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# MARKET

## BUSINESS & FINANCE



### BOND'S NEW GIRL

Daniel Craig looks happy in pictures with his new girlfriend, actress Rachel Weisz, strolling through an idyllic Dorset village on the way to a quiet pub but whether he will be so cheery when he sees them is another matter. >C7

# Contracting firms face increasing competition

**Local engineering, procurement and construction firms are facing increasing competition** from

international players, who have been pulling down project cost through undercutting

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**MUSCAT:** Local engineering, procurement and construction (EPC) firms are facing increasing competition from international players, who have been pulling down project cost through undercutting, said a top-level official of a leading contracting company.

The government is rightly encouraging competition by inviting international bidders to participate in various projects to optimise project cost and bring in newer technologies, Peter Hall, CEO of Al Hassan Engineering Company (AHEC), told *Times of Oman*.

"However, this could result in overaggressive 'entry' level prices from overseas players sometimes due to insufficient local market information resulting in subsequent problems such as delayed completion and cost overruns among others." This can be avoided by right selection of bidders at the initial stages, detailed technical evaluation on their capabilities and past performance, before evaluating commercial bids.

Hall also pointed out that there is a strong case for local companies to be given certain price preference as is practised in many other countries, not only to encourage them but also to protect the local economy and to ensure the ongoing development of the Omani skills base.

"We are, however, confident that with our experience and reputation, coupled with the various ongoing business improvement initiatives that have been implemented, we will continue to effectively compete in this changed environment as our



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**Peter Hall**  
Chief executive, Al Hassan Engineering Company

financial performance records have shown over the last three years," added Hall. "On this basis, we expect to push forward with our profitable business growth through 2011 and beyond." Al Hassan Engineering chief is confident that business expansion in the country will be based on "our already existing considerable reputation for delivering high quality projects safely and on time in the oil and gas, petrochemicals and power sectors."

Al Hassan will also continue with penetration of the adjacent United Arab Emirates market within its core business sectors. "We are al-

ways ready to look at and consider alliances that will help us to achieve our business market both in our home market and our targeted overseas markets."

#### Order bookings

Hall noted that the company had particularly strong order bookings in 2009 that was carried over into the business year in 2010, with a sizable opening order backlog. Also, despite an increased level of competition this year, the company was successful in securing several new contracts in its core sectors. "We are, therefore, starting 2011 again

with a very healthy order book position as such. Year 2011 looks promising," he added.

Elaborating on the recently bagged contracts, he said that in February 2010, AHEC was awarded temporary facilities package for the PDO Saih Nihayada depletion compression project by the main contractor GS E&C from South Korea. Later in July 2010, GS E&C also awarded civil, building works and 132 kV overhead line works with SCADA for the same project.

Further, in July 2010, AHEC was also awarded civil and building works for GASCO's ASAB-3 project

in Abu Dhabi by Technip of France. This contract is a significant milestone as it provides us with access to the Abu Dhabi oil and gas and petrochemicals market.

"In November 2010, we won two major projects in the power sector. The first one is civil and building works for the Barka-3 independent power project (IPP) from the main contractor, GS E&C Korea. This is AHEC's fifth major contract from the same customer GS E&C which reflects their trust and confidence in our company's capabilities."

#### Strategy works

AHEC's strategy planned in 2009-2010 has produced the desired results and given the company an improved market share in targeted sectors. Contract income in the first nine months of 2010 increased by six per cent to RO39 million, over the same period last year. The higher contract income during the period is due to a higher level of project progress achieved, resulting in higher net profit of RO2 million — a robust growth of 34 per cent from RO1.5 million for the same period last year.

With the current high level of crude oil prices, fresh investments are planned by existing players such as Petroleum Development Oman, Occidental and Daleel to maintain and enhance existing production levels. This will generate further business in this sector as well as the associated sectors in the coming years. Gas is another important energy resource but due to depletion of producing well pressures, many compression projects are expected to emerge to sustain the present production levels. AHEC has already won major construction sub-contracts in two such projects of PDO. "We, therefore, believe that we are well positioned to acquire a significant share of this market in the future."

The progressive policies of His Majesty Sultan Qaboos and his government's prudent investment in infrastructure/utility projects such as roads, ports, airports, water and power plants augur well for the contracting sector in Oman.

In order to meet the ever increasing energy demand in northern part of Oman, many major power projects and corresponding interconnecting transmission grid projects are planned. A number of renewable energy pilot plant projects are also being planned including the development of a large scale solar power plant.