



Expo 2020

A game changer for Dubai



Following the United Arab Emirate's bid to host the World Expo 2020 in Dubai under the theme "Connecting Minds, Creating the Future," all eyes were focused on the Emirate awaiting the news of whether it would, in fact, be holding the hugely popular event. With the announcement of Dubai winning the bid, the entire GCC and Middle East markets gathered to celebrate the historic win, as the event had previously never been held in the Middle East. Boon or bane? We asked our experts to weigh in.

Bound to attract millions of visitors, Expo 2020 will no doubt change the way we do business, and will create significant changes be they opportunities or challenges – in most industries and market sectors. Here our Deloitte leaders and experts discuss how they think the Expo 2020 win for Dubai will reshape and alter the way business is being done and the impact it will have on their industries. One thing is certain: “business as usual” is no longer applicable.



Mutasem Dajani, United Arab Emirates regional managing partner, Deloitte

- Q.** How do you think Dubai’s Expo 2020 win will affect the region in general, and Dubai in particular?
- A.** As the first-ever World Expo to be held in the MENASA (Middle East, North Africa and South Asia) region, Dubai Expo 2020 will undoubtedly have an impact that ranges beyond Dubai and even the UAE itself. If we take a moment to consider the meaning and the possibilities behind the theme “Connecting Minds, Creating the Future” it is clear that Expo 2020 will go beyond a local showcase of commerce, technology and infrastructure, however impressive these things may be. The stated subthemes of the Expo are Sustainability, Mobility and Opportunity. By focusing on identified key drivers of global development, Dubai will itself become an agent for future global progress as securing sustainable energy and resources, connecting and moving

people, goods and services across markets and exploring the intrinsic spirit of entrepreneurship come together in a location that is uniquely synonymous with achievement in each of these areas.

Words like ‘transformative’ and ‘economic catalyst’ have been used to describe the potential impact of Expo 2020. When you consider that according to the Bureau International des Expositions (BIE), in 2010 more than 73 million visitors and 246 participating governments, international organizations, and Non-Governmental Organizations (NGO) attended the Shanghai Expo, the far-reaching scale of the Expo platform and its ability to create a lasting legacy becomes clear. While close to US\$7 billion has reportedly been earmarked for development and infrastructure projects in Dubai so far, and tens of millions of visitors are expected in the first six months, the fact that Dubai is itself strategically located within four hours of a third of the world’s population and is a bridge between developed and developing nations gives this Expo added potential for wider impact leading up to the event and afterwards for years to come.

The construction and tourism, hospitality and leisure sectors have obvious potential to benefit from development spending and job creation. Technological innovators in conventional and alternative energy as well as engineering, urban planning and logistics will also likely see a host of in-region opportunities. But beyond commerce there is also a real human development dimension to the Expo. With over one third of the population currently below the age of 15 across the developing world (and generally double the rate in most western developed nations), rapidly growing urban populations, scarce resources and an increasing need for investment in human capital, H.H. Sheikh Mohammad bin Rashid’s statement last November after the awarding of the 2020 Expo to Dubai bears repeating: “Our goal is to build a better future for the region’s youth. The UAE will achieve it through collaboration and inspiration at the event.” By staying true to this goal and the themes of the Expo, Dubai 2020 will impart an energy and relevance that may

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be unmatched by any recent exposition the world has seen. Six years from now today's teenagers will be choosing their respective courses of study or entering the job market. Today's university graduates will be managers in industry and the public sector and will be more mobile, globally connected, and technologically adept and determined in addressing the challenges of the next decade. All indications are that 'Connecting Minds, Creating the Future' can go beyond a theme and become a catalyst for development of the UAE and the region.



**Humphry Hatton, CEO,
Deloitte Corporate Finance
Limited**

Q. How do you think Dubai's Expo 2020 win will affect Financial Advisory services?

A. There are likely to be a number of secondary and indirect effects to the financial advisory services landscape, in addition to the direct opportunities to advise on the capital project and real estate issues that will be directly generated as a result of the need to build new and innovative infrastructure: these would involve areas such as providing advice on project modelling and related financing needs, as well as providing project assurance once development is underway, where a genuinely independent professional view is required.

However, hosting Expo 2020 in Dubai seems likely to only further the attractiveness of Dubai as a base for overseas companies wishing to invest in the Middle East. It is easy to forget that there are still a great many companies around the world that do not have operations in the Middle East and have never invested here, and Expo 2020 should be yet another important component of any strategy to give Dubai a more prominent place in the business world, although there is clearly much work that will need to be done to be able to realize these benefits. In the next six years leading up to Expo 2020, I would

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Humphry Hatton

expect to see even more impetus behind the important SME initiatives, where we are proud to be a partner of the Dubai SME, providing advice and support to that important band of entrepreneurs that are critical to a healthy and dynamic economy.

In time, these activity levels are likely to flow through to an increase in mergers and acquisitions and other transactional opportunities, and perhaps to create pressure for greater economic liberalization and better regulation to ensure that the maximum possible opportunity is derived from this very significant event in the history of Dubai and indeed the whole of the UAE, as well as the wider region.

Finally, there is little doubt in my view that the high growth and high value economies of the future will be characterized by exceptional investment in infrastructure and education, and so clearly the opportunity exists to assist with related acquisition strategies, applying a range of diligence expertise and advisory skills as necessary to build lasting value from these transactions.



**Anis Sadek, Dubai
managing partner, Deloitte**

Q. How do you think Dubai's Expo 2020 win will affect the tourism, hospitality and leisure/retail/consumer business industries?

A. There is no doubt that Expo 2020 will have a significant impact on Dubai and act as a catalyst, further energizing the hospitality, leisure, retail and consumer businesses here. It only takes a quick analysis of the impact of an expected additional 20 million international visitors over a six-month period to see that significant investment in hospitality and retail infrastructure will be required, expected to be particularly in the vicinities of Dubai World Central (Al Maktoum International Airport) and Muhammad Bin Rashid City, to cater for an estimated additional 70 million room-nights and a boost of over US\$10 billion in retail/consumer spending. This is all in addition to the non-Expo predictions of 16 million arrivals in 2020.

In a city where hotel occupancies are already high, Expo 2020, in addition to other growth, is estimated to require an additional 50,000 rooms in over 200 properties of all categories from budget through to luxury which is expected to create 100,000 new jobs in tourism and hospitality (out of 277,000 employment opportunities in total) the impact is therefore also bound to be felt in neighboring cities, particularly Abu Dhabi, as they absorb part of this demand. Pundits are expecting a significant boost in the previously predicted growth rates of 4 percent in the economy (Shanghai achieved 13 percent GDP growth in the five years leading up to the 2010 Expo)—BoA Merrill Lynch estimates a boost to the Dubai economy of US\$23 billion between now and 2020 and Arabia Monitor predicts that total receipts from visitors to Expo 2020 could reach US\$60 billion.

The legacy we all hope for is the development of additional vibrant business districts, incorporating leisure and retail, fully integrated into the global travel hub that is Dubai. The challenge facing the hospitality, leisure and retail sectors is how to sustain business beyond Expo 2020; careful planning is needed to avoid over-shooting the required development and for Dubai to build and maintain attractions and events that will encourage future visitors to the destination in the generations to come.



Cynthia Corby, Audit partner, construction industry leader, Deloitte Middle East

Q. How do you think Dubai's Expo 2020 win will affect the construction industry?

A. With Dubai winning Expo 2020 we will see renewed confidence in the already improving construction industry. In a market that relies upon confidence and optimism, this is a much-needed stimulus to create momentum for a renewed development and economic cycle. The largest ever Expo site is set to be built in the Jebel Ali Dubai World Central (DWC) area at a total cost of between US\$2–4 billion. The secondary infrastructure spend will be upwards of US\$8 billion, and will include construction opportunities in the transport, hospitality, retail and commercial sectors.

Dubai's Roads and Transport Authority (RTA) has announced that they will fast-track a US\$1.36 billion expansion of Dubai Metro's Red Line to connect to DWC. Emaar Properties have announced that it has signed a memorandum of understanding with DWC to develop a massive (13.63 million sq.m.) golf-centred residential estate adjacent to the area surrounding the Expo 2020 site. These are the first of many announcements regarding large-scale projects being planned in the wake of the Expo win.

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Anis Sadek

With all this extra infrastructure spend jobs will be generated with some estimates claiming 30 percent of the potential 300,000 jobs created by Expo 2020 will be in the construction sector alone. The government has also announced that all new and existing construction projects are going to be fast-tracked to be ready for 2020. The demand for skills and resources will of course increase and we would hope that a well-planned and phased development strategy will prevent the price for these resources and for talent from becoming disproportionately expensive.

I would like to take this opportunity to congratulate Dubai on winning Expo 2020. I am eager to see Dubai's theme of "Connecting Minds, Creating the Future" to continue to unfold as the plans for Expo 2020 start to take shape and pick up momentum, and look forward to being part of these exciting times ahead.



Jesdev Saggar, managing director, Infrastructure and Capital Projects, Deloitte Corporate Finance Limited

Q. How do you think Dubai's Expo 2020 win will affect the Infrastructure and Capital Projects (I&CP) service line?

A. Whilst my immediate reaction is that it will be positive, I think we need to be cautious and balanced on how the market should embrace the Expo 'euphoria.' Firstly, very few people understand what an Expo is, let alone its potential impact on Dubai. While all of Dubai's indicators are moving in a positive direction, the future remains challenging. Dubai has been dealing with the close out of its financial obligations over the downturn years and the lessons learnt during the close out of these

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Cynthia Corby

obligations would be usefully applied to avoid this pressure as the Government is to embark on funding future infrastructure to meet the demands of hosting a global event. While challenging, that does not mean that it cannot be done, these challenges can be met with the right planning and coordination of spend across all the authorities. Expo, like any major event is all about coordination and planning and its success or failure will be a result of how well the authorities unite to capitalize on its potential. The construction sector will not be the only benefactor, but the difference between Dubai and some of its neighbors is that it acts decisively and those actions turn into results that we can all see and enjoy. Dubai must think smart about the project management office (PMO) for this project and simply handing it to a technical services provider might not align with the dynamic bid the Expo Supreme Committee submitted. Dubai needs more, Dubai expects more and Dubai deserves more. As a leader in the region, all eyes are on how 'Dubai does it' as that will be the template for others to follow. Dubai once again is the pathfinder and with that responsibility it should harness the talent it has developed locally before looking internationally for support.

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Akbar Ahmad, Audit partner, financial services industry leader, Deloitte UAE

- Q.** How do you think Dubai's Expo 2020 win will affect the Financial Services industry?
- A.** When Dubai was officially announced as the host of the Expo, the outpouring of joy was phenomenal and very similar to what I had experienced when London was awarded the 2012 Olympics. It speaks volumes that Dubai and the UAE were able to get such overwhelming support from the global community when they were competing against cities and countries that had been vying and winning events such as the Olympics and the Football World Cup.

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Akbar Ahmad

From a financial services industry perspective, while Expo 2020 will have a limited impact, in my view it will represent a milestone on a journey that looks to fulfill the vision of the leadership of the UAE. To keep it in perspective, the Dubai Government spend for the Expo 2020 is estimated to be US\$9 billion over a seven-year period, the 2012 GDP for the UAE was approximately US\$360 billion.

The real story in my view is the diversification of the UAE economy, both in Abu Dhabi and Dubai, in sectors such as aviation, logistics, financial services, manufacturing, real estate and in particular leisure and hospitality. Dubai had 10 million tourists in 2012 and currently competes with the likes of London, Paris, New York, Singapore and Bangkok and has ambitions to have 20 million tourists by 2020. Even during the crisis, we saw continued investments in infrastructure, logistics, tourism and hospitality which were required to support the current numbers of tourists. To achieve the ambition of 20 million visitors, Dubai is gearing up to ensure that on an ongoing basis it is able to welcome 20 million plus tourists a year as opposed to hosting an event after which the facilities and infrastructure become white elephants.

In terms of the banking sector, it has weathered the storm of the global crisis and is well positioned to support the continued growth and diversification of the UAE economy. There have been some lessons learnt from the crisis, within the sector we see the UAE Central Bank bringing in additional regulation to ensure the stability of the financial system such as mortgage caps, regulations on large exposure, financial institutions requiring a general provision of 1.5%, etc. We also see banks improving systems, controls and governance to address some of the shortcomings identified in the crisis, such as reducing their exposure to real estate, focusing on Small to Medium Enterprises, focusing on operating cash flows as opposed to asset valuations, etc. As a result, compared to where we were a few years ago, the cumulative non-performing loans have decreased, coupled with better impaired loan coverage ratios.

We also see the emergence of banks from the East increasing their credit exposures in the UAE and while some European and U.S. banks had reduced their operations, we are aware of a number who have reversed this decision as they see how strongly Dubai and the UAE have come through the crisis. It remains a very competitive sector and the challenge for Boards will be to deliver profitable growth in a measured and sustainable manner and ensure their institutions are better equipped during this period of growth to deal with the next downturn.



Rashid Bashir, Consulting partner, head of strategy practice, Deloitte Middle East

Q. How do you think Dubai's Expo 2020 win will affect the consulting and strategy landscape?

A. World Expo 2020 will certainly cement Dubai's status as one of the leading business hubs in the world. It provides further evidence of Dubai's ability to deliver on the global stage, alongside other leading cities. The real opportunity would be strengthening the Dubai brand beyond tourism, showcasing to the world Dubai and the UAE's diversified portfolio of economic sectors. In addition to construction, tourism and trade sectors, the wider economy is set to benefit enormously. This event, as part of the overall maturing state of the UAE's economy, will provide significant and sustainable business opportunities in the run-up to, and beyond, 2020.

Clearly planning for and securing legacy benefits would be critical for sustainable growth and avoid any potential cliff in terms of economic activity after the Expo. It is very encouraging to see the commitment from the leadership of Dubai in this regard. Although there are strategic plans in place for Dubai's, and the UAE's long-term development, it would be beneficial to develop a dedicated legacy

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Rashid Bashir

plan to ensure that the event's potential as a catalyst to transform Dubai's economy is maximized. Over the next few years, major infrastructure and real estate projects must demonstrate how this investment will be leveraged post-Expo 2020 through sustained demand creation and legacy planning.

In addition to economic benefits in the form of job creation, Gross Domestic Product (GDP) growth and enhanced investment, the Expo will have tremendous social impact in terms of national identity, civic pride and community cohesion. The celebrations at the time of winning the bid indicate the potential of this international event to create a real buzz for Dubai and enhance its position as the magnet for talent in the region.

by **Mutasem Dajani**, United Arab Emirates regional managing partner, Deloitte, **Humphry Hatton**, CEO, Deloitte Corporate Finance Limited, **Anis Sadek**, Dubai managing partner, Deloitte, **Cynthia Corby**, Audit partner, construction industry leader, Deloitte Middle East, **Jesdev Saggur**, managing director, Infrastructure and Capital Projects, Deloitte Corporate Finance Limited, **Akbar Ahmad**, Audit partner, financial services industry leader, Deloitte UAE, and **Rashid Bashir**, Consulting partner, head of strategy practice, Deloitte Middle East