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Contracts worth \$78.2 billion awarded this year

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A total of \$78.2 billion (Dh287.2bn) worth of construction contracts were awarded in 2009 with energy projects leading the list.

According to statistics made available by Ventures Middle East, the last quarter (until December 16) witnessed contract awards to the tune of \$36,399 million. The second quarter alone witnessed contracts being awarded to the tune of \$17,516m.

The fourth quarter also witnessed the largest infrastructure contract in terms of value with projects worth \$2,674m awarded. In contrast infrastructure contracts worth \$954m was awarded during the third quarter, \$1333m during the second quarter and \$350m during the first quarter.

Energy projects, which include construction of power and oil and gas projects, peaked during the fourth quarter with \$30,533m worth of contracts being awarded. The latest being the \$20bn contract to build nuclear power plant.

The Emirates Nuclear Energy Corporation (Enec) yesterday announced that it had selected a team led by Korea Electric Power Corporation (Kepeco) to design, build and help operate four 1,400-MW civil nuclear power units.

Building contracts, meanwhile, witnessed a reverse trend with the fourth quarter witnessing the lowest value, with \$3192m. The second quarter saw the largest awards (in terms of value) with projects worth \$14,628m being awarded.

In a nutshell, infrastructure development was one of the key areas of development for the construction sector.

Infrastructure development along with payment issues, continued to remain the two key areas of discussion within the construction sector in the UAE.

Also there was a big movement of contracting companies towards Abu Dhabi to tap the growing opportunity there. The year also witnessed several projects/contracts being subjected to retendering as developers tried their best to reduce costs.

Meanwhile, the payment crisis within the industry worsened with suppliers to certain projects being told to wait for almost six months, for their dues.

There was an increase in the number of disputes and litigation within the construction sector. However, several key players were hesitant to go forward with arbitration and decided to settle them amicably.

Despite the liquidity crisis in the industry resulting in several projects, either going on hold or totally cancelled, there was much emphasis being laid on infrastructure development.

The UAE government had earmarked Dh2.15bn, or 5.1 per cent of the Dh42.2bn budget, for infrastructure in 2009. Emirates Business had recently reported that about \$243bn worth of infrastructure projects are either being built or are in the pipeline in the region.

While \$28.5bn worth of projects are currently under construction in the UAE, another \$76.9bn worth of projects are being planned during the coming decades.

Closely following the UAE is Saudi Arabia with \$17.9bn worth of ongoing projects and \$50.3bn worth of projects being planned.

Dubai has been giving utmost priority to development of roads and infrastructure. Dubai's Roads Transport Authority (RTA) earlier this year announced that it was spending another \$380m on developing new road systems to reduce traffic congestion across the emirate. Plans for a traffic light junction with flyovers have been drawn up to replace the congested Trade Centre roundabout off Sheikh Zayed Road.

New exits from Zabeel Two Road heading towards Abu Dhabi and flyovers linking to the Western Parallel Road will be developed.

The RTA is also looking to widen Al Khail Road to six lanes with six new bridges and replace four traffic light junctions on Al Wasl Road with underpasses that stretch 11km.

Last week the RTA announced that it plans to build climate controlled pedestrian ways to link major buildings to promote a walking culture.

Meanwhile, 2009 also witnessed a growing trend of design-build contracts being awarded in the UAE.

Although the trend started last year when there was a shortage of contractors in the market and developers wanted to lure major contractors with design-and-build contracts, it continued this year especially as developers were increasingly trying to save cost and time.

Another trend that is gaining ground is the public-private partnership. Given the current slowdown and issues with project financing, the public-private partnership (PPP) will be beneficial for the industry. PPPs are especially a proven means to infrastructure development when a government cannot or chooses not to finance projects by itself. Governments can resort to PPPs, to share the risk and cost with the private sector.

As construction cost continued to drop, developers tendered their projects during the last 12 months.

This newspaper earlier reported that the cumulative rise in terms of projects being re-tendered in the GCC rose by more than 1,000 per cent from \$7.7bn to \$100bn between October 2008 and April 2009.

The UAE topped the charts in terms of the value of projects being tendered in the GCC and secured 45 per cent of the market followed by Saudi Arabia at 41 per cent. However, in terms of numbers of projects being re-tendered, Saudi Arabia topped at 42 per cent against the UAE at 32 per cent.

The increase in the number of developers opting to retender their projects started during the first two months of the year.

However with construction cost stabilising during the last two months, the quest for further retendering has dropped significantly.

As far as sectors are concerned, oil and gas projects being re-tendered accounted for 49 per cent of the market, while civil followed at a close 40 per cent. In terms of value, oil and gas accounted for 54 per cent, while civil captured 40 per cent of the market according to statistics obtained from Proleads.

Coupled with retendering was delay in payments. As many developers delayed payments, several contractors and building material suppliers started adopting strict mechanisms to limit losses. An industry round table conducted by this paper revealed that the timeframe for payments has gone up to 180 days and above from the earlier standard of a 90-day payment period. Other highlights of the survey revealed that retendering is on the rise and that banks continue to be cautious in lending to the private sector within the construction industry.

Delay in payments and retendering led to an increase in the number of disputes within the sector.

This paper quoting legal firms had earlier reported that the UAE will witness a shift wherein construction-related disputes will get into the arbitration stage due to payment issues.

According to legal experts, international contractors from the United Kingdom, Japan, Korea, etc fall into two camps '?? those with a long-term interest in the region and, therefore, are opting for an amicable solution. There were others who, could not handle it and went into arbitration.

As Jim Delkousis, Partner, (Head of Litigation and Regulatory), DLA Piper Middle East, said: "We have seen many clients proceeding to arbitration. It is getting there quicker when compared to the beginning of 2009," he said. "These cases are going to the Dubai International Arbitration Centre (Diac). I have also seen some being referred to the Abu Dhabi Chamber of Commerce. But certainly, so far, as the construction sector in Dubai is concerned, Diac is getting its share of cases."

The first part of the year witnessed contractors and suppliers making serious attempts to amicably resolve the issues. But the number of cases increased since then.

An industry survey further revealed that the UAE construction industry has witnessed a rise in arbitration. One legal firm told this paper that the increase is by 10 per cent. Despite the crisis, the industry continued to move forward with work on some major projects progressing at a steady phase.

On September 9, 2009 Dubai Metro was inaugurated with 10 stations. Work on the remaining stations are progressing at a brisk pace. The cost of building the Dubai Metro, meanwhile, increased to \$7.6bn since the contracts were awarded four years ago.

RTA recently announced that construction of stations on the Green Line has been 50 per cent to 80 per cent complete.

The project is running on schedule to meet the target opening and start of operation in the second half of 2010. The progress on the Green Line stations, which cover Al Qusais Depot, the Command and Control Centre, the multi-level park-and-ride facilities, Al Nahda station, Bani Yas station and Al Ras station. More than 70 per cent work has been completed in Al Qusais.

Work on Dubai's another iconic project Burj Dubai is complete and preparations are underway for the January 4 opening.

At more than 800 metres and with more than 160 floors, it was built using 31,400 metric tonnes of rebar and 28,261 glass cladding panels making up the exterior of tower and its two annexes. About 12,000 workers were on the site during the peak hour of construction. The tower has one of the finest safety systems installed. Apart from the fire alarm and sprinkler systems it also includes stairwell pressurisation and smoke evacuation systems. The entire building from basement to level 160 is sprinkler-fed.

Overall there has been an additional emphasis being laid on health and safety issues within the UAE.

Experts have also called upon UAE to come up with a uniform safety code across the country. "Its excellent track record during the past three years will get an additional boost if a single code is adopted throughout the country," said Peter Barnett Schuster, Branch Vice-Chairman of Institution of Occupational Safety and Health.

Currently, legislations vary from project to project '?? what applies on one project does not for another. In Dubai alone, there are several practices being adopted by different agencies such as the Dubai Municipality, various free zones and Tecom.

Earlier, this year, Hussain Nasser Lootah, Director-General of Dubai Municipality had said the Municipality has been strictly enforcing the prevailing rules and regulations, in an effort to enhance the occupational safety in the emirate.

"We have enacted a set of legislation including local orders, technical guidelines and codes with the objective of ensuring safety of some 800,000 labourers who work at about 8,000 construction sites in and around Dubai. Recently a Code of Construction Safety Practice has been issued by adding several new measures aimed at protecting workers and all others involved," he said.

According to reports, about 50 per cent of all construction site accidents are a result of falls from height with crane mishaps contributing to another 20 per cent. Iosh President Ray Hurst had said about 2.3 million work-related deaths occur worldwide annually, with the construction industry accounting for about 60,000 of these fatalities.

On May 20, for the first time in the UAE, the Health Authority Abu Dhabi (Haad) with the support of the Ministry of Labour combined forces to launch a 'Safety in the Heat' programme. This was aimed at creating awareness and enhancing the health and safety of workers in Abu Dhabi who are exposed to high temperatures and humidity during the summer months.

Another initiative is Build Safe UAE. A not-for-profit organisation it aims to improve the health, safety and welfare of construction industry stakeholders, through free exchange and sharing of information among eight organisations in the UAE.

According to BSU the number of construction-related fatalities among its members has dropped significantly during 2009. Compared to 2008 the fatality frequency rate has gone down by over 50 per cent. The fatality frequency rate in 2009 was 0.0011 compared to 0.0023 in 2008.

UAE has also been standing out in its sustainable initiatives compared to other GCC countries.

Abu Dhabi Urban Planning Council (UPC), the agency responsible for the future of Abu Dhabi's urban environments in April unveiled a new buildings rating method designed to improve quality of buildings in the capital.

http://www.business24-7.ae/Articles/2009/12/Pages/27122009/12282009_a45d31ead01647adbcfec2e0340ad57.aspx