



Expertise — June 2017

# Construction Alert: Qatar in crisis and the immediate impact on its construction industry



## Immediate impacts

As the latest crisis involving the State of Qatar continues to play out, it has already been widely reported that, among other things:

- the Transport Authority of the Kingdom of Saudi Arabia (**KSA**) has immediately closed the only land route in and out of Qatar;
- the KSA's Ports Authority and the United Arab Emirates have advised that ships flying the Qatari flag, belonging to Qatari companies or individuals or destined for Qatar are no longer allowed to call at their respective ports;
- Egypt has suspended all air and sea links to Qatar and has closed its airspace to Qatari flights; and
- the Kingdom of Bahrain has also closed all air and sea borders with Qatar.

The implications of these actions will be immediate, pervasive and far-reaching.

## The significance of Qatar's construction industry

Earlier this year it was reported that Qatar was spending almost US\$ 500 million a week on major infrastructure projects (many of which are in preparation of the 2022 World Cup), and that it expected to do so until 2021. Outside of its oil and gas sector, the construction industry is a leading contributor to Qatari growth.

## Will the crisis impact construction?

The clear and immediate answer in our view is 'Yes'. Unsurprisingly, Qatari projects require the importation of

a significant amount of plant and materials, in particular, staples such as steel and concrete.

With the only land route in and out of Qatar having been closed and surrounding air and sea restrictions in place, for contractors, their procurement chains will undoubtedly suffer from immediate delay. The costs of supply and price of materials will inevitably increase. Further to this, the expulsion of expatriate labour forces is yet to be ruled out, the effects of which, however, would be that hundreds of thousands of workers would be removed from project sites.

The potential cumulative effect of the transport and labour restrictions in terms of delay and additional costs to projects cannot be understated.

## Can contractors expect any relief?

Time is typically of the essence when it comes to a contractor's ability to obtain contractual relief. In certain circumstances a contractor's failure to give a timely notice may bar its entitlement to claim. In a similar vein, with the requirement to give notice often subject to short timeframes, such as for example, '*notice shall be given 7 days after the party became aware, or should have become aware, of the relevant event ...*', it is critical for contractors to act quickly.

We have already provided advice to a number of our clients with interests in Qatar in respect of both immediate and longer-term steps that require action now pursuant to existing contracts and under Qatari law, in order to ensure the preserve their respective rights.

Any queries in relation to the matters identified above can be addressed to our key contacts below.

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