

be built at Rabigh — the new focus of industrial development on the Red Sea coast, says works manager Sayed Saleh Saber. The new works could have a production capacity of 1.4 million tons, the Jeddah English-language weekly Saudi Economic Survey reports.

o **Saudi Bakeries Company** has opened what it describes as the largest bakery in the Middle East. It is near the Palestine Road in Jeddah. Initial daily production is 500,000 loaves, eventually rising to 1 million loaves.

o Two Saudi investment companies with a large shareholding in the UK-based engineering group **Evered & Company Holdings** have called on other shareholders to oppose a takeover bid (MEED 16:1:81). In a letter to shareholders, the Saudi investors — represented by **Zahid Industries & Investments** and **Mohammad Mahmoud Bakr** — said the UK-based **Francis Industries** offer of £0.22 (\$0.50) a share "greatly undervalues your company in terms of assets, skilled labour and future prospects." The letter is an unusually public statement by Saudi investors, who tend to be discreet about their investments in western countries. The Saudis own 29.36 per cent of Evered, which has a turnover of about £13 million (\$29.3 million). The bid has been accepted by Evered's board, chaired by Sandy Saunders — who is also chairman of Francis Industries.

o Two contracts valued at a combined \$30 million have been awarded to **Life Housing & Construction Company** of South Korea. The larger job — valued at \$25 million — is for site clearing and grading, and roads, water supply, drainage and electricity work at a site northwest of Jubail. The second contract, worth \$5 million, entails supplying and installing water distribution lines in Jeddah for the Agriculture & Water Ministry.

o Ahmad Nassir al-Binali is to sell his 51 per cent share in the Dammam-based electrical and mechanical engineering joint venture **Al-Binali Drake & Scull**. The shares are to be sold to another Saudi businessman who has not yet been selected. The decision to end Al-Binali's five-year relationship with **Drake & Scull** of the UK follows the joint venture's recently disappointing results — a small loss was recorded in 1980. Drake & Scull says the break came because Al-Binali was concentrating on his other interests, and "did not wish to be involved in our specialised mechanical and electrical contracts." Al-Binali Drake & Scull's share capital is SR 6 million (\$1.8 million). Turnover in 1980 was about £2 million (\$4.7 million). Drake & Scull's independent Saudi operations — which include work on the National Guard's communications system — will continue as usual, a company spokesman says.

o A joint-venture oil installation servicing company has been established by **Fisher Controls International** of the US and Riyadh-based **Fahd al-Tobaishi & Company**. The new

company plans to open a service centre close to Dammam and Dhahran in Eastern Province.

o Bids are due in March for a major contract to build security facilities at oil installations in Eastern Province oil fields. The contract, thought to be worth up to SR 1,000 million (\$300 million), includes building perimeter fences and bomb shelters. Consultant is **Basler & Hofmann** of Switzerland. The names of companies invited to bid have not been revealed.

o The fifth South Korea-Saudi joint committee meeting is to be held in Jeddah on 23 February.

o West Germany's **Deutsche Telepost Consulting (Detecon)** is to partner Riyadh-based **Beta Company** in the SR 360 million (\$107.8 million) contract to operate and maintain the national telex system (MEED 13:2:81). Detecon is jointly owned by West Germany's federal postal service and three banks — **Deutsche Bank, Dresdner Bank** and **Bank fuer Gemeinwirtschaft**.

o The butane export price has been increased to \$298 a ton, from £295 a ton, from 1 February. The propane price remains unchanged, at \$305 a ton. This is the second butane price increase since December. Butane and propane prices fell sharply in 1980.

o Weapons sales to Saudi Arabia are unlikely to be approved by West Germany's parliament, Chancellor Helmut Schmidt has been quoted as saying. In an interview with the daily **Hamburger Abendblatt**, Schmidt said Bonn would not be interested in supplying weapons to countries outside NATO. Reports that Saudi Arabia was interested in buying Leopard 2 main battle tanks and other modern armaments from West Germany alarmed members of Schmidt's Social Democratic Party (MEED 9:1:81).

o The **Saudi-Irish Dairy Products Company** has opened a 50,000-litre-a-day milk processing plant in the second Riyadh industrial estate. The factory was partly financed by the Saudi Industrial Development Fund (SIDF). Saudi-Irish Dairy is a joint venture owned by Jeddah-based **Dallah Industries Company** and the Irish Dairy Board. The opening ceremony was attended by Industry & Electricity Minister Ghazi Abdel-Rahman al-Gosaibi.

o About \$40 million in aid has been promised to Uganda to help to develop livestock, roads and water supply projects, according to the Kampala daily **The People**. The daily quoted members of a Ugandan delegation to the January Islamic conference as saying the presence in Jeddah of ousted dictator Idi Amin did not threaten Saudi aid to Uganda.

o The number of trained Saudis working for **Aramco** is expected to rise to 29,543 by the end of 1981, compared with 26,321 one year earlier. The number of full-time Aramco employees was 46,870 at the end of December

1980. The company says 46 per cent of Aramco's supervisory positions were filled by Saudis at the end of 1980.

o Saudi Arabia's first constitution should be ready soon. In an interview with the Kuwait daily **Al-Siyassah**, Interior Minister Prince Naif Ibn-Abdel-Aziz said a drafting committee, assigned to the job in 1980, is about to complete the document. It will include establishing a Shura (consultative council).

SOMALIA

Air cargo venture discussed

Somali Airlines and the UK cargo charter airline **Tradewinds Airways** are expected to form a joint cargo venture. Discussions began in summer 1980 and Tradewinds deputy commercial director Norman Bamford is in Mogadishu for final negotiations. Tradewinds expects an agreement by the end of February. Details have still to be worked out, but it is thought the agreement will be similar to that operated by Tradewinds and **Sudan Airways** through their joint-venture **Sudan Air Cargo**.

Tradewinds has been operating a fortnightly charter into Mogadishu. Somali Airlines' only European service has been a **Boeing 707** passenger flight between Rome and Mogadishu. If the agreement comes into effect, the joint-venture will operate weekly flights to London using Tradewinds' Boeing 707s. Observers believe the new service will eventually carry the bulk of UK and European freight.

According to Tradewinds, there is "considerable" demand for freight services from Europe — the bulk of goods being aid and development materials, oil and sugar.

SUDAN

ADF to support Blue Nile project

The African Development Fund is to provide 8.3 million units of account (\$10.6 million) towards the Blue Nile pump schemes rehabilitation project. The World Bank has already provisionally agreed to provide \$30 million, as well as \$35 million for the parallel White Nile pump scheme (MEED 30:1:81).

Total cost of the Blue Nile project is

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TRAVEL

GULF AIR CHALLENGES UK CARRIERS

UK airlines with traffic rights through the Gulf could be in for a nasty shock. Gulf Air (GA) is preparing its response to the UK Department of Trade's (DoT's) approval of three airlines' applications for full rights on London-Gulf routes (MEED 9:1:81, Travel).

Spearheading GA's counter-attack is the airline's new Bahrain-based commercial general manager Nick Moudarri (see PEOPLE). The DoT's decision was "morally wrong," he told MEED in Bahrain on 9 February. The UK airlines need extra business from the Gulf sector, he said, because they cannot make adequate profits on end-to-end traffic between London and the Far East. Former UK trade secretary John Nott was forced to grant them Gulf rights because of the ruling Conservative party's commitment to free competition.

Senior executives of several other non-UK airlines affected by the ruling agree that the sector is now hopelessly oversubscribed. In addition to the UK flag-carrier British Airways' (BA's) 46 flights a week through the Gulf, the privately owned British Caledonian (BCal) has full rights at Dubai on its four-times weekly service to Hong Kong. GA wants urgent talks with BA, BCal and Hong Kong's Cathay Pacific. Cathay is included because of Hong Kong's cabotage links with the UK. Cabotage is the carriage of traffic within one country, or between a country and its dependencies. In January the airline introduced a Bahrain stopover on its five flights a week to London.

The UK's Laker Airways will also be approached if Hong Kong's Air Transport Licensing Authority approves its application for landing rights there. Informed airline sources in Bahrain believe Laker will succeed, in which case it plans to start flights through Sharjah immediately.

"We would rather talk to the airlines first," Moudarri says, "and if they come to an agreement, it will be ratified by the UK and Gulf governments." If negotiations fail, "we have the right to serve notice of termination." However, such an impasse seems unlikely.

What GA wants is a fair division of services with the UK airlines. Including Cathay, they operate a total of 64 flights a week on the London-Gulf-London run, excluding Kuwait, Dhahran and Baghdad. In addition, Australia's Qantas has 16, Singapore Airlines 14, and Japan Air Lines and Pakistan International Airlines six each. GA has just 30.

Moudarri puts the total number of passengers carried on the route in 1980 at 300,000 — 3 per cent less than in 1979 and 3 per cent more than expected in 1981. Only 5 per cent of Cathay's traffic is on the London-Gulf route; BA and BCal decline to give figures; GA depends entirely on end-to-end passengers.

Moudarri says GA's complaint is based on the UK's violation of its civil aviation agreements with GA's four owners — Bahrain, Qatar, the UAE and Oman. Each has a "Bermuda-type" agreement with the UK. Named after the first UK-US civil aviation pact, signed in Bermuda, these agreements give the two signatories unlimited rights to operate into each other's territory,

provided a balanced service is run by only one nominated carrier from each. It becomes void when either country licenses a second carrier.

Moudarri refuses to be drawn on the concessions GA is seeking, but other airline sources say there are three possibilities:

□ GA may pressurise the UK into granting it fifth freedom rights to pick up and drop passengers at London en route to points other than the Gulf.

□ It may demand that UK airlines pay it a royalty for fifth freedom rights on Gulf-Far East services. This is a legitimate practice, and one which GA already operates with an association of carriers which have fifth freedom rights through the Gulf. The royalty — 10-15 per cent of the fare — would be a useful source of extra income. It could be linked with a move to set a guaranteed minimum fare for the route. This would be lower than International Air Transport Association (IATA) rates, but still considerably higher than those offered by BCal and proposed by Laker.

□ Finally, GA may demand a reduction in the frequency of UK airlines' flights.

GA's delay in presenting its case is because of a recently resolved hiatus in senior management. Apart from Moudarri, general managers have been appointed to the administration and financial divisions. The technical and operations division has an acting general manager. Also, the airline has its first full-time chief executive in five years. He is Qatar's former acting civil aviation director, Ali Ibrahim al-Malki.

The airline's hand is weakened by its owner-states' differing views of air traffic freedom. Sharjah and Dubai are strongly in favour of an open-skies policy. This is prompted partly by their fondness for free enterprise, partly by the need to recoup investment in costly and virtually adjacent airports. "You close Sharjah and Dubai and you make Gulf Air the strongest negotiator on traffic rights in the world," one senior airline executive told MEED.

At the other extreme is Oman. Its stern views are partly the result of a desire to control the expansion of tourism in the knowledge that, of all the Gulf states, it has the most to offer tourists, and the most to protect from their impact.

Moderates Bahrain and Qatar are loath to refuse applications for rights because they know they will be snapped up by Sharjah and Dubai.

Moudarri reluctantly acknowledges the difficulty of his task. "The UAE is a seven-state country," he says, "and each has its own objectives." And that still leaves him with three more owners to satisfy.

IN BRIEF

○ The *Meridien Kuwait Hotel* was officially opened on 17 February by Commerce & Industry Minister Abdel-Wahhab al-Nafisi. Meridien's hotels at Latakia and Palmyra, Syria, will open on 7 and 24 March. Its Baghdad hotel will be completed at the end of 1981.

estimated at \$71 million. It involves the reorganisation, over five years, of sorghum, groundnut and cotton production on the 52,000 hectares worked by members of the *Blue Nile Agricultural Corporation*. Purchase of goods and equipment will be put out to international tender, and work is planned to begin later in 1981.

Both the White and Blue Nile pump schemes are part of a long-term rehabilitation programme for all irrigated projects — including Gezira and New Halfa — to increase cotton output. When the programme is completed, the holdings which line both rivers will be regrouped under a single organisation, supervising a total of 2.4 million hectares.

IN BRIEF

○ The government is considering establishing "people's pharmacies" to sell cheaper medicines and to establish a monopoly on importing pharmaceuticals. The policy is designed to rationalise a chaotic market with widely varying prices.

○ The state *Sea Ports Corporation (SPC)* will be officially handling container traffic at Port Sudan from the end of February. SPC previously discouraged container use because of inadequate handling facilities and customs procedures. Container arrivals at Port Sudan had reached 750 a month by January and are now expected to increase substantially. The new policy is the result of equipment deliveries as part of the first phase of the port's modernisation programme, and the introduction of new customs procedures.

○ The US is to supply wheat and wheat flour valued at \$20 million, it was agreed on 14 February. This is the second instalment in a five-year grant agreement signed in December 1979. The agreement allows the government to sell the wheat to local mills, using the money for development projects. Proceeds from the 1980 grant went to livestock research and rural planning. Those for 1981 are allocated to railway rehabilitation, rural health, river transport and agricultural research.

○ In an interview with the Paris daily *Le Figaro* on 13 February President Nimairi said Sudanese troops had been regrouped along the Chad border. He claimed this was in response to Soviet-backed Libyan troop concentrations at Abeche, near the border. Three Soviet Tupolev-22 aircraft were being used to bring in tanks, Nimairi added.

SYRIA

Oil exports expected to fall

Oil exports are expected to fall to about 50,000 barrels a day (b/d) in 1981, the New York-based *Petroleum Intelligence Weekly (PIW)* says.

PIW attributes the fall — from a 1980 level of 100,000 b/d — partly to interruptions in oil supplies from Iraq and partly to desertions by contract buyers (MEED 16:1:81). Several buyers are not renewing in 1981 and others are said to

MICHAEL FROST