

Middle East success needs homework

Middle East markets are toughening up but they still present great opportunities for those firms prepared to do their homework. This message came from two conferences held last week on working overseas, reports *John Garratt*.

The Arab oil bubble, while it may have a slow leak, is still far from bursting, on the evidence of two conferences held in London.

Some commentators, contemplating the collapse of projects in the Emirates and Oman, have gone so far as to predict a decline in the total work load for construction in the Middle East; but this is taking things too far, as David Douglas-Home, director in charge of Middle East operations in the merchant bank Morgan Grenfell, explained to a RIBA conference on the Arabian Gulf.

The vast amounts of oil money which were available to the Arab governments have been used to set up the infrastructure, and this process is continuing. Funds are now also in the hands of the private citizens of these countries. But, in contrast to the free-spending which has led to overcapacity in some ports and cement works, the future growth of the economies of Arab states will be on a more restrained and logically planned basis.

"The attitude that Arabs are rich and stupid is an extremely dangerous one," David Douglas-Home said. "Even those who are not businessmen have very astute advisers. Any investment plan for them should be prepared as if it were for one of the top Western banking houses." Recognising that their

oil reserves will last for only a finite period, the Arabs are investing in industries to carry them forward.

Investment will take place in the petrochemical and gas industries and government funds will be going into agricultural projects in an attempt to make the Arab world self-sufficient in food.

Evidence of the terrifying cost of supporting staff in the Middle East was provided at a seminar organised at the Institution of Civil Engineers on professional and commercial collaboration overseas. Morrison Johnston supplied figures to show that the cost of keeping a middle manager in the area is in the region of £60 000 per year (see table).

The experience of firms, that had gone abroad, was that it took at least a year or two to get established before any work started to pay for the enormous outlay. One major difficulty is that although the client would like just one person to deal with, the traditional British system presents him with an architect, an engineer, a quantity surveyor and other professionals each of whom sees himself as having a special relationship with the client.

Obviously, one of these disciplines must take the lead, and the whole group must change the habits of a lifetime and work in concord. The form of the

consortia can give rise to several problems and it is essential to engage a good, independent lawyer. The split of the fees also causes difficulties, the contractor being traditionally in the habit of risk taking and the consultants having very little capital with which to support him anyway.

Victor Cox, at the RIBA seminar, had some words of ad-

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vice for architects who complain that contractors seem slow off the mark when it comes to working abroad. "What they seem to forget," he said "is that the level of involvement required of a contractor is quite different from a designer."

No business should consider doing anything abroad of which it has not had experience in this country. Any weaknesses in organisation or procedure will be shown up in the harsh conditions overseas. Operating overseas requires a presence on the ground and it is vital that the manager on the spot has the power to take decisions. The Arabs in particular like to know that they are dealing with someone of authority. Jeremy Mackay-Lewis related how he drew up the plans of one of his projects in front of his Arab client, who had walls full of other people's plans, just to demonstrate that he was the designer.

Track records

The days of grandiose schemes and turnkey projects may be over. Arab clients now seem to prefer the competitive tendering solution. And in selecting the consortium to do the work, the client in the Middle East will be most interested in track record, not in plans for some building which has not been built. The consortium itself must be set up well in advance of the project.

This, in itself, may cause difficulties as the indemnity insurance of the individual firms may not cover the works.

George Stringer, a lawyer specialising in the construction industry, laid down some basic rules at the ICE seminar for operating overseas. One of these is that a project indemnity insurance is useless as most claims will come in long after the completion of the work. Another essential point is that a good local lawyer is employed. The laws in some parts of the world are changing so fast that only the man on the spot can really be sure of keeping adequately up to date.

Do's and don'ts

Some useful advice can be drawn from both meetings:

Do not be put off by the apparent difficulties. Many firms are doing a lot of very profitable work.

Do your homework, study all the publications and use the banks and their advice.

Be prepared for a long wait before you get anything useful. Do not rush the client. In particular the Arab does not like to discuss business as soon as you meet. Acknowledge his courtesies.

Make sure that you are in contact with a man of influence. There are a large number of members of the royal family in Saudi Arabia, but not all of them have power.

Do not try to sell them what they do not want. Prepare projects for which there is a real need. Get a good local sponsor and lawyer. Use the embassies to advise you on these matters.

Keep up with your delivery dates. This is the single biggest complaint against the British in the Middle East.

Read all the small print. Some states have iniquitous forms of contract which should be avoided at all costs. More work will follow a successful job very easily.

The British have more chance than anyone else in the Middle East because of the language, the system of law and the tradition of British involvement. In the future, other areas will be opened up for expansion and especially noted during the conferences were Zambia and Malawi, in East Africa, and The Sudan and Egypt, in North Africa. In the next few years those countries will reach a stage where they will have the projects and work for the British designer and builder.

Estimated annual costs of employing one UK national (married + 2 children) in managerial capacity in Oman

Basic salary	750 per month	RO(1)	9000
Air fares			1500
Medical			150
School—debenture (one-off charge) fees			1000
Club subscription			750
House—rent			100
Electricity—Generator (3000 over 2 years)			9000
—Fuel			1500
—Maintenance			1200
—airconditioners (1500 over 2 years)			600
—water (by tanker)			750
—furniture (6000 over 3 years)			1200
Car (2500 over 2 years)			2000
—running costs			1250
Entertaining	80 per week		800
Sundries			4000
Total			1200
	= Say, £60 000 (2)		36 000

Office

Rent		RO(1)	3000
Furniture			700
Air conditioners			500
Telephone and telex			1600
Secretary—mornings only			1800
Electricity			750
Sundries			
Total			9000
	= Say, £15 000		

Notes

(1) RO = Rial Omani, £1 = 0.6 RO

(2) The above figures do not include hotel costs while the house is being obtained and furnished. (Say 5 weeks at RO 250 per week = RO 1250)