

How the financial crisis finally caught up with Dubai

By STEPHEN JONES
Epoch Times Staff

DUBAI—It was billed as the mother of all parties. The opening of the Atlantis hotel on Dubai's artificial Palm Jumeirah island saw A-list celebrities hobnobbing with robed Sheikhs and a firework display that cost an estimated US\$36 million.

But less than a week later the developer, state-owned Nakheel, was forced to lay off 500 staff and put on hold the development of Trump International Hotel and Tower on the root of the Palm Jumeirah.

It was the clearest sign yet that the global financial crisis had caught up with the newly confident region.

Buoyed by one tenth of the world's oil reserves in neighbouring emirate Abu Dhabi – Dubai's state owned developers have set about a lavish building programme seemingly motivated by the idea that money is no object.

Among the projects are the three Palm islands, and around five other offshore developments including a series of small islands in the shape of the world's major continents.

Even while Emaar, another government developer, is currently putting the finishing touches to the world's tallest building, rival developer Nakheel has announced a one-kilometre high building that will be about a third taller.

Also on the cards is a rotating skyscraper and a Jules Verne-inspired underwater hotel.

Two weeks ago, famous ocean liner the QE2 docked in Dubai in preparation of a new life as a seven-



The Atlantis hotel in Dubai draws in big stars from near and far to celebrate the grand opening.

KARIM SAHIB/AFP/GETTY IMAGES

star hotel moored off the trunk of the Palm Jumeirah.

Yet there are signs that such exuberant development cannot last longer. Several major projects have been put on hold, or have been cancelled altogether.

The US\$95 billion Jumeirah Gardens project, essentially a city within a city, became the first to be postponed. State developer Meraas announced that it was reviewing the roll-out of the project.

Others which have an uncertain fate are the Arabian Canals project – the longest man-made canal in the world that will stretch 75km through residential areas of Dubai. Project owner Limitless has said it is reviewing the rolling out of subsequent phases of the development.

State-owned developer Damac has already fired 200 staff and the Epoch Times can reveal that Arabtec, one of the largest con-

struction companies in the Middle East has been put under pressure to review staffing in the face of continued cancellation of projects. It is rumoured among employees of the company that some 5,000 employees have been laid off.

"Everyone is unsure if they will lose their jobs," said one source at the company, who spoke on condition of anonymity. "Work is being cut back or cancelled and the company may have to lay off workers if

they cannot find alternative positions to place them."

However a spokesman for the company said that it was normal for some projects to be cancelled and there were no major layoffs planned in the near future.

The slowdown in construction activity has largely been the result of a downturn in the property market. Banks are tightening mortgage lending, causing a falling demand for property. Prices have already tumbled by an average of 15 per cent, although in areas such as the Palm Jumeirah prices have fallen by as much as 40 per cent.

On November 19, Amlak Finance, one of the UAE's biggest mortgage lenders, said that it had suspended new home loans. This was in contrast to just last year, where lenders tapped home loans of as much as 90 per cent of the property's value. According to a release by HSBC, the average down payment on a new home in November was US\$220,000, up from \$98,000 in September.

Vincent Easton, Head of Sales at Sherwoods Real Estate in Dubai said: "We all believe that we are open to a correction but whether that is going to turn out to be a full blown crash we don't know yet."

"We are seeing a sharp correction in properties which are one or two years away from completion. Most speculative investors there want to make a quick exit. Most completed properties seem to be holding their prices pretty well."

Twenty per cent of the emirate's economy comes from the construction sector and a downturn in de-

mand for properties means that more projects are being cancelled.

Moreover, around 25 per cent of all the loan books of local banks are from personal loans, a fact which may become a problem if professionals begin being made redundant. Underlining this, a leaked memo from Emirates Bank revealed a list of "at risk" companies, employees of which have reported being denied loans. The company denies the validity of the memo.

But if things go horribly wrong for Dubai Inc, there is little in the way of liquidity to ensure a bail out. The emirate has only four billion barrels of its own oil, compared to Abu Dhabi's 92.2 billion barrels.

It is thought that authorities could sell off some state-owned assets, such as Jebel Ali Port, the largest transshipment hub in the Middle East.

Some analysts believe that Dubai could seek an additional loan to the \$80 billion one it already has from Abu Dhabi. However, oil prices are always a concern and could affect the capital's ability to bail out its neighbour. Oil prices have declined 68 per cent since reaching a record \$147.27 a barrel on July 11.

As for the future, whether the emirate will ride out the storm is anyone's bet. What is clear, is that a sense of uncertainty has gripped the once-confident city-state.

"Things are very unpredictable at present," said Juned Ali, senior property consultant at Alamfa Real Estate. "No one knows what will happen. It all depends on the market, and nobody knows what will happen with that."

Shrink-wrapping buildings a growing trend

By CHARLOTTE CUTHBERTSON
Epoch Times Staff

NEW YORK—Shrink-wrapping a 180-foot building may sound a bit crazy, but for developers and builders who have found themselves with unfinished buildings in these tough times, it may be a welcome solution.

Shrink-wrapping companies are getting more and more calls to wrap large buildings as the construction industry across the country falters.

Anthony Seraphin, founder-president of Global Wrap, said they are wrapping unfinished buildings where the money has been pulled out.

"We're getting lots of phone calls from across the United States, specifically for that. Big homes—not little homes, but the big ones—and big buildings. Our calls are coming from big buildings," he said.

Not so much "building under-

takers" as "preservers," companies such as Global Wrap are buying time for projects.

"Our line of business, a lot of times, is someone else's tragedy," Seraphin said from his Florida headquarters. "By the same token, they love us when we get there and they love us when we leave. We do a lot of good."

Shrink wrappers not only package unfinished constructions, but also renovations, new developments, disasters, and environmental containments. Seraphin went to Armenia in 1988 to help with broken buildings after the earthquake; he was onsite after the Oklahoma City bombing and hurricane Katrina in New Orleans.

"We're in disasters big time, which is the exciting part of the business. But it's also the most nerve-wracking," Seraphin said.

Zap Enterprises, based in Rochester, New York, were there af-

ter the hurricanes as well—Gustav, Ike, and Katrina. President Mark S. Magro said that right now, his business is flourishing with new construction jobs, rather than the developments on hold.

"I haven't had to do anything like that yet. But I am sure it's going to happen in the near future," he said.

Wrapping buildings during the winter allows construction to be an all-weather business. Enclosing the scaffolding and the building means consistent work, a safer environment, and the ability to apply such things as masonry in all weather.

"In new construction, we're getting more popular with that work, you know during the winter months, [we get] maybe five, six projects during the winter time—which is perfect," Magro said. He said he "shrink-wrapped on the side" for years before starting his company in 2002.

The largest distributor of shrink

wrap in the U.S.A., Dr. Shrink, sells the plastic by the roll. The low-density polyethylene comes in rolls ranging from 12 to 40 feet in width and lengths in excess of 300 feet. The thickness is 6-12mm and the plastic is available with a flame retardant additive.

Dr. Shrink's sales director Ryan Polcyn said construction has "extremely boosted" sales. "The jobs are generally very large scale. 30,000-plus square feet per job—whereas a boat would only use up several hundred square feet. "It used to be that 90 percent of our business was boats," Polcyn said.

All of the companies say they advocate for the plastic to be recycled after use, although they are not usually involved in the unwrapping process.

To get an idea, wrapping the Empire State Building would cost between \$1 to \$1.5 million dollars, according to Seraphin.



Companies are shrink-wrapping larger buildings as the construction industry leaves unfinished buildings and developers look to work year round. PHOTO COURTESY OF ZAP ENTERPRISES

Online bookstore makes world better with literacy

Better World Books raises funds for libraries, literacy organizations

By CINDY CHAN
Epoch Times Staff

When Xavier Helgesen decided to sell some used textbooks online in 2001, the new college grad from University of Notre Dame found success and inspiration that would blossom into a multimillion-dollar business with a mission to promote literacy worldwide.

The business is Better World Books (BWB), an online bookseller and a triple-bottom-line company that cares about profit not only in the economic sense but also with social and environmental good built in.

"Our vision is that we can be a more profitable company by trying to set very high standards in social and environmental performance, as long as we do those smartly," said Mr. Helgesen, who co-founded BWB with fellow Notre Dame graduates Christopher "Kreece" Fuchs and Jeff Kurtzman.

BWB collects donated, resaleable used books through book drives and library discards and donations programs.

It sells both used and new books to grow its business, help libraries raise money, and help charities fund literacy programs in the U.S. and abroad.

The company redistributes or recycles books that it can't sell, and buys carbon offsets through an organization called Carbonfund.org to offset pollution from shipping.

With two million used books and additional new titles in its selection, the award-winning U.S.-based social enterprise is now shipping thousands of books to Canada for a cheap flat rate of US\$3.97.

"The kind of charitable spirit in Canada, people are very, very open to this idea so our book drives are usually really successful and we get a lot of high-quality books," Mr. Helgesen said.

Replicating success

Mr. Helgesen never thought he'd be a bookseller. In university his interest was in the Internet and entrepreneurship online.

"[But] when I graduated in the middle of the dotcom bust there were very few opportunities to start a company or join an existing start-up," he said.

He was trying to make ends meet. When he took some textbooks to sell back to the college bookstore, they barely gave him anything for them, so he decided to try selling them online. He learned that by selling to other students, those students paid a lot less for the books while he got a lot more money back.

That gave him the idea of holding a book drive to get lots of donated used books to sell and then give the proceeds to a good cause. He and his friends ran a book drive at Notre Dame to benefit a community learning centre in 2002.

"That proved to be a success. We sold about \$20,000 of books and de-

cidated to try to replicate that across the country."

They formed BWB and the next year their business model won the \$7,000 grand prize in the Notre Dame Social Venture Business Plan Competition.

Benefiting libraries

BWB pays for the shipping of donated books to its warehouse in Mishawaka, Indiana. It recovers the cost when it sells the books and shares the proceeds with its partnering libraries and literacy organizations.

The bookseller also offers buyers free shipping in the U.S. and a low rate of US\$3.97 worldwide, "so that it's very, very affordable, not a barrier," Mr. Helgesen said.

The company sells books online through its own website as well as Amazon and other outlets, and ships to more than 180 countries worldwide.

It's raised over \$5.5 million for global literacy. And the nearly 18 million books it's saved from landfills have been collected through book drives at 1,800 colleges and universities and via discards and donations programs from more than 1,400 libraries in the U.S.

Last year BWB launched a U.K. division. It's also expanding into Canada where it hopes to get more libraries involved.

Kitchener Public Library, Toronto Public Library, the libraries at University of Calgary and University of Toronto, and a handful of other smaller libraries have already partnered with BWB.

Kitchener Public Library sends about half of its discards to BWB and receives 15 per cent of the sale proceeds, said Lesa Balch, senior manager of service development.

"We see the promotion of literacy through providing books to BWB as just as important a factor as the actual proceeds we receive," she added.

Another important aspect is having the books go to people who can use them, she said.

Mr. Helgesen agreed. He noted that recycling is better than throwing books away but takes a lot of energy and is not 100 per cent environmentally benign. Meanwhile, "a book is a perfect item to just reuse and reuse and reuse."

Literacy initiatives overseas

Among the over 80 literacy and education nonprofits that BWB supports, its main partners are Books For Africa, Room to Read, Worldfund, Invisible Children, and National Centre for Family Literacy.

Their literacy work crosses the U.S., Asia, Africa, and Latin America and focuses on funding "high-impact literacy programs" as well as providing physical books.

This work has taken Mr. Helgesen to places he never thought he would go.

"I never thought I would get to go to the slums of Rio," he said. He was there to visit a literacy program financed and managed by Worldfund. "We were visiting this amazing school that was giving an extremely high quality of education to the kids growing up in this slum."



Better World Books partners with literacy nonprofit Books For Africa to bring books to children in Africa. Representatives pose for a photo with children in Tanzania in 2006. BILL BLUDGUS

As a Books For Africa board member, he's also visited Africa and seen the books that BWB collected and funded actually arriving there and being used.

English books there cost twice as much as in the U.S. or Canada due to the cost of import, while the people there are much poorer. So there's a huge demand for affordable or free English books in countries like Tanzania, Kenya, South Africa, and Zambia where English is the official language, Mr. Helgesen said.

In the case of Room to Read's work in Vietnam and Cambodia, BWB's funding has supported the printing of children's books in both English and the local language.

"Get a better deal in addition to doing something good"

BWB sees its literacy work "as an extremely long-term business strategy," said Mr. Helgesen.

Currently only one out of seven people in the world has both the education and financial resources to buy books online, he said. And one out

of seven can't read, he noted.

"They're effectively shut out from modern society."

But he thinks a lot more people will be reading in, say, 100 years. And BWB plans on being around in 100 years. It's also "very bullish on the physical book still being a very important medium for transmitting information."

BWB plans to expand by making it easier for people to donate books to and buy books from the company.

It's working on establishing multiple drop-off points in different cities so it can collect books on a mass scale. It also wants to establish a more well-known consumer brand to drive the literacy mission forward.

In Canada, it's hoping to set up a warehouse or shipping facility to serve Canadian customers.