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NEWS

BAHRAIN

Further bids invited for Alba expansion

Bids have been invited for two materials handling contracts included in the estimated BD 30 million ($79.6 million) expansion of ***Aluminium Bahrain (Alba).***

The alumina handling contract, for which the closing date is 14 November, entails increasing on-site alumina capacity to 55,000 tonnes from 30,000 tonnes and capacity at the Alba terminal to 60,000 tonnes from 35,000 tonnes.

The second contract is for coke handling. The tender closing date for this has been extended for four weeks, to 14 December. The contract essentially involves changing handling procedures – in future, coke will be trucked from the terminal to the site, rather than transported by overhead wires. Work will include providing more silos and loading installations at the terminal. The consultant for the expansion is Switzerland's ***Elektrowatt Engineering.***

Another part of the scheme entails converting the power station to combined cycle (MEED 7:11:87). Eight companies have bid for the estimated $40 million contract. The third contract package is integration of the power station.

West Germans plan tube factory

Bids are expected to be returned in early 1988 for a contract to build a factory making copper tubes and bus bars. Initial studies and tender documents have been prepared by West Germany's ***Intertec***, which is now in Bahrain discussing the project with local bankers and the client, ***Essa Mubarak al-Kobaisi***.

The scheme is estimated to cost $40 million-45 million; production capacity will be 8,000 tonnes a year. An industrial licence has been obtained for the factory, to be built in the North Sitra industrial estate.

Duesseldorf-based Intertec was appointed consultant by Al-Kobaisi in August. It has already issued tender documents to companies from Japan, West Germany, Finland and Belgium, but says documents are available for a further month if other companies want to compete. The contract is expected to be awarded in 1988.

IN BRIEF

● The Commerce & Agriculture Ministry has presented for cabinet approval a list of nine nominees for the board of the stock exchange. The new stock exchange was ratified by amiri decree earlier in 1987 (MEED 14:3:87). Trading on the stock exchange is due to start in the first quarter of 1988, according to the ministry's stock exchange adviser, Fawzi Behzad. The next step will be to appoint a general manager and administrative staff, he says. Commerce & Agriculture Minister Habib Kassem has been nominated exchange chairman. The other nominees are Commerce Ministry undersecretary Hassan al-Nusuf; Bahrain Monetary Agency (BMA — central bank authority) investment director Ahmad Bin Saqer al-Khalifa; Abdul-Hamid al-Aradi, representing the Finance Ministry; Ali Saleh al-Saleh and Hamad Abdullah Abol — both members of the board of directors of Bahrain Chamber of Commerce — and Taqi al-Bahurna, representing the private sector; Jassim Fakhro, representing accountancy and auditing firms, and Sami Kaiksow, the commercial banks.

● The price of pharmaceuticals imported from the UK and the US has been reduced by 10 per cent, but those of West German, Swiss and French origin have been raised by 20 per cent. Pharmaceuticals imports from the UK and the US account for 50 per cent of the island's needs, says the Health Ministry's head of materials management, Mohammad Jaffar. The price changes have been imposed because of exchange rate fluctuations, says Jaffar, who puts Bahrain's total pharmaceuticals imports at BD 2 million ($5.3 million).

CYPRUS

Plessey considers Cyprus centre

UK defence and civil electronics contractor ***Plessey*** wants to establish a maintenance centre on the island, the Nicosia daily Cyprus Mail says. The centre would be owned by ***Plessey Radar,*** and would serve customers in the Middle and Far East, and southern Europe. It would be Plessey's first maintenance centre outside the UK.

Plessey has confirmed that the company is "conducting sensitive negotiations with the Cyprus government," but would not comment on the nature or progress of the talks.

Trade gap narrows

The trade deficit narrowed to £C 188.5 million ($87.7 million) in the six months to June 1987, government figures show.

Exports rose by 12 per cent compared with the first half of 1986, to £C 148.4 million ($69 million). Imports dropped by 1.3 per cent, to £C 336.9 million ($156.7 million). Trade with the EEC continues to make up the bulk of business.

IN BRIEF

● There are 630 offshore companies operating in Cyprus, a government report says. the report follows a one-day seminar in Nicosia to explain government attitudes to offshore operations. The companies employ 1,350 expatriates and 1,160 local staff, the study says. It is estimated that the companies brought in £C 35 million ($16.3 million) in exchange in 1986, and the figure will rise to £C 40 million ($18.6 million) in 1987.

● The new Agriculture & Natural Resources Minister is Nicos Pittichis. He replaces Andreas Papasolomontos, who resigned on 6 November after the cabinet decided to investigate reports of mismanagement and misappropriation in the ministry.

EGYPT

Private water scheme set up for Hurghada resort

A contract has been finalised with a UK/local venture to set up Egypt's first privately owned and operated water supply system. The estimated £E 30 million ($13.6 million) scheme entails building a desalination plant and a supply network to serve hotels, tourist villages and villas along a 20-kilometre stretch of coast south of Hurghada, on the Red Sea. Tourism development has been hampered by the lack of adequate infrastructure — in particular water supply — and the Hurghada project is seen by industry observers as a potential blueprint for private-sector involvement in improving such services (MEED 26:9:87).

The contract is being carried out by ***Henmill Company for Desalination of Red Sea Water***, a joint venture of the UK's ***Henmill*** and Cairo-based ***Jetco***. Capital is £E 4.5 million ($2 million), to be increased to £E 12 million ($5.4 million). The UK partner holds 70 per cent of the equity and the local firm the rest. Client is privately owned ***Tourist Development Company of Hurghada***, headed by Red Sea province governor Yousef Afifi.

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The water will be drawn from shore wells, drilled to about 80 metres. It will be pumped to a desalination plant and piped to clients, including the Hurghada Sheraton, and the Gifton, Samaka and Megawish tourist villages. The supply will start in November 1988 at 5,000 cubic metres a day, rising to 10,000. The water is expected to be priced at about £E 4.50 ($2) a cubic metre.

The equipment for the desalination plant will be supplied by the US' ***L A Water Treatment Corporation***, which carried out studies for the scheme. Jetco will install mechanical and electrical equipment; tenders will be invited for civil works. L A Water will operate the desalination plant for the 20-year duration of the contract.

The only issue still to be resolved is financing. The venture is studying the possibility of tapping into the private-sector loan programme of the US Agency for International Development (USAID), or financing the scheme through a banking consortium.

Henmill, which initiated the project, also has plans to build a 200-bed hotel at Hurghada. Negotiations are being held with ***Ramada Inns*** of the US and Switzerland's ***Moevenpick*** about a management contract.

Hurghada is served by an international airport and boasts some of the most spectacular coral reef diving in the world.

Al-Rayan plans huge capital increase

The controversial ***Al-Rayan*** investment group has announced plans to consolidate its activities in a joint-stock firm, to be capitalised eventually at £E 2,000 million ($905 million). ***Al-Rayan Finance Company*** was set up in mid-1987 with capital of £E 50 million ($23 million); this was increased at a recent extraordinary general assembly to £E 500 million ($230 million — MEED 22:8:87).

The move follows government pressure on deposit-taking Islamic investment companies — such as Al-Rayan — to turn themselves into entities covered by existing company law. By offering high returns and appealing to Islamic principles, investment firms have succeeded in attracting huge deposits, estimated to total more than $5,000 million. It is technically illegal for institutions other than banks to collect deposits, and the government is concerned that depositors with the companies have no legal protection.

These concerns have increased in recent weeks because of the investment companies' high exposure on the turbulent international equities markets.

There is a lively debate in Cairo financial circles as to whether the government should draft fresh legislation to regulate the activities of the Islamic investment companies, or draw up a plan of action using existing laws. The most recent piece of legislation is Law 89 of June 1986, which forbids any form of public subscription without prior approval from the Economy & Foreign Trade Ministry. The ministry later clarified the law, specifying that such approval would be granted only to joint-stock companies.

Al-Rayan's decision to move to a shareholding base is seen as an effort to comply with the government's demands that companies' activities be regulated properly. But questions have been raised about how Al-Rayan is carrying out the transformation. Chief executive El-Hagg Fathi Tewfiq has indicated that shareholders will be provided with monthly loans repayable on the basis of dividend coupons at the end of the year when the balance sheet and profit margin have been reported.

However, critics say this is a highly irregular way of converting deposits into shares — without a public subscription and without the publication of details about the company's financial position. Another Al-Rayan executive, Ahmed Tewfiq, has explained to the Cairo weekly Al-Ahram al-Iktissadi that there exists a previous contract with each depositor authorising the company to use his or her funds as it sees fit. In this case the funds are being used to buy shares in Al-Rayan Finance Company. The shareholder will be entitled to obtain share certificates equivalent to the value of the original deposits.

The shares can alternatively be left in the possession of the company, and the depositor will be able to draw loans on the guarantee of the shares.

While Al-Rayan's method of turning depositors into shareholders has been criticised, some financial analysts say the burden is on the government to propose its own procedures for transforming the Islamic investment companies into properly constituted bodies.

Sayed Issa, writing in the 2 November edition of Al-Ahram al-Iktissadi, says the authorities should take decisive steps to put the Islamic investment sector in order. The first move should be to tell the companies to stop taking deposits, Issa proposes. They should then choose between regularising their affairs or liquidating their businesses and reimbursing their depositors. Companies wanting to continue in business should provide detailed balance sheets for all their activities. After this, depositors should be given the choice of converting their savings into shares or withdrawing them.

Issa adds that Companies Law 159 of 1981 should be amended to cover the special circumstances of the new ventures created by the conversion of the Islamic investment companies into joint-stock firms. He adds that steps should also be taken to increase the maximum interest rate on deposits and bonds from the present 7 per cent. The gap between this rate and the inflation rate, officially put at 19 per cent, has been exploited by the Islamic investment companies to attract savings away from banks and the official capital market.

Spain ties up Paris Club deal

An agreement was signed with Spain on 11 November for rescheduling debt repayments to Spain according to the Club of Paris accord. Spain is one of the largest creditors in the rescheduling, with arrears and payments of about $480 million being deferred.

Government officials say they intend to complete negotiations with each of the 18 Paris Club creditors by the end of December (MEED 7:11:87).

The agreement followed talks with the Spanish export credit agency, CESCE. They covered about $450 million of servicing payments on officially guaranteed loans. Talks are to be held in Cairo on 29-30 November about rescheduling official debt payments of about $30 million. Much of the Spanish debt problem stems from contracts signed in 1981-82 for the supply of trucks, buses, armoured vehicles and patrol boats for the armed forces. Payments problems led to some of the contracts — valued at more than $1,200 million — being scaled down.

France was the first of the Paris Club creditors to sign an agreement on the rescheduling. The French package is valued at about FF 10,000 million ($1,700 million). Next in line is expected to be the US, with a similar amount being deferred. Negotiations are understood to be continuing about a possible private-sector role in refinancing the military portion of the US debt. Two American institutions — ***Bankers Trust Company*** and ***Salomon Brothers*** — submitted detailed proposals for the refinancing in 1986. But the proposals depend on Washington agreeing to guarantee the refinancing. As yet, such guarantees have not been approved (MEED 20:12:86).

The other main creditors, due to hold talks in Cairo in the next few weeks, are Japan, West Germany, Italy, Australia, Switzerland, Austria and the UK. The total amount being rescheduled — for 10 years, including five years' grace — is about $12,000 million, comprising $7,500 million to OECD states and $4,500 million to Arab governments and institutions.

IN BRIEF

● Canada's ***UMA Engineering*** has a $Can 20 million ($15 million) contract to build three grain silos in the Delta. The award to the Winnipeg-based concern follows a lengthy dispute, with heavy lobbying by east and west Canadian interests. The scheme is being financed by a grant from the Canadian International Development Agency (CIDA). Industry observers say UMA — the acknowledged leader in the field — appealed against the