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Rethinking infrastructure:

An interview with Fahd Al-Rasheed

Fahd Al-Rasheed—CEO and managing director of Saudi Arabia's King Abdullah Economic City megaproject, on the shore of the Red Sea—describes the scope of and vision behind the building of a new city the size of Washington, DC, for a projected two million inhabitants.

King Abdullah Economic City: A new model

The government of Saudi Arabia is thinking about what does government look like in the 21st century in terms of delivery to citizens of the private sector. And they've implemented that. Now, the city itself is based on several components. One is a port that, in my mind, will change the logistics map globally. The trade routes will change, stoppages, et cetera. And it will have a very positive impact on transportation costs over the long term. It will be one of the largest ten ports in the world, and the first phase is going to be opened end of next year [2013]. It will have a logistics back end to it.

The second is the industrial zone, which is focused on what we can do best, which is energy-intensive industries. We are trying to attract many of those. We have a very competitive advantage. The third, really, is tourism. And we understand we can't compete with Paris, Dubai, and New York, but we are still the 17th most visited country in the world because of the Hajj and Umrah for Muslims. So we're trying to address how can we serve these visitors in a more elaborate way and provide them with tourism opportunities around their religious experience.

And then there's housing. The population of the kingdom is 65 percent under 30. We need to build four million housing units over the next 20 years, so we need housing, and we're set up for that. If we get 10 percent of that market, we'll build up the city, end to end, by 2030. We're targeting two million people. It's the size, physically, of Washington, DC. The port will be one of the largest ten ports in the world.

So it is a pretty sizable undertaking. You often hear about these projects that are nice in concept but they never work on the ground. We've been able to attract more than 40 international, local, industrial tenants today, which tells us we have something proper to offer. And then we are offering expansion opportunities for the local players, local industries. So it's a very exciting time. The city is coming to life next year [2013], with the port opening, in a lot of these industries already. We have schools, we have hotels, et cetera.

The challenges ahead

We've gone through the set-up phase of "Does it work? Is there an economic basis for it? Does it work on a private-sector basis? What's the role of the government in the private sector?" That's done, and now it's about execution. But as I look forward over the next six to eight years, it's more about "Can you implement that next great generation of systems thinking?"—you know, not applying small technological advances, but really systematically thinking about energy use, systematically thinking about water use, systematically thinking about data and how you apply systems thinking to these areas. I think this is very important.

The second is we ourselves, because of the sustainability movement, have changed the planning world. If you look at the master plan six years ago, it's already outdated from what you would build today. So we are continuously revising that. For example, right now, we are doing a lot less concrete and much more natural—ecologically friendly, if you will—development, which is very important, I think, for sustainability and the resilience of the city over the long term.

So we're thinking, and we're trying to think and stay ahead because a lot of things are changing, if you will—a lot of these ideas and concepts. A lot of cities, when they are developed by the government, they're developed with the right framework in mind. They bring in the best consultants. They think about what they want to do with the cities and have a very clear value proposition.

The problem with it, when government does it, is it's very hard to change. So with us being private sector, we get this feedback. I get it every three months because we are publicly listed. If I'm doing a good job and our products work, people buy them or are willing to pay for them. And, hence, you know, we get a positive incentive to do more of them. When they don't, we know about it very quickly.

So that has allowed us to be much more flexible in terms of what we're doing, our master plan, our products, lowering the costs of some products, doing more in some areas and driving that forward. So it's important not to have only a top down—that's critical because master planning, ultimately, is top down—but to really also have a bottoms up, a way to get feedback into the system. Cities typically do give that feedback when they elect mayors. But that happens every four to six years, and it's interesting our model now is a quarterly model. □

Fahd Al-Rasheed is the CEO and managing director of Saudi Arabia's King Abdullah Economic City. This is an edited transcript of the interview, which was conducted by McKinsey's **Rik Kirkland**.