



Sculling through the inertia

TAWFIQ ABU SOUD, EXECUTIVE DIRECTOR OF INFRASTRUCTURE, WATER AND POWER PROJECTS AT DRAKE & SCULL INTERNATIONAL, BELIEVES THAT CONSOLIDATION OF EFFORTS AND DECENTRALISATION ARE POTENT SOLUTIONS TO THE CHALLENGES THE DISTRICT COOLING INDUSTRY CURRENTLY FACES.

MY BACKGROUND

I was born in Bahrain in 1958. I trace my roots to Jerusalem, and am of Palestinian-Jordanian origin.

My schooling was in Qatar. From there, I went on to get a bachelor's degree in mechanical engineering, with a minor in electrical and civil engineering, from Southern Illinois University, in the United States. Subsequently, I earned a master's degree in business administration from the University of Hull, in the United Kingdom.

A LOVE FOR ENGINEERING

I have always been a hands-on sort of person. While still in high school, I held a job that involved repairing television sets and installing antennas. (The world of satellite television was far away, then!)

Later, while in university, I started out as an electrical engineering major; however, I switched over to mechanical engineering, because I discovered the mechanical stream to be the main connecting bridge between civil and electrical engineering. As we mechanical engineers like to say, we can do things from A-Z... from aircraft to zebras.

THE WORLD OF DRAKE & SCULL

After university, I joined Manco, a Qatar-based oil-and-gas and industrial-contracting company. I spent 14 years at Manco and was regarded as one among three key people that ran the company. From there, I moved into the world of Drake & Scull.

I joined Drake & Scull in 1996. Then, in 1997, I received a promotion to be the Regional Manager for major projects in the Middle East.

Subsequently, the company underwent a change of management and ownership, and I was part of the change. In 1998, I became the General Manager of Drake & Scull, Abu Dhabi; at the time, the company had only the Dubai

and Abu Dhabi offices in the UAE. Today, of course, it has climbed several notches, an important milestone being the IPO in 2008. As a member of the founding committee of the IPO, I was also a key proponent of the launch.

THE SKY IS THE LIMIT

In 1998, the total strength of Drake & Scull in the UAE did not exceed 600 people. Today, we are 12,000-strong, which is a 20-fold increase in the strength of our manpower. Moreover, we have progressed from being dependent sub-contractors to become design-and-build contractors. In 2003, we won our first project as design-and-build contractors in the UAE, as a turnkey job, which was for the Jumeirah Beach Residence district cooling scheme. From there, as I always say, the sky is the limit.

The JBR project was a key turning point for the company, and we were fortunate to be able to capitalise on the opportunities as well as to enhance our capabilities and expertise. Since then, we have come to be known as one of the leading design-and-build contractors for district cooling, in particular, and utilities, in general.

The turnkey-solutions offering is actually something combined under one umbrella, as specialised services. It is important to understand that in order to be a successful turnkey-solutions provider, it is imperative to have in-house expertise; however, it is not just about work-competence but also about those who are able to understand and manage the business.

INFRASTRUCTURE IS IT

One of the good things about the current global environment has been that it has assisted us to attract more suitable talent and expertise into our company. We truly believe that our expansion



TO ADDRESS THE POWER SITUATION, NUCLEAR ENERGY IS DEFINITELY A STEP IN THE RIGHT DIRECTION, BUT OF COURSE, SAFETY WILL HAVE TO BE THE NUMBER ONE PRIORITY.

has no limit. We are currently looking to engage the crème-de-la-crème in the business as we continue to bid on infrastructure projects across the Middle East.

Infrastructure is, and will always be, in demand, regardless of the economic situation. You will notice that infrastructure cannot keep pace with project development; it is always lagging. And even when it catches up, new projects are developed, so the requirement is a constant necessity.

Moreover, in the case of infrastructure- and utilities-related projects in general, each assignment has a specific life-cycle. So one could say that what was built 25-30 years ago will be due for replacement in 5-10 years from now; and so, the cycle is continuous. You may notice with some countries in Europe, for example, that most of the power and water plants are now due for replacement.

Of course, for this



« region, we are still virtually immune in that department; whatever has been built over the past few years, will not need replacement for a long time now. In fact, the most active markets for infrastructure are the countries that have organic growth; North Africa, for example, as well as Egypt, Sudan, Libya and Algiers. These countries have been lacking in infrastructure so long, and are most in need. With a total population in excess of 150 million, the population growth itself is about 10 million people per year, and so development of infrastructure is essential for them to sustain. In addition, Saudi Arabia is also a key region for infrastructure development, owing to its large size and growing population.

Although the current economic climate has affected project financing in general, in this region and worldwide, infrastructure projects remain a necessity, and one can still find the funding to execute. Naturally, however, the requirements are now more stringent, and there is more due diligence taking place. The fact remains, however,

infrastructure is a necessity, and the demand is never ending.

THE DISTRICT COOLING CATCH-22

On the other hand, if we talk about our main specialty, which is district cooling, then yes, there are problems. The problems are basically due to recovery of investment, which is based on occupancy rates. If a property is developed and sold, but there is only, say, 50% occupancy, then recovering district cooling expenses is not possible.

Moreover, the issue about the capacity of the plants is a Catch-22. Say you are a developer, and you have built 7,000 apartments; however, you as a developer do not know who is going to live there, and when. In spite of this, when you build the utilities infrastructure for your development, you have to build to cater for 100% occupancy. This is a major problem, and of course, has seriously impacted the utilities companies. Some utilities companies will be severely affected financially, as a result of this.

In the chain, however, the most affected nowadays are the contractors, because they

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are sandwiched between vendors and clients. So, the client throws all the risk on to the contractors. Typically, you have the risk of cash, and fluctuations in currency and commodities; of course, the vendors do not accept most of these risks. For this reason, we are currently working very seriously with many clients to develop schemes, both commercial and technical, that will best serve the existing situation. Solutions have to be provided, and we are also discussing the option of distributed district cooling. In fact, we are working with some firms to even develop decentralisation of district cooling.

Nonetheless, the market for district cooling is still active, but it is shifting from location to location. Saudi Arabia is a huge market for district cooling. And so is Qatar. Other countries, such as Egypt and Jordan, are also following suit.

District cooling is not a new concept – it was around even in the 1950s in Kuwait, in the form of centralised water plants, and so, the principle remains unchanged. The only thing we are trying to do is to find ways and means to improve efficiency and reduce power consumption. On the other hand, although lessons have been learnt in light of the current situation, they are not always implemented, and not to the extent I would like to see.

THERE ARE NO SQUARE TABLES

I am, and always have been, a huge promoter of consolidation of efforts. Before the current global situation, it was a seller's market, so the seller had the upper hand. Today, it is a buyer's market, and the buyer has an upper hand – if he has the financial resources, of course. However, even in the good days, I advocated that a project cannot be successful unless all stakeholders work as one unit rather than one



looking to take advantage of the other. I am still a believer that under the current situation, if contractors, vendors and sub vendors, all the way down to the bottom of the chain, join forces, they can contribute in a major way to the recovery.

Actually, the example I like to use is to say that I don't like square or rectangular tables. For any project to succeed, it is vital to draw on a round-table approach, where no one is at the head. If the project is to be executed successfully, on time, and within budget, then everyone has to act as one. This is what we like to call the virtual company approach and what we like to implement when approaching our projects. Of course, we cannot get all clients to act in this manner; however, we definitely do see projects where we employ this approach as being more successful and positive when it comes to quality time, and cost.

As Drake & Scull, of course, we, too, have been affected by the economic climate, but I do not believe we have been affected drastically. Naturally, we will not be growing as we anticipated, but we will still be growing. I do not see the current situation as a threat to the company. In fact, with our current management and perseverance, we are sure this is an opportunity for us, because we are strong, both financially and technically. Moreover, while I cannot say things have bottomed-down or up, I do think we are already seeing signs of recovery. However, I believe that people should be cautious and not promise if they cannot deliver.

Furthermore, the slowdown is going to affect quality, because now most are penny-wise. I do not see the look and appearance of projects being affected, but it will affect the performance quality, which in turn will reduce the life-cycle of the projects. Nonetheless, we do still see some clients

who insist on installing the best available, so one cannot generalise. Moreover, in the case of infrastructure and utilities projects, one simply cannot compromise on standards.

“BUILD IT - WATER IT - POWER IT”

We are seeing more and more design-and-build and EPC contracts in the region; however, clients and other parties are still treating design-and-build, EPC and turnkey contracts as if they are traditional contracts. So, it does present a dilemma when taking on a design-and-build contract – one still does not have the freedom to execute on design-and-build terms.

However, this is simply a mind-set, and it will correct itself in time. Moreover, we are working towards changing the perception people have of Drake & Scull. The company has been working as an MEP sub-contractor for 120 years – so people don't understand how we can be favourites for major contracts worth millions of dollars as sub-contractors. However, it is important to recognise that, in fact, MEP works can sometimes constitute as much as 70% of the total value of the contract. What needs to be understood is that we are an end-to-end service provider in construction and the first specialised contractors in the Middle East. We can work from A-Z: We can build it, power it and water it – no one else does this!

ALTERNATIVE ENERGY SOURCES

To address the power situation, nuclear energy is definitely a step in the right direction, but of course, safety will have to be the number one priority. In the meantime, however, there are other alternative energy sources to focus on. We are working on many renewable energy projects. In Jordan and Egypt, we are part



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« of consortiums on pre-qualifications for wind power. In addition, we have put a bid on the MASDAR project, for part of the district cooling to be powered by solar energy.

Furthermore, I was on a panel at a water summit recently to promote distributed utilities in isolated locations. In such cases, the utilities do not have to be linked to the grid. Isolated wind power or solar panels are connected to the grid, so it's a vice versa situation. In effect, villages and towns could earn money by having their own small wind power facility to serve their needs. Moreover, now there are wind farms ranging from 300MW to 500 MW, so it's not small anymore.

Unlike wind power, solar energy requires a much larger area; however, everything is possible. Wind power doesn't work everywhere,



and solar power doesn't work everywhere, so it depends on the place. As a member on a think-tank for Nakheel, I attended sessions on various topics of interest, one of which was about solar energy, where someone presented a quick study and calculations revealing that the power required for

Europe could be generated in the deserts of Algiers or Libya, from solar energy. Moreover, the land required to do so, as compared to the vast area of the desert would be negligible. Nonetheless, due to the tremendous costs associated with such an implementation, the commercial viability of it is not feasible at this point.

job, then you can not advance or improve.

MY FAMILY, MY LIFE

Of course, there are people who contribute to the motivation and inspiration factor. For this I would give credit to Khaldoun Tabari, the CEO of Drake and Scull. We have worked together since 1995, even before he was part of Drake and Scull.

Outside of work, all credit goes to my wife. As the saying goes, behind every great man is an even greater woman. She is that greater woman!

I also have a 10-year-old son, who seems to me to be more likely to become a politician or a lawyer than an engineer.

While I try to balance my time between work and home, the one thing I definitely do not sacrifice is the weekend with the family. It is very rare that I am away from home on a weekend; if I am away on a business trip, I try, as much as possible, to fly back for the weekend.

There isn't much time for me as far as personal interests go, but I would say what I do for fun now is what my son likes to do. We play billiards, tennis or go swimming – the same things I did when I was his age.

The escape I enjoy is travelling, and so I make sure to take my family on holiday three times a year, during summer, Christmas and Easter breaks, which coincide with school holidays. But of course, as long as the phone is on, work is always on. ■

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HOME IS WHERE THE HEART IS

I have lived all my life in the Gulf region, so I consider this to be home more than anywhere else. Funnily enough, yesterday the bank asked me for my telephone number in my home country, and I said I don't have one! This is my home, and I consider contributing to it as a very important part of my role. Although I can only be a very small contributor overall, I am enthusiastic that within Drake & Scull we are able and in the process of conducting research for district cooling and telecommunications. We are trying to work to create special solutions for remote areas utilising alternative energy sources.

In my opinion, motivation and inspiration has to come from within. I am a workaholic, and I love my job, because I have loyalty to what I do, not only to the company I work for. If your loyalty to the company you work for overrides your loyalty to the