



المؤتمر السعودي البحري الثالث

**THE THIRD
SAUDI MARITIME CONGRESS**

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SAUDI MARITIME CONGRESS

Comprehensive overview of the conference
topics and outlook of the maritime & logistics
industry in the Kingdom

EXECUTIVE SUMMARY

The Saudi Vision 2030 plan launched in 2016 envisages major change in all sectors of the economy, and maritime is no exception. To date, great progress has been made on the development of port facilities in Jeddah, Dammam and Jubail, and a transshipment facility in King Abdullah Economic City has already achieved great strides for the kingdom's west coast less than six years after it opened.

In 2018, port throughput jumped 7.5 per cent, largely on the success that King Abdullah Port (KAP), and, increasingly, Red Sea Gateway Terminal (RSGT), the biggest player at Jeddah Islamic Port (JIP), have enjoyed in driving transshipment volumes on Saudi Arabia's west coast, the natural location for a major global transshipment hub based in the Middle East-Red Sea region.



“Air, maritime, and other transport operators will be encouraged to make the most of their capacity: achieving durable links between existing trade hubs, as well as opening new trade routes... will reinforce our position as a distinctive logistical gateway to the three continents [of Asia, Europe and Africa],”

the official Vision 2030 reference document says.

Vision 2030 aims to achieve a thorough and comprehensive overview of the current state of the maritime industry in the kingdom, with a focus on the improvement of landside logistics and a consolidation of port operations at major trade entry points, with RSGT now looking extremely likely to take over the management of Jeddah Islamic Port's North Container Terminal.

Arguably the most important measure taken of late by the Saudi authorities to facilitate trade is the promise of a 24-hour Customs clearance for incoming cargo, a process that used to take anything from ten to 14 days, and result in uncertainty and angst for both shippers and consignees.

Fasah, the electronic national system for import and export that was launched last year as a joint effort of 25 government entities, has achieved a positive outcome in clearance procedures, by enabling companies to track and complete their clearance procedures electronically, and decreasing the number of clearance documents required.

Infrastructure is also undergoing a major strategic shift, with the development of International Maritime Industries (IMI), a joint venture of Saudi Aramco, UAE-based Lamprell, Hyundai Heavy Industries of South Korea, and the National Shipping Company of Saudi Arabia (Bahri), the owner of the world's largest VLCC fleet. It is located in the Arabian Gulf on Saudi Arabia's north-east coast, at Ras Al Khair, and is initially envisaged as a ship repair yard before ultimately moving into ship building from 2022.

IMI is the anchor facility at King Salman International Complex for Maritime Industries and Services, and is expected, in terms of GDP contribution, to generate around USD18 billion in investment by 2030. Through localisation, and recruitment of Saudis to a new industry, up to 80,000 people could be employed there by the end of the next decade.

The fleet of the National Shipping Company of Saudi Arabia (Bahri) currently stands at 92 vessels including 36 chemical and product tankers, six multipurpose vessels, five dry bulk carriers and 45 VLCCs, making it the largest owner of supertankers in the world. The privatisation of Saudi Aramco, which appears to be on hold for the time being, will undoubtedly make Bahri only more profitable, as CEO, Eng. Abdullah Al Dubaikhi, becomes a more seasoned operator.

Education and training is at the forefront of the effort to improve the attractiveness and feasibility of a maritime career for Saudi nationals, at a time when growing unemployment is a national concern. Several academic institutions across the kingdom are increasing allocation of resources to training directly related to aspects of the maritime sector, to answer the call to man deck and quay.



SAUDI ARABIA INVESTING IN LOGISTICS AND LANDSIDE INFRASTRUCTURE

Saudi Arabia is working to improve its land-side transportation, especially rail infrastructure, as it looks to exploit existing logistics and maritime development, the Kingdom's Transport Minister revealed.

"We're open for business, like we haven't been in the past. The Kingdom has relied on the fact that it was, is and will remain the largest economy in the region. We probably did not focus on the importance of efficiency in the past," Transport Minister Nabil Al Amoudi told Seatrade Maritime News on the sidelines of the Saudi Maritime Congress (SMC).

"We are now are focusing... heavily on efficiencies, especially in import-export processes, digitalisation, and ensuring that the infrastructure that we've already installed is being utilised properly," he said. "Besides maritime, we're working on land transport as well and are going to be expanding our rail network as well. And in the near future we will announce major projects.

"The Kingdom is looking to logistics as a key enabler of growth in its economy. All of this requires private sector participation, especially under the auspices of Saudi Aramco. There's the King Salman International Complex for Maritime Industries and Services being constructed as we speak. I think that shows the commitment of the Kingdom to delve deeply into this sector and invest."

Al Amoudi said it was a mistake to see the oversight of the Saudi Port Authority, which he earlier headed, as implying that Saudi ports were a public sector asset. The west coast's King Abdullah Port (KAP) is the only privately-owned facility in Saudi Arabia, but not the only one that is privately-operated.

agreements. We have DP World, Hutchison Ports, and PSA International under a joint venture with [Saudi sovereign wealth fund] the Public Investment Fund [all operating in Saudi Arabia]. All of that has been [driven by] PPP [public-private partnership] relationships for over 20 years.

"We have Build-Operate-Transfer (BOT) relationships in Dammam and Jeddah. Saudi Global Ports and PSA International are [in relationships] with local companies. The private sector has invested in ports for a long time now in the kingdom. This is not a new thing. What's different is the amount of investment, but KAP is not the only privately-operated port in the kingdom."

He agreed that the Kingdom's logistics center of gravity was moving to the west coast, given the increasing competition between KAP and Jeddah Islamic Port. "On the west coast, we see a lot more imports and transshipment, given the location. We see the transshipment specifically increasing quite a bit. That is due to the natural geographic location, as well as centers of consumption and centers of industry and development."

Al Amoudi said he foresaw progress on the Saudi Landbridge, the railway linking Jeddah to Dammam, via Riyadh, that has been on the drawing board for almost a decade. "That's going to be a key project for us to execute on the next few years. We signed an MOU with China Civil Engineering Corporation, a unit of China Railways Construction Corporation and a Saudi company, to look at how to develop that."



Jeddah Islamic Port

STATEMENTS

The maritime sector has the largest share of the capacity of trade around the world, with 90 per cent of the world's trade being transported overseas and being received by seaports..., which also requires... the further development of facilities—transforming sea transport and the expansion of container activities, as well as increasing the number of ships and fleets and their cargo capacity. This event [seeks] to identify the investment opportunities available to further develop the maritime sector.



H.E. Dr Nabel Bin Mohammed Al Amudi,
Minister of Transport,
Kingdom of Saudi Arabia

The capacity of Saudi ports is more than 615 million tonnes, which is almost twice the figure posted in 2017. We have considerable capacity and we need to develop it to be at pace with the development of the shipping industry and the technical infrastructure used by global carriers.



H.E. Eng. Saad Bin Abdulaziz Alkhalb
President,
Saudi Ports Authority (MAWANI)

Regarding the transport of goods within the Kingdom, our transport performance is still weak; our goal is to improve operations, usage and reduce cost. [Twelve] logistics areas were identified by the Logistics Committee that will be launched and built by the private sector. In this regard, we have established logistics, free and deposit zones and dry ports for better tracking of trucks and have worked to improve customs clearance and port performance.



Dr. Rumaih Al Rumaih
President
Public Transport Authority

Saudi Arabia's maritime sector is set to receive a much-needed boost with the generous allocation of USD8.8 billion for the energy, mining and logistics sectors in its recently announced budget for 2019. In fact, the country is on an aggressive growth and diversification path, with substantial government spending expected to catalyse its 'Vision 2030' goals and drive sustainable growth and development. On the back of strong growth, revenues in the Kingdom are also projected to increase this year to SAR 975 billion [USD260 billion], setting an optimistic blueprint for exponential growth and progress.



H.R.H. Princess Sarah Al Saud
Director of Maritime Business Development
International Forum for Maritime Transport
AAST

Today in the field of maritime transport, we are the largest owner and operator of [VLCCs] around the world and we transfer oil from Saudi Arabia to various countries in the world, mainly in the U.S.—from which we transfer to a number of countries around the world. Bahri is considered the [largest] company transporting oil outside of America.

Global trade and political interventions, as in the case of America, China, Venezuela and others, have a negative impact on this industry, as well as the multiple regulations governing this sector. The recently issued report from the International Maritime Organization (IMO) on the regulation of sulphur, call for a reduction from 3.5 per cent to 0.5 per cent by 2020. As of January of that year, this regulation will be enforced and has left global ship owners and operators puzzled. The important question is, will the price of low-sulphur fuels be reduced and how much will it cost?



Eng. Abdullah Aldubaikhi,
Chief Executive Officer,
Bahri

Due to the direct investment in infrastructure in the last two years, port capacity increased by 15 per cent to 615 million tons annually, and the number of docks increased from 214 to 232. [This] is testament to the... partnership of government and private sector [entities] to improve cargo handling in ports. This change was [aided] by a significant improvement in... container [dwell times] in port. Earlier in 2016, [dwell times were] almost 14 days, which is now reduced to less than five days in 2019.



H.E. Eng. Saad Bin Abdulaziz Alkhalb
President
Saudi Ports Authority (MAWANI)

STATEMENTS

Unfortunately there are no insurance companies in the Kingdom that are capable of securing maritime transport for the size of the ships we own. The value of [a fully laden] oil tanker... is about SAAR1 billion [USD267 million], which makes it difficult for Saudi insurance companies, most of which are very small, to insure tankers of this size. [I]nsurance [at] sea is very complicated; ... one company cannot do the insurance, so we [utilize institutions know as] 'clubs,' which most of the international companies use...

We hope to see a consortium of Saudi insurance companies [create] an... insurance company that will [large enough] to secure the vessels we own.



Eng. Abdullah Aldubaikhi
CEO
Bahri

The 'Al-Fasah Initiative,' [signifying cargo] clearance within 24 hours, is an unprecedented move. [Earlier], we tried to conduct the clearance process in one day. However, the multiplicity of existing entities and the need of each side for one full day to complete actual clearance has resulted in the operation taking 15 days or more. We demand that clearance has to be made within 24 hours... As a result, procedures have been facilitated and we are working together to achieve this goal.

Among the measures developed by Customs in cooperation with the relevant authorities, is the reduction of the number of customs documents required for this purpose from 11 to two...

What customs did to speed up and facilitate procedures... was also complemented by other measures taken by the Saudi Ports Authority the Saudi Food and Drug Authority and the Authority for Standardization and Metrology, which allowed the completion of all procedures within 24 hours.

The number of containers cleared within less than 24 hours exceeds 80 per cent of the volume of incoming containers, provided that a statement of import is submitted prior to arrival.



Suleiman Bin Abdullah Al-Tuwajri
Vice Governor
General Customs Authority
Kingdom of Saudi Arabia



Saudi Ports Authority



INTERNATIONAL MARITIME INDUSTRIES (IMI)

King Salman International Complex for Maritime Industries and Services,
Ras Al Khair



International Maritime Industries (IMI) is a joint venture of Saudi Aramco, the world's largest oil exporter, UAE-based Lamprell, the largest regional jack-up rig manufacturer, Hyundai Heavy

Industries of South Korea, the world's largest ship builder and the National Shipping Company of Saudi Arabia (Bahri), the owner of the world's largest VLCC fleet. It is located in the Arabian Gulf on Saudi Arabia's north-east coast, at Ras Al Khair.

IMI is the anchor facility at King Salman International Complex for Maritime Industries and Services. The complex compliments the Saudi energy industry and helps to meet the development and diversification objectives outlined by Vision 2030. It was inaugurated by HRH King Salman bin Abdulaziz Al Saudi on 29 November 2016 and aims to complement the Saudi Arabian energy industry, helping to meet the development and diversification objectives outlined by the Vision through ship repair and construction.

The Royal Commission of Jubail has received an order to masterplan and develop an industrial city in Ras Al-Khair. A greenfield location, it also offers potential expansion areas. Its approach is designed to maximize local content and support the development of a robust industrial supply chain of materials, equipment and services. The strategy revolves around an increase local content.

IMI planners envisage the establishment of competitive industries exporting goods to overseas markets and the maximization of job creation to ensure provision of future jobs for the Saudi population.

- An MRO zone will come into operation in 2021, with an annual capacity to conduct services for 137 vessels, 116 OSVs and 15 rigs.

- The first dry dock will have a total floor area of 28,500 sqm. This dry dock is slightly wider in design than the other dry docks due to the use of a semi-automated blasting and painting systems giving superior quality and finish.
- The second dry dock has a total floor area of 44,100 sqm and is the largest dry dock within the facility along. It will have two positions for intermediate gates making it the most versatile - wide enough to allow for the entry of the largest of Jack-ups and Semisubmersible rigs
- The largest zone within the facility will be carrying out the new building of ships. This zone will have an annual capacity to build 3 VLCCs and 15 other vessels. This facility will open in 2020.

IMI houses the region's largest dry dock within the yard, additionally supported by two large cranes, one with a capacity of 1,650 tonnes and the second 500 tonnes. This will enable combined lift capacity of 2,150 tonnes, making it the biggest in the region for block positioning, further enhancing ship building processes and efficiencies. The offshore rig fabrication zone will be the first to come into operation in 2019 and will have the capacity to build four jack-up rigs annually.

The office, support facilities and accommodation serving the yard will have a capacity of 18,000 employees. These facilities include a wide range of facilities such as client offices, a training and development centre as well as full recreation and catering for employees.

IMI sees a predicted 15 per cent increase in efficiency due to automation, creation of a highly automated blasting and painting shop, using robotics and automated coating technology, and a unique customized 'load out' barge allowing for an efficient % of completion 'on land.' By 2030, IMI expects to create 80,000 jobs, stimulate import substitution of USD12bn and a total GDP impact of USD17bn.

TOWARDS WORLD CLASS MARITIME EDUCATION AND TRAINING (MET)

Dr Hattan A Timraz, Dean, Faculty of Maritime Studies/Asst. Professor of International Maritime Law, King Abdulaziz University Faculty of Maritime Studies

Studies show a global shortage in the number of qualified maritime sector personnel. The Ministry of Transport estimates the number of jobs in the Saudi maritime industry at around 35,000. Saudi nationals make up only 20 per cent of the maritime workforce. Around 8 per cent of nationals are in navigation and 12 per cent in marine engineering. This is due to a lack of a recognized national MET institution.

Today, the maritime sector In Saudi Arabia is witnessing a large expansion through a number of projects, which include:

- King Abdullah Port at KAEC which was recently inaugurated by HRH Prince Mohamed Bin Salman
- Jazan Port
- The expansion of the Bahri Fleet
- The expansion of Red Sea Gate Terminal in Jeddah
- King Salman International Complex for Maritime Industries and Services at Ras Al-Khair

At KAU we strive to meet the demands of the maritime industry. We are planning to introduce a number of new programs that includes the following:

- BSc in Navel Architecture and ship design.
- BSc in Logistics.
- Diploma in maritime safety and security.
- Specialised courses for tugboat masters.
- Specialised courses for Marine Pilots.
- Specialised courses for the offshore industry.

REGULATION AND SUSTAINABILITY OPTIONS FOR 2020

Thomas Tampi, Station Manager, Veritas Petroleum Services, Fujairah Branch

Veritas Petroleum Services (VPS) has tested more than 2 million fuel oil samples and built up vast experience in the process by using the world's most extensive database of marine fuel oil quality. The introduction of new fuels, cutter stocks, blending agents and additives, to ensure fuels comply with IMO-2020 requirements, would indicate a potential higher degree of risk associated with marine fuels going forward.

For risk assessment and mitigation, it would be prudent to decide on the fuels which are going to be used beforehand, depending on availability at likely bunkering ports and research and development testing which can include standard ISO 8217 tests, additional stability tests, compatibility tests with different fuel combinations, ignition and combustion tests, and chemical contamination tests.

A risk assessment and mitigation plan (impact of new fuels) in the latest IMO's Ship Implementation Plan recommendations (MEPC 73) calls for detailed fuel quality testing and is included in INTERTANKO's New Bunker Compliance Guidelines. Different fuels will be available in the market.

RED SEA GATEWAY TERMINAL (RSGT) PERFORMANCE

Jeddah Islamic Port's (JIP) largest player, Red Sea Gateway Terminal (RSGT), has informed Seatrade that in the first quarter of 2019, its market share was greater than that of any other Saudi port facility. RSGT claims its share grew to 23 per cent, up from 17 per cent in full year 2017, implying that the figure is now greater than King Abdullah Port's (KAP), which it claims was only 22 per cent in the same period.

RSGT seeks to boost its bid to take over North Container Terminal (NCT), now run by Gulf Stevedoring and Contracting Co., and owned by the UAE's Gultainer. NCT had only 11 per cent market share in the first quarter, according to RSGT. RSGT claims that year-on-year growth for the first quarter of 2019 was 65 per cent, due to throughput of 487,000 teu, versus a fall of 36 per cent for NCT and a fall of 7 per cent for KAP. RSGT claims its total throughput in 2018 was 1.57 million teu, up 16 per cent on 2017.

As a result of these figures, RSGT is confident that its goal of taking over the management of JIP's NCT could come to fruition early next year. Jens Floe, ceo of RSGT, said told Seatrade Maritime News at SMC he expected the negotiation phase of the new NCT concession to be concluded in the 'next six months,' meaning that the terminal operator hopes to commence work at the facility as early as next year.

“We signed an MOU with the Saudi Ports Authority (Mawani) [in early 2019], to take over NCT and consolidate the whole north end of the port by January 2020. The negotiations on the concessions have not been finalised yet. We have taken a good first step for forwarding the Saudi Port Authority (Mawani’s) masterplan for consolidation [at Jeddah Islamic Port], The government wishes to consolidate the number of operators.”

Floe said on the sidelines of the Saudi Maritime Congress in Riyadh.



Red Sea Gateway Terminal (RSGT)

SAUDI PORT PERFORMANCE 2016 - 2018

The strong performance of transshipment in the Western Province is the story that emerges from Saudi Ports Authority throughput data for 2016-18. Even though the Eastern Province share of transshipment cargo was slightly up in 2018 from that posted in 2016, the Western Province still accounted for over 99 per cent of total cargo transhipped through Saudi Arabia in 2018. In 2016, transshipment stood at 33 per cent of total Saudi throughput, while in 2018, the share had risen to 46 per cent, a figure that is only going to increase in future, as the kingdom's logistics planners further develop their blueprints.

Countrywide, total throughput stood at 8.67 million teu in 2018, an increase of 7.5 per cent on the year earlier figure. However, total import and export levels fell in both 2017 and 2018, and it was the boost from transshipment that lent the overall figures a strong respectability. As a result, the Western Province's share of total throughput rose to 74 per cent in 2018, a share that has been growing steadily since 2016, when it was just under 71 per cent. Both kingdom wide imports and exports share of the total fell from 33 per cent in 2016 to 27 per cent each in 2018.

The best-performing facility in the kingdom in 2018 was King Abdullah Port (KAP), with throughput of 2.26 million teu. The facility to come second was Red Sea Gateway Terminal (RSGT) with 1.52 million teu, while DP World's South Container Terminal ranked third, capping impressive two-year growth which saw throughput at the facility double, to 1.40 million teu.

Throughput at KAP has been rising at a gallop, up 29 per cent CAGR in 2016-18. Throughput rose an impressive 37 per cent last year. However, operators at Jeddah Islamic Port (JIP) have a tendency to attribute KAP's success to operating off a low base, as operations did not begin at the latter until 2013.

Jeddah Islamic Port—which comprises the operations of RSGT, Gulf Stevedoring and Contracting Co.'s North Container Terminal (NCT) and SCT under 'one roof'—can still claim to be the kingdom's largest gateway, with throughput of 4.14 million teu in 2018. Furthermore, transshipment at JIP, at 2.10 million teu in 2018, was larger than the comparable figure for KAP of 1.85 million teu. The question is which of the two ports will ultimately win out in the race to handle the transshipment cargos that the kingdom will undoubtedly continue to attract in ever larger numbers in the future.

In contrast to Western Province, which grew over 10 per cent in 2018, Eastern Province performance fell in the last two years to 2.27 million teu, exceeding by only a whisker total KAP performance last year. If Gulf Stevedoring and Contracting Co., owned by the UAE's Gulftainer, does lose its concession to RSGT, it will be able to focus its efforts on Jubail, which handled only 730,000 boxes last year.



TOTAL THROUGHPUT AT SAUDI PORTS (TEU MILLION), 2016-18, RANKED ON 2018 TOTAL PERFORMANCE

Location	No.	TRADE	2016	2017	2018	2016-18	CAGR	2017	2018
WP	4	Total	5.57	5.8	6.39	14.9%	7.2%	4.2%	10.3%
EP	4	Total	2.32	2.26	2.27	-2.3%	-1.1%	-2.7%	0.4%
KSA	4	Total	7.89	8.06	8.67	9.8%	4.8%	2.2%	7.5%
JIP	4	Total	4.2	4.15	4.14	-1.5%	-0.8%	-1.2%	-0.3%
KAP	4	Total	1.36	1.65	2.26	65.5%	28.6%	20.9%	36.9%
DMM	4	Total	1.79	1.58	1.54	-13.9%	-7.2%	-11.5%	-2.7%
JUBAIL	4	Total	0.54	0.68	0.73	36.3%	16.8%	26.7%	7.6%
KSA	4	Total	7.89	8.06	8.67	9.8%	4.8%	2.2%	7.5%
KAP	4	Total	1.36	1.65	2.26	65.5%	28.6%	20.9%	36.9%
RSGT	4	Total	1.55	1.29	1.52	-2.2%	-1.1%	-16.8%	17.6%
SCT	4	Total	0.69	1.05	1.4	103.5%	42.7%	51.8%	34.0%
GT/NCT	4	Total	1.87	1.75	1.13	-39.8%	-22.4%	-6.5%	-35.6%
HPD	4	Total	1.38	1.12	1.07	-22.1%	-11.7%	-18.6%	-4.3%
JUBAIL	4	Total	0.54	0.68	0.73	36.3%	16.8%	26.7%	7.6%
SGP	4	Total	0.41	0.46	0.47	13.7%	6.6%	12.4%	1.2%
OTHER	4	Total	0.09	0.09	0.09	0.0%	0.0%	0.0%	0.0%
KSA	4	Total	7.89	8.09	8.67	9.8%	4.8%	2.2%	7.5%

KSA=Kingdom of Saudi Arabia; WP=Western Province; EP=Eastern Province; JIP=Jeddah Islamic Port; KAP=King Abdullah Port; DMM=Dammam; JUBAIL=Jubail Commercial Port; RSGT=Red Sea Gateway Terminal; GT/NCT= Gulfainer/North Container Terminal; SCT=South Container Terminal; HPD=Hutchison Ports Dammam; SGP=Saudi Global Ports.

Source: Saudi Ports Authority, Industry

CONNECTING SAUDI'S SHIPPING AND LOGISTIC SECTORS

The Saudi Maritime Congress offers an opportunity for international and regional shipping, ports, logistics, ship construction and offshore marine companies to network, do business, strengthen and nurture new partnerships and agreements.

If you would like to find out more about Saudi Maritime Congress, we would be delighted to discuss further with you.

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