million square metre park adjacent to King Abdullah Port which will be Saudi Arabia's new logistics and manufacturing hub.

"The sectors we have chosen are determined partly by the synergies between the clusters themselves, and partly because we are looking to diversify the economy and look at the downstream opportunities from petrochemicals etc, and partly because of the value proposition in terms of the regulations that the city is able to offer," he adds.

Kelly is quick to point out that while KAEC has some of the characteristics of a traditional Free Zone, it is very much a part of Saudi Arabia from not only a physical, but also regulatory and legal perspective. In that sense it differs from extra-territorial zones such as Jebel Ali Free Zone in Dubai.

"We want to be part of Saudi Arabia because it is the biggest market in the Middle East by a long way, and being part of the GCC [customs] accord goods coming in and out of the GCC move duty free," he explains.

Investors also need only to deal with the Economic Cities Authority (ECA), the regulatory body which issues licenses and visas.

"We're trying to provide certainty for investors," Kelly states. "Many of the regulations Saudi Arabia has are very good. But sometimes the application and implementation of those regulations is less optimised than it could be. We're looking to improve that, to be more efficient and business friendly."

Industrial Valley is being developed in phases, the first being the 1.5 million square metre Phase 1A. Each phase is meticulously masterplanned, and with versatile plots according to end use.

"We have IKEA who are developing a fully automated 35 metre high system which is completely robotic," Kelly explains. "We've got Mars operating a three line specialist food manufacturing facility. And we've got [French oil company] Total doing high grade oil blending. Each of these facilities are entirely different and bespoke but they fit within the particular guidelines and framework for these areas."

According to Kelly, 95 per cent of phase 1A is complete, and 70 per cent of phase 1B is fully developed. Of that, 85 per cent of phase 1B land has been leased, with tenants in various stages of design, licensing, construction, occupation and operation.

Phase 1A and 1B offer land which is between 10 to 15,000 square metres up to 20,000 to 25,000 square metres. Plots can be combined if larger strategic land holdings with multiple facilities are required. Phase 2, a 22 million square metre development, will meanwhile offer plots from 75,000 to one million square metres.

Connectivity will be vital going forward. In addition to the Haramain passenger service, KAEC will also be connected to the government Landbridge cargo project, which will link the city with Jeddah and Riyadh and into the existing government network running from the capital to Dammam on the Gulf coast. This will create a complete coast-to-coast cargo network.

"It is estimated that some 50 per cent of Jebel Ali's capacity is actually destined for Saudi Arabia that is going round the Gulf and coming into Saudi Arabia via the Eastern Province," Kelly says, noting the kingdom's low current port capacity.

The geographical advantage of having an efficient, modern and large port on the west coast at KAEC with quick links to the rest of the country is already attracting the likes of automotive distributors.

Abdul Latif Jameel, the distributor of Toyota cars in the kingdom, recently moved its national distribution centre from Jeddah to KAEC. It has a one million square metre storage and distribution facility in the economic city, handling cars imported via a dedicated Ro-Ro (Roll On Roll Off) facility at the Port.

If this is a sign of things to come, KAEC is likely to quickly establish itself as a prominent economic driver for the Western Province, and a vital link in the kingdom's wider supply chain. ■

King Abdullah Economic City offers a range of advantages for investors

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