Cost of doing business in the GCC

Logistics sector

December 2024

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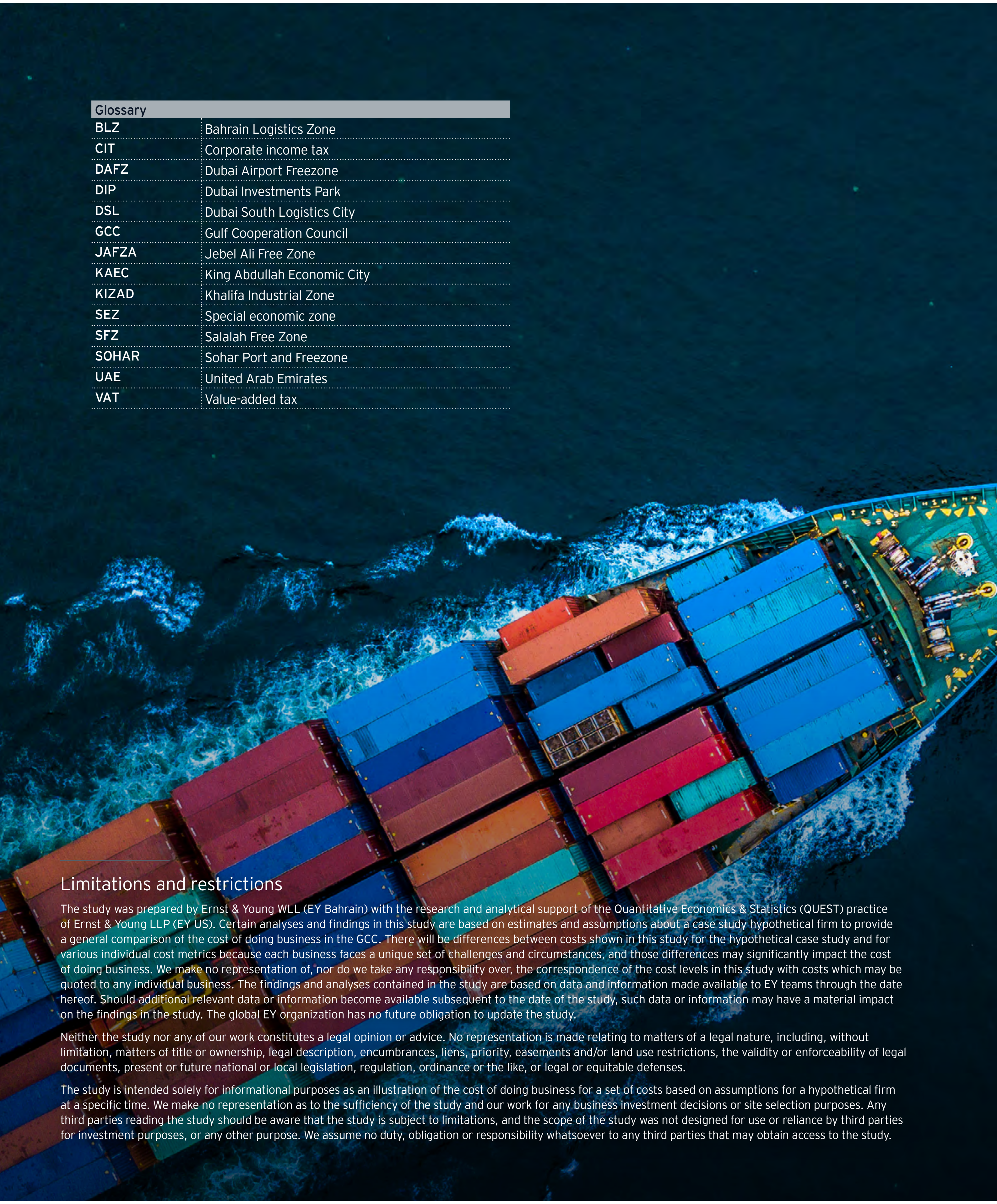


Glossary	
BLZ	Bahrain Logistics Zone
CIT	Corporate income tax
DAFZ	Dubai Airport Freezone
DIP	Dubai Investments Park
DSL	Dubai South Logistics City
GCC	Gulf Cooperation Council
JAFZA	Jebel Ali Free Zone
KAEC	King Abdullah Economic City
KIZAD	Khalifa Industrial Zone
SEZ	Special economic zone
SFZ	Salalah Free Zone
SOHAR	Sohar Port and Freezone
UAE	United Arab Emirates
VAT	Value-added tax

Limitations and restrictions

The study was prepared by Ernst & Young WLL (EY Bahrain) with the research and analytical support of the Quantitative Economics & Statistics (QUEST) practice of Ernst & Young LLP (EY US). Certain analyses and findings in this study are based on estimates and assumptions about a case study hypothetical firm to provide a general comparison of the cost of doing business in the GCC. There will be differences between costs shown in this study for the hypothetical case study and for various individual cost metrics because each business faces a unique set of challenges and circumstances, and those differences may significantly impact the cost of doing business. We make no representation of, nor do we take any responsibility over, the correspondence of the cost levels in this study with costs which may be quoted to any individual business. The findings and analyses contained in the study are based on data and information made available to EY teams through the date hereof. Should additional relevant data or information become available subsequent to the date of the study, such data or information may have a material impact on the findings in the study. The global EY organization has no future obligation to update the study.

Neither the study nor any of our work constitutes a legal opinion or advice. No representation is made relating to matters of a legal nature, including, without limitation, matters of title or ownership, legal description, encumbrances, liens, priority, easements and/or land use restrictions, the validity or enforceability of legal documents, present or future national or local legislation, regulation, ordinance or the like, or legal or equitable defenses.

The study is intended solely for informational purposes as an illustration of the cost of doing business for a set of costs based on assumptions for a hypothetical firm at a specific time. We make no representation as to the sufficiency of the study and our work for any business investment decisions or site selection purposes. Any third parties reading the study should be aware that the study is subject to limitations, and the scope of the study was not designed for use or reliance by third parties for investment purposes, or any other purpose. We assume no duty, obligation or responsibility whatsoever to any third parties that may obtain access to the study.

Contents

Executive summary

The Gulf Cooperation Council (GCC) countries have been investing in special economic zones (SEZs) as a means to diversify their economies and attract investors. This study evaluates the cost-competitiveness of major industrial SEZs in these countries.

These SEZs (also referred to as "zones" in this study) provide companies with access to modern infrastructure, relaxed regulatory environments and a variety of cost-saving incentives. Incentives include allowances for 100% foreign ownership, no restrictions on repatriation of capital, and full exemption of corporate income tax (CIT), customs duties and value-added tax (VAT). SEZs continue to grow in popularity, with more than 70 SEZs currently in the GCC.[1]

This study provides a comparative analysis of the cost of doing business in the region's SEZs with specific focus on logistics-oriented zones. Many of the zones covered are near or associated with nearby ports and in most cases, are within customs-bonded areas.

Costs are benchmarked in seven categories related to establishing and operating a logistics business. Cost categories include: 1) labor 2) acquiring a warehouse facility and office space 3) utilities and fue 4) transport and logistics 5) taxe 6) business registration and licensing and 7) other costs including those related to immigration and work authorization.

The importance of various factors to the overall cost of doing business is illustrated in this study by demonstrating the case of a hypothetical company as it navigates the various costs to determine the appropriate place to do business. The hypothetical company chosen for this study is a logistics company operating a temperature-controlled warehouse. The zones covered in this study are mainly concerned with renting land and pre-built industrial units to companies to establish logistics operations. Further, the analysis more clearly showcases the impact of utility costs by having the case study be a temperature-controlled space.

The study finds that the Bahrain Logistics Zone (BLZ) is the most cost-competitive location to operate a temperature-controlled warehouse for the set of costs measured as shown in Figure ES-1. At an annual cost of $1.476m, the cost of doing business in BLZ is roughly 20% lower than the average.[2] Sohar Port and Freezone (SOHAR) and King Abdullah Economic City (KAEC) are the next two most competitive locations. In BLZ, the total low cost of doing business is a result of low labor costs, where wages are the lowest across the benchmark group. Dubai Airport Freezone (DAFZ) is the least competitive location, at a cost of $2.491m, 69% higher than BLZ.

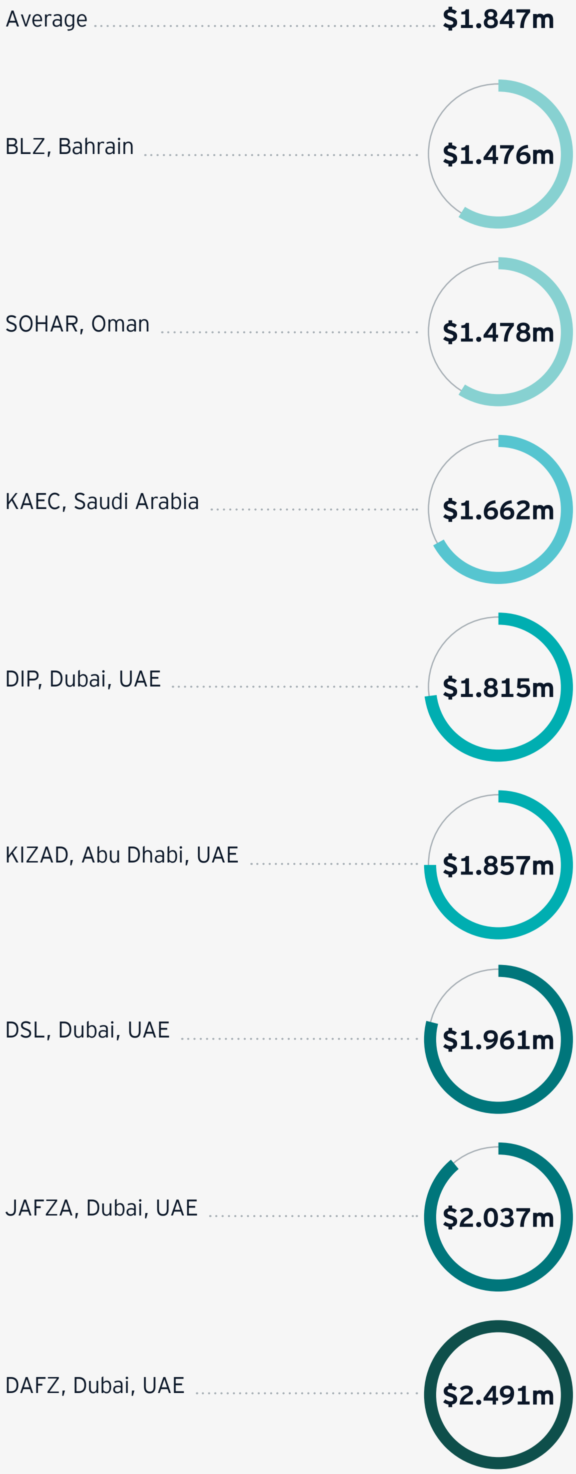
Figures ES-2, 3 and 4 show the cost breakdown for the three most competitive zones – BLZ, SOHAR and KAEC. Figure ES-2 shows the total annual labor cost for the case study company where costs (in the three zones) range from $902,000 to $1.28m and where BLZ has the lowest costs, followed by SOHAR. Annual cost to rent a pre-built logistics unit and commercial office space is lowest in KAEC, as shown in Figure ES-3, followed by SOHAR then BLZ. Annual utility costs are shown in Figure ES-4 and are lowest in BLZ, followed by SOHAR and KAEC.

The study also estimates the cost of living for a hypothetical family in order to evaluate the location's competitiveness with regard to attracting expatriate talent. The cost of living for families residing near BLZ is lowest, at an annual cost of $44,000, which is 39% below the average. The cost of living is highest near DAFZ; at a cost of $109,000, it is 52% higher than the average and 147% more expensive than BLZ.

1 Almutawa, Mohammad, "Maximising GCC Economic Zones Benefits," MEED, 30 September 2022.

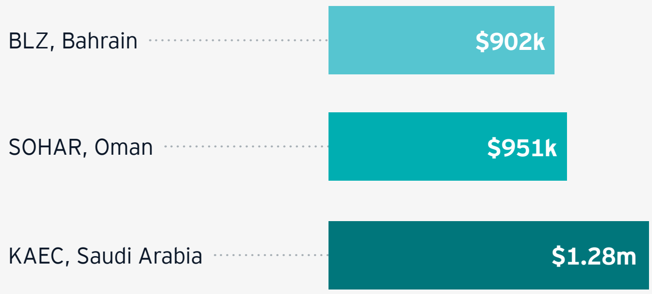
2 Unless otherwise indicated, all costs are reported in USD.

Figure ES-1. Overall annual costs of logistics business operations



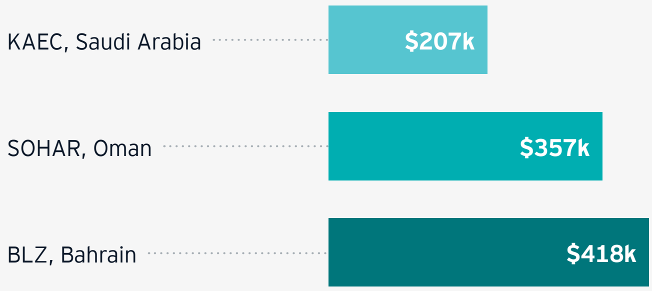
Source: EY calculations.
Note: Calculations of averages and percentages are based on non-rounded values.

Figure ES-2. Total annual labor cost for a logistics business
(three most competitive zones in the overall cost)



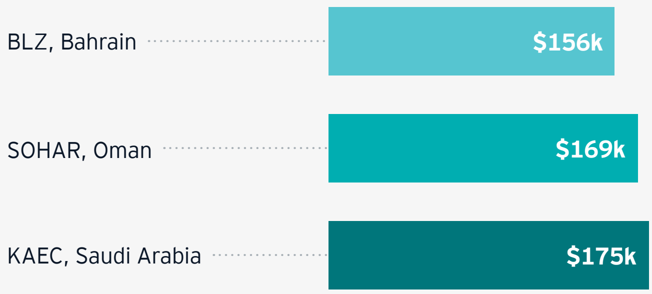
Source: EY calculations.

Figure ES-3. Total annual rental costs for a logistics warehouse and office space
(three most competitive zones in the overall cost)



Source: EY calculations.

Figure ES-4. Total annual electricity, water and fuel costs for a logistics business
(three most competitive zones in the overall cost)



Source: EY calculations.
Note: Calculations are based on 82,293kWh of electricity and 101m^3 of water consumption per month. We also consider the use of fuel in operating machinery to amount to 17,056 liters per month.

1 Introduction

This study compares the cost of doing business in the logistics sector across a number of SEZs in the GCC, utilizing a case study of a logistics company operating a temperature-controlled warehouse.

The choices that companies make regarding the geographic location of their investments have significant implications for countries' economic growth. This is why governments across the GCC are consistently working toward attracting these investments utilizing various incentives. A significant incentive for companies is reduced business costs, which presents an opportunity for GCC countries to establish themselves as a cost-competitive location to do business. GCC countries position themselves as such mainly through the development of SEZs that are intended to provide a favorable cost environment for inbound investments. SEZs are a particular focus of this analysis.

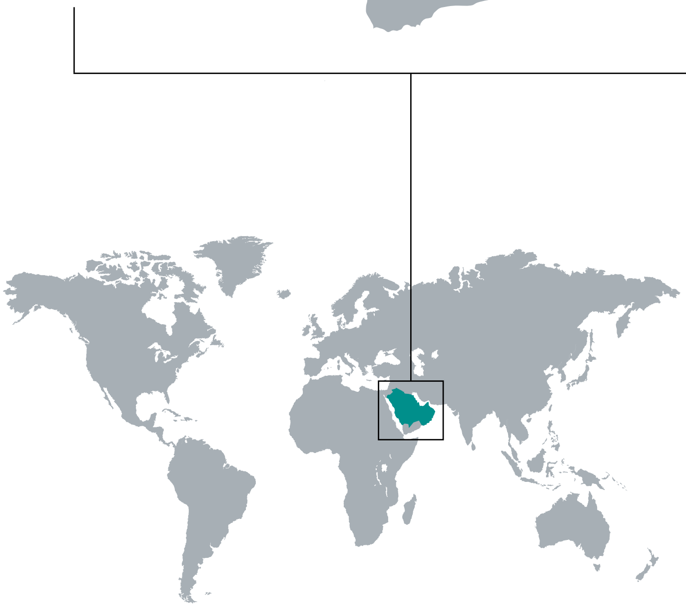
Some locations may be more favorable in terms of the cost of doing business, and the significance of each cost component will vary by sector. In the logistics sector, location is the most important factor since proximity and ease of access to customers and suppliers have implications on transport costs. This is followed by labor costs and the costs associated with acquiring a facility. Other costs to consider include utilities, taxes and fees, and other regulatory matters.

The importance of various costs factors to the overall cost of doing business is identified throughout this study by illustrating a case study of a company as it navigates the various costs to determine the appropriate place to do business. Figure 1 provides an overview of the study coverage; it lists the locations and cost categories covered in the study.

Comparing major business costs across nine locations, the study finds that BLZ is the most competitive zone to establish a temperature-controlled warehouse, followed by SOHAR, then KAEC.

Figure 1. Study coverage — locations and cost categories

Locations



Cost categories

2 Case study and key takeaways

The relative importance of each of the major costs to the overall cost of doing business is presented in this section by estimating the operational expenditures of a case study company operating a temperature-controlled warehouse in the various zones.

To highlight the result of the comparative analysis of the cost of doing business across the various locations, major operational costs are estimated, on an annual basis, for a company operating a temperature-controlled warehouse.

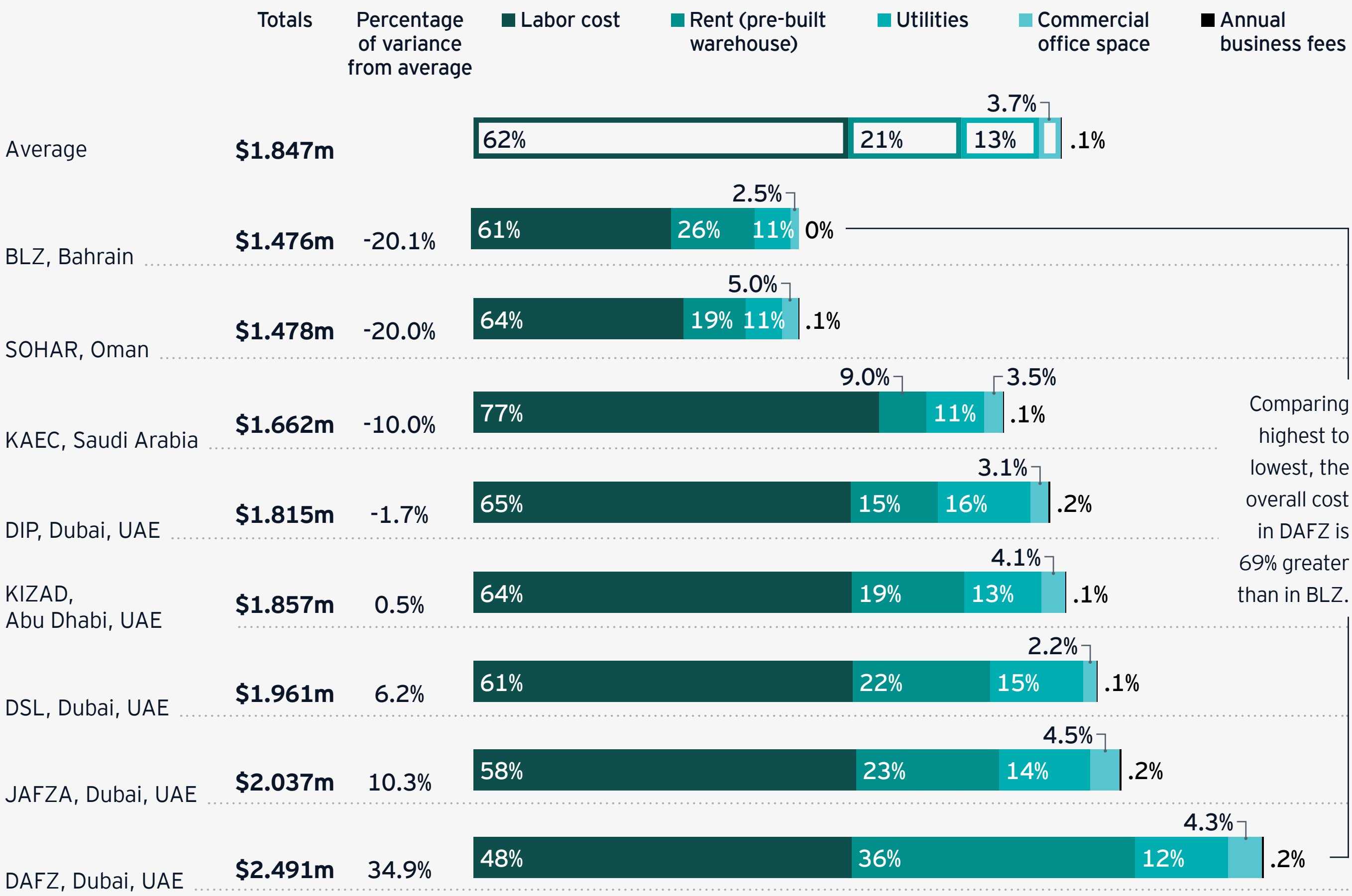
The analysis makes a set of assumptions to create the company's profile. Assumptions are used in the calculation of the annual costs and include:

- **Company licensing:** The company pays annual fees related to maintaining a valid license as a logistics company operating a temperature controlled warehouse.
- **Labor:** The company employs fifty-five workers across management, administrative, business operations, machine operators, and semi-skilled labor.[3]
- **Utilities:** The company consumes 82,293kWh of electricity per month and 101m^3 of water per month in addition to consumption of fuel in operating machinery, amounting to 17,056 liters per month.
- **Rental:** The company rents a 3,000 m^2 pre-built warehouse and commercial office space amounting to 200m^2.

Figure 2 provides the total cost of doing business across the major categories of costs analyzed. The results show that BLZ is the most competitive location for the case study company to establish its business. Establishing operations in BLZ can result in savings of 20% when compared with the average cost. BLZ is followed by SOHAR and KAEC, where the cost of doing business is also competitive. The following factors differentiated these three zones. In BLZ, the total low cost of doing business is a result of the low-wage environment. In the case of SOHAR, low wages along with low cost of rent resulted in an overall low cost. In KAEC, very low rental rates resulted in an overall low cost of doing business. The total cost of doing business is notably high in zones located in Dubai. DAFZ is the least competitive location; at $2.49m, the cost of doing business is 69% higher than BLZ.

The remainder of this section provides more detail on the major cost categories and how they compare across locations.

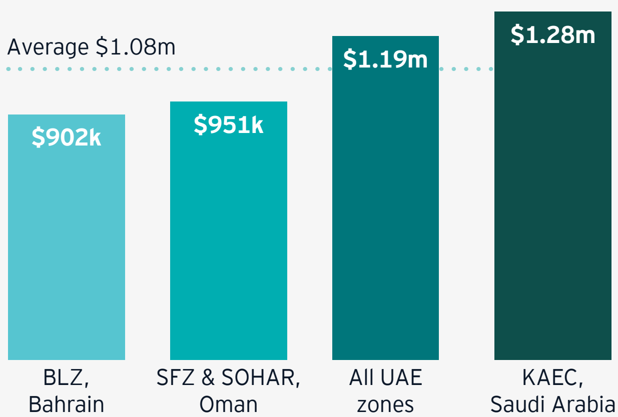
Figure 2. Overall annual costs of logistics business operations



Source: EY calculations.
Note: Calculations of averages and percentages are based on non-rounded values.

Labor costs are the most important cost for the case study company where, on average, labor costs make up 62% of the total cost of doing business for the temperature-controlled warehouse. Figure 3 shows the total labor cost where, depending on location, labor costs can range from $902,000 to $1.28m. BLZ is the least expensive location for labor, which contributes significantly to the overall low cost of doing business. On an annual basis, the case study company can expect to spend roughly $902,000 in payroll for its 55 employees, which is $178,000 (16%) less than the average. KAEC is the highest-cost location for labor. The annual cost of $1.28m in KAEC is 19% above the average.

Figure 3. Total annual labor costs for a logistics business



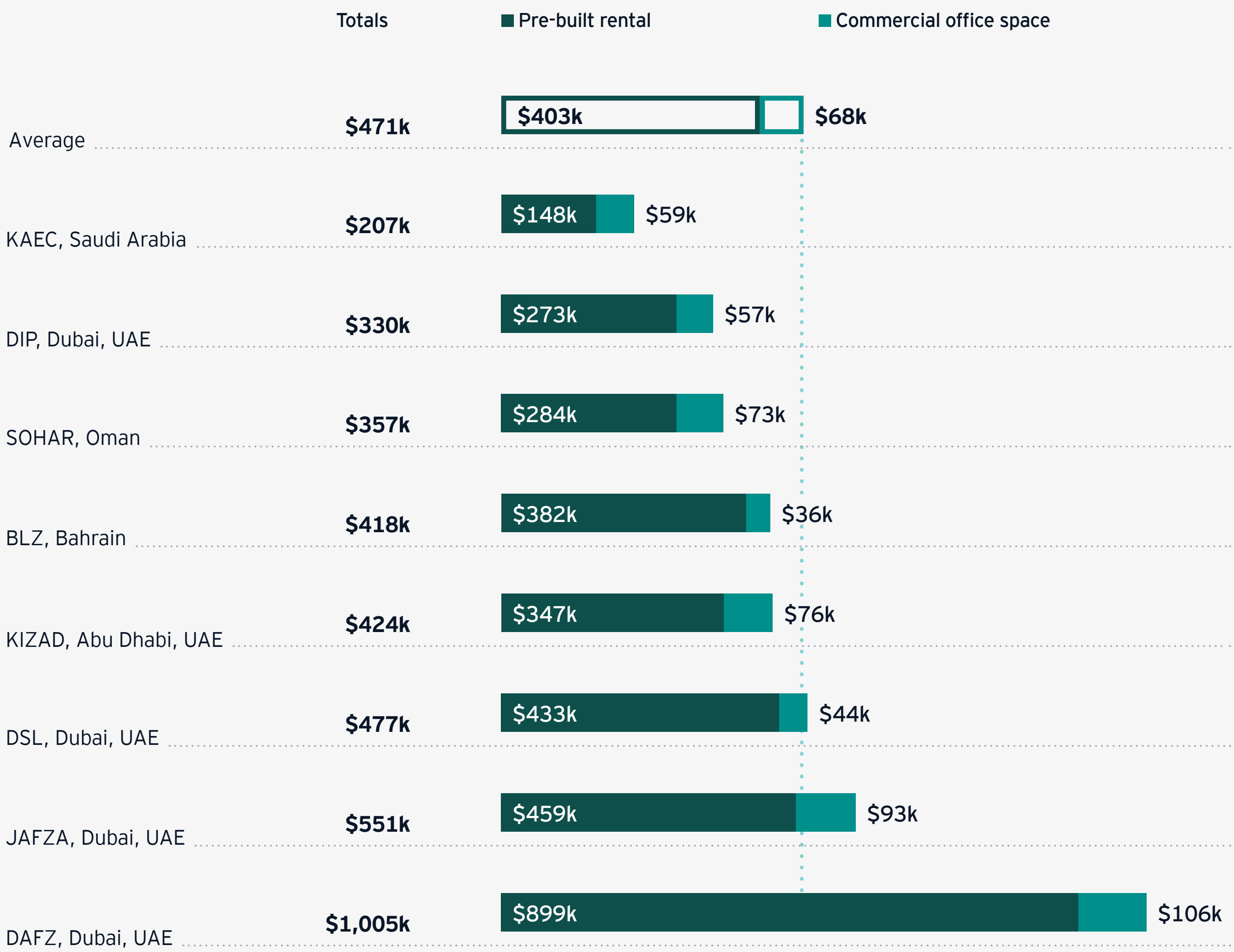
Source: EY calculations.
Note: UAE zones include Dubai Investments Park, Dubai South Logistics City, and Jebel Ali Free Zone and Khalifa Industrial Zone. National average wages are taken to represent the labor costs in the zones.
Note: Calculations of averages and percentages are based on non-rounded values.

The second most important cost for the case study company to consider is the cost of acquiring a warehouse and commercial office space. The study assumes that the company will rent a 3,000m^2 pre-built warehouse where it will conduct its logistics activities. The costs calculated do not take into consideration rent-free grace periods provided by the zones or deposit requirements. The costs depicted in Figure 4 include annual rent and service fees for the warehouse. The study also assumes the company will rent a 200m^2 commercial office space to locate its management, sales and other back-office activities.

As depicted in Figure 4, KAEC is the most competitive location for rental costs. The total annual cost of rent in KAEC is $207,000, which is about $264,000 below the average rate of $471,000. DAFZ is the most expensive location to rent a pre-built warehouse, where the cost is $1,005,000 annually.

In Section 3, the study presents an alternative scenario for acquiring a logistics facility. In this alternative scenario, the company will rent a plot of land and construct a custom facility. The costs considered in this alternative scenario are: land rental in the first year, construction and construction permitting.

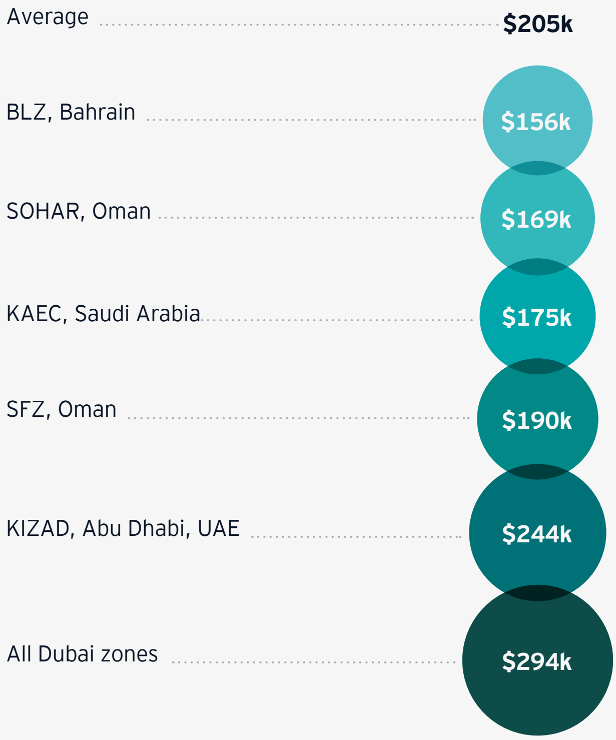
Figure 4. Total annual rental costs for a logistics warehouse and office space



Source: EY calculations.
Note: Calculations of averages and percentages are based on non-rounded values.

Utilities also constitute a significant cost component for the case study company, and this is mainly driven by the high usage of electricity for refrigeration, followed by the sizable use of fuel in machinery and equipment. Figure 5 provides a comparison of the estimated total annual utility and fuel costs for the case study. BLZ is the most competitive location for utilities where the annual cost is estimated to be $156,000, which is $49,000 lower than the average cost of $205,000. UAE zones in Dubai and Abu Dhabi are the highest-cost locations for utilities. Figure 5 shows the estimated cost of utilities given the consumption levels set out in the case study.

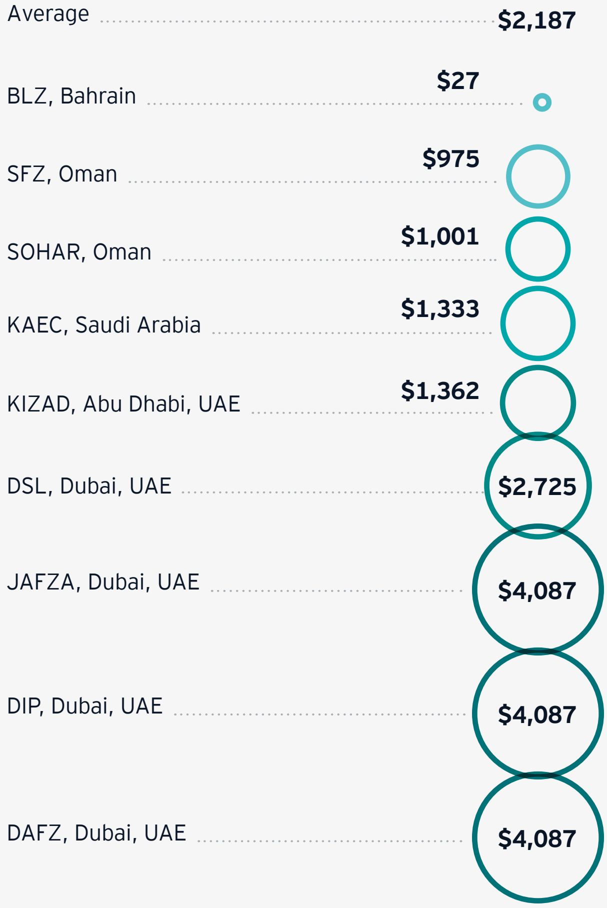
Figure 5. Total annual utility and fuel costs for a temperature-controlled warehouse



Source: EY calculations.
Note: Calculations are based on 82,293kWh of electricity and 101m^3 of water consumption per month. We also consider the use of fuel in operating machinery to amount to 17,056 liters per month.
Note: Calculations of averages and percentages are based on non-rounded values.

Annual business fees related to license and registration renewals are also incorporated in the overall cost for the case study. Figure 6 provides a comparison across the locations of the total annual fees. BLZ has the lowest annual business fees, where a $27 fee is imposed by the regulating authority in order to renew the company's license for warehousing and storage activities. Zones in Dubai are positioned toward the higher end for this cost, where annual fees are as high as $4,087.

Figure 6. Total annual business registration and licensing costs for a logistics business



Source: EY calculations.
Note: Calculations of averages and percentages are based on non-rounded values.

Case study for the cost of living for a typical family

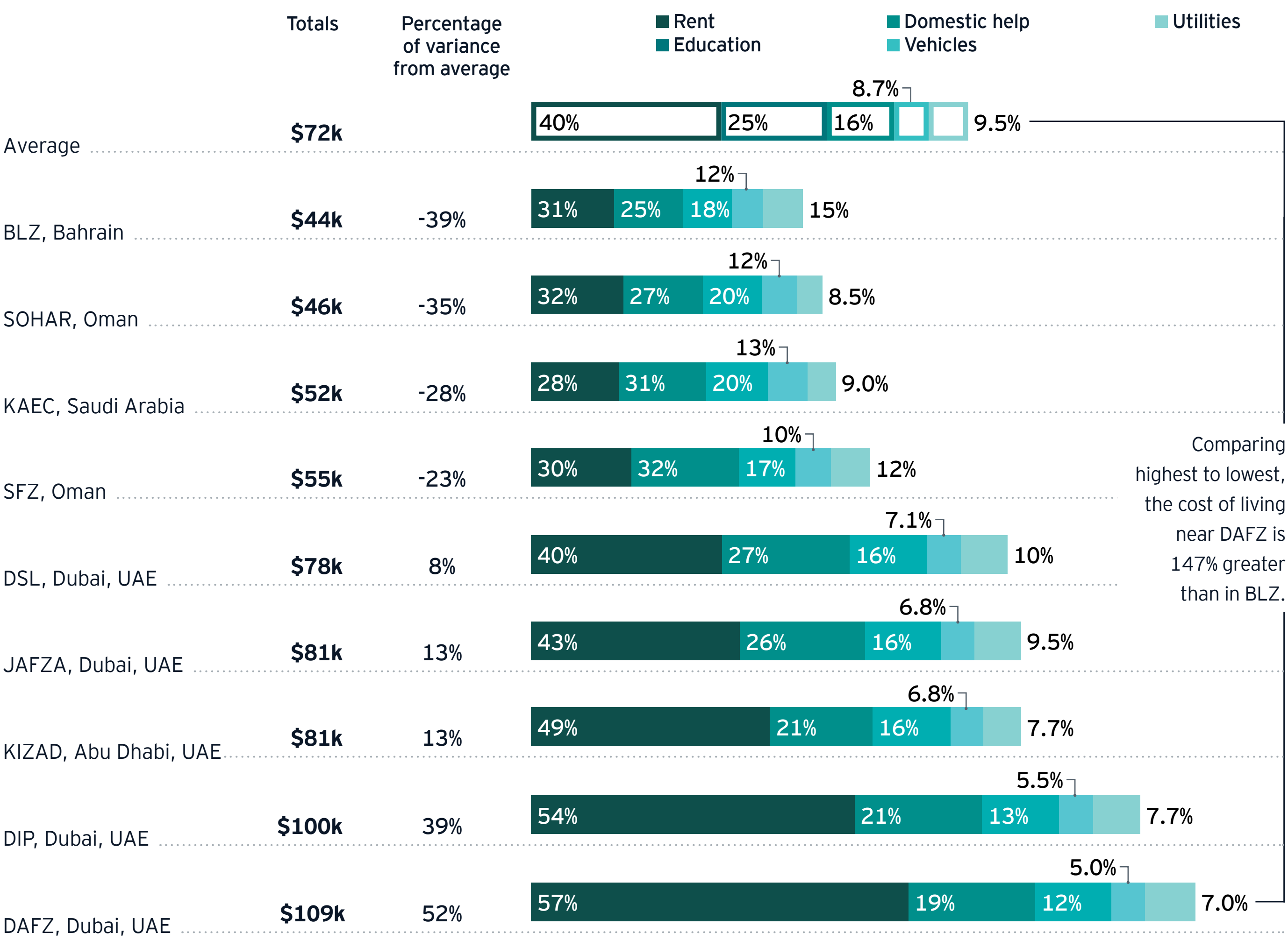
Considering that in many cases companies attract global talent, this analysis also evaluates the cost of living for a family that may consider relocating near the facility. This study considers costs related to residential rent and utilities, owning a vehicle, education for dependents and domestic help.

The list below details the profile of a family used as a case study:

- A family of four, two parents and two children
- Residential rental and utility costs are associated with a three-bedroom villa
- Ownership of a middle-tier vehicle
- Private schooling for two children: one primary and another at the secondary level
- One full-time domestic help worker

Figure 7 provides calculated total annual cost of living for a family given the family profile. The cost of living for families residing near BLZ or near SOHAR is significantly lower than the cost of living for families living near any of the zones located in the UAE. At an annual cost of roughly $44,000, the average cost of living for families residing near BLZ is 39% lower than the average. This constitutes an average annual savings of roughly $28,000 per year. This lower cost of living is a result of relatively low costs for housing and education. DAFZ ranks highest, where the cost of living is 147% greater than in BLZ.

Figure 7. Overall annual cost of living for a case study family



Source: EY calculations.
Note: Calculations of averages and percentages are based on non-rounded values.

3 Key cost components

This section provides a detailed review of individual costs that contribute to the overall cost-of-doing-business environment in the zones. It presents a comparison of costs not covered in Section 2 and also presents the disaggregation of the major costs presented in that section.

For each cost category, the section presents detailed cost tables, analyzes the costs and highlights major takeaways. Where appropriate, the section links these takeaways to the case study presented in Section 2. The section is organized based on the relative importance of the cost category to a typical logistics company.

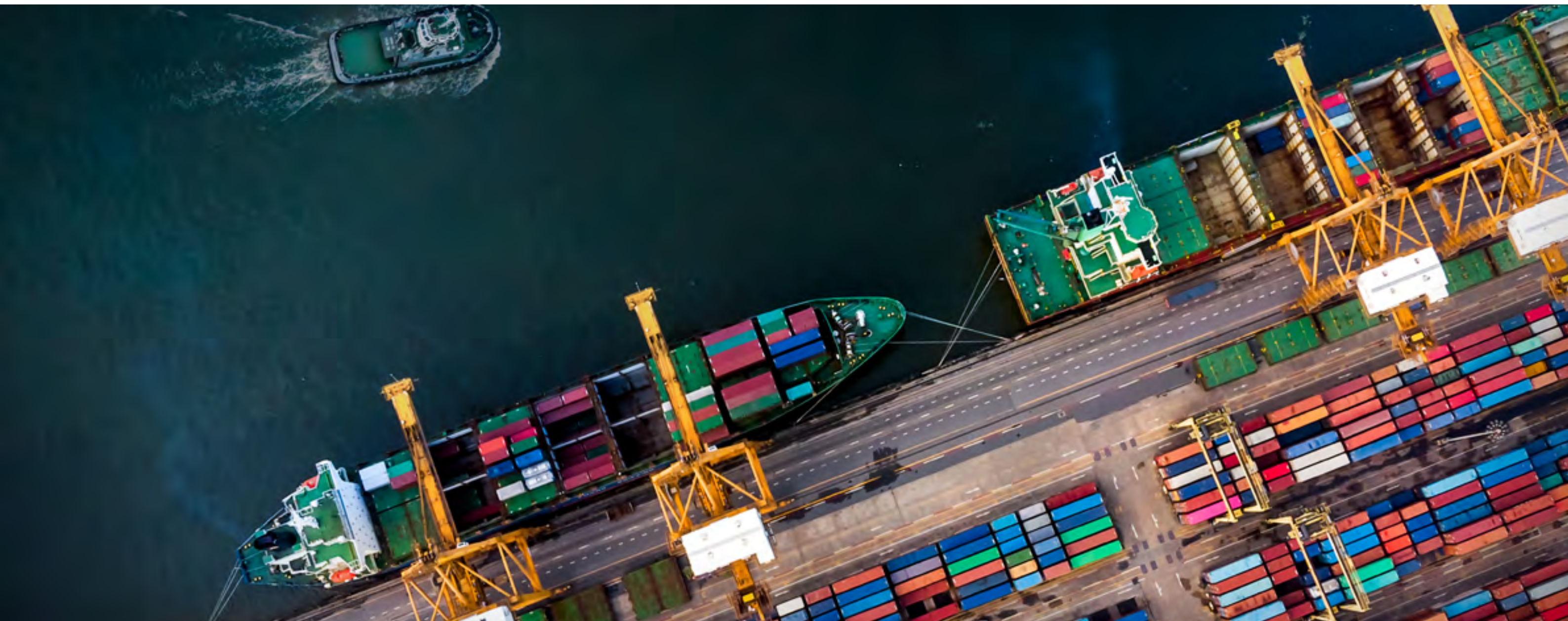
Location choice has a significant impact on the key costs that companies are likely to face. For a logistics company, location is arguably the most important factor to consider as it drives the ability to meet market demand. The proximity of transportation to customers and vendors is a principal driver of their costs. Proximity to densely populated areas ensures that there is enough local demand for services. When sea freight is a factor, locations on routes for major shipping lines is also important. Each location analyzed in this study has its own set of advantages and disadvantages.

Ports in Bahrain and Dammam allow for easy access to markets in Saudi Arabia — the largest economy in the region, especially for global shipments arriving from the east (e.g., China and Singapore). Locating in either of these locations provides access to the entirety of Bahrain and the Dammam metropolitan area and easy access to the Riyadh metropolitan area. Operating in either of these locations provides access to a population and market base of roughly 11.6 million people.[3] In the case of Bahrain, the 25km Causeway, acting as a land bridge between Saudi Arabia and Bahrain, further amplifies the strategic importance of Bahrain's ports by enabling seamless land-sea transport.

Locations in the UAE are at an advantage given the large local population of more than nine million people concentrated in a limited number of urban areas and by having large ports that are serviced by major shipping lines like Jebel Ali Port in Dubai and Khalifa Port in Abu Dhabi.

Locations in Oman are advantaged by being directly in the path of existing shipping routes. For instance, the Port of Salalah is in a great location to allow it to be a transshipment hub where shipments coming from the east and Europe can use the port to distribute to Africa and regionally.

3 The total population estimate of 11.6m is the sum of the population in Riyadh (8.6m), Dammam (1.5m) and Bahrain (1.5m). Sources of data are the Saudi Arabian General Authority for Statistics (2024) and the World Bank's World Development Indicators (2024).

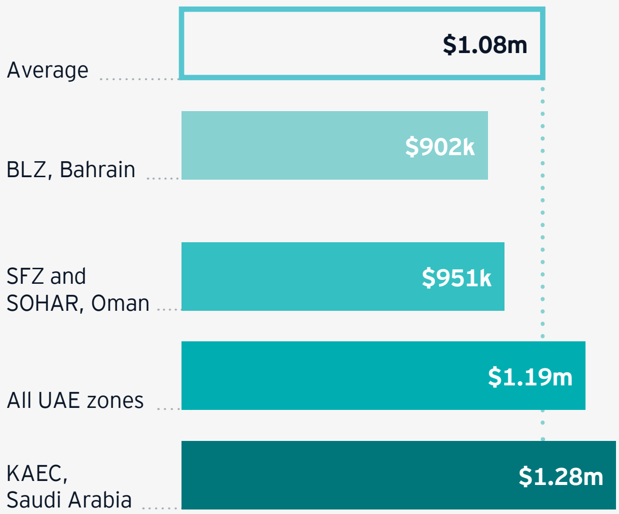


Labor cost

Labor cost is the most important cost driver for most sectors including logistics. Supporting the movement and delivery of intermediate and final goods requires a high concentration of labor in several occupations. The logistics sector ranks high in the labor share of production due to numerous touchpoints that are not easily mechanized. In fact, labor costs are equivalent to approximately 62% of the total cost in the case study. For this sector, vehicle operators and material handlers are the most important occupations, accounting for approximately half of all workers employed in the sector. In general, these occupations require relatively little training or prior industry experience. Hence, the average wage for these occupations tends to reflect the overall wage levels and cost of living of each location since labor can be recruited from other sectors.

This study makes use of proprietary data collected from various company HR departments to analyze wages by occupation in the industry. The analysis provides this data for 17 typical occupations for a temperature-controlled warehouse. Using this data, the analysis calculates the total labor cost for the case study company. See Figure 8 for total labor costs. The analysis finds that BLZ is the lowest-cost location for labor. Annually, the company can expect to spend roughly $902,000 in total wages for its 55 employees in BLZ, far below the $1.28m cost in the KAEC, the highest-cost location. Total wages in BLZ are about 16% lower than the overall average — $178,000 expected annual savings. Table A2 in the appendix provides a full list of the occupations and the assumed level of employment for each occupation in the case study.

Figure 8. Total annual labor costs for a logistics business

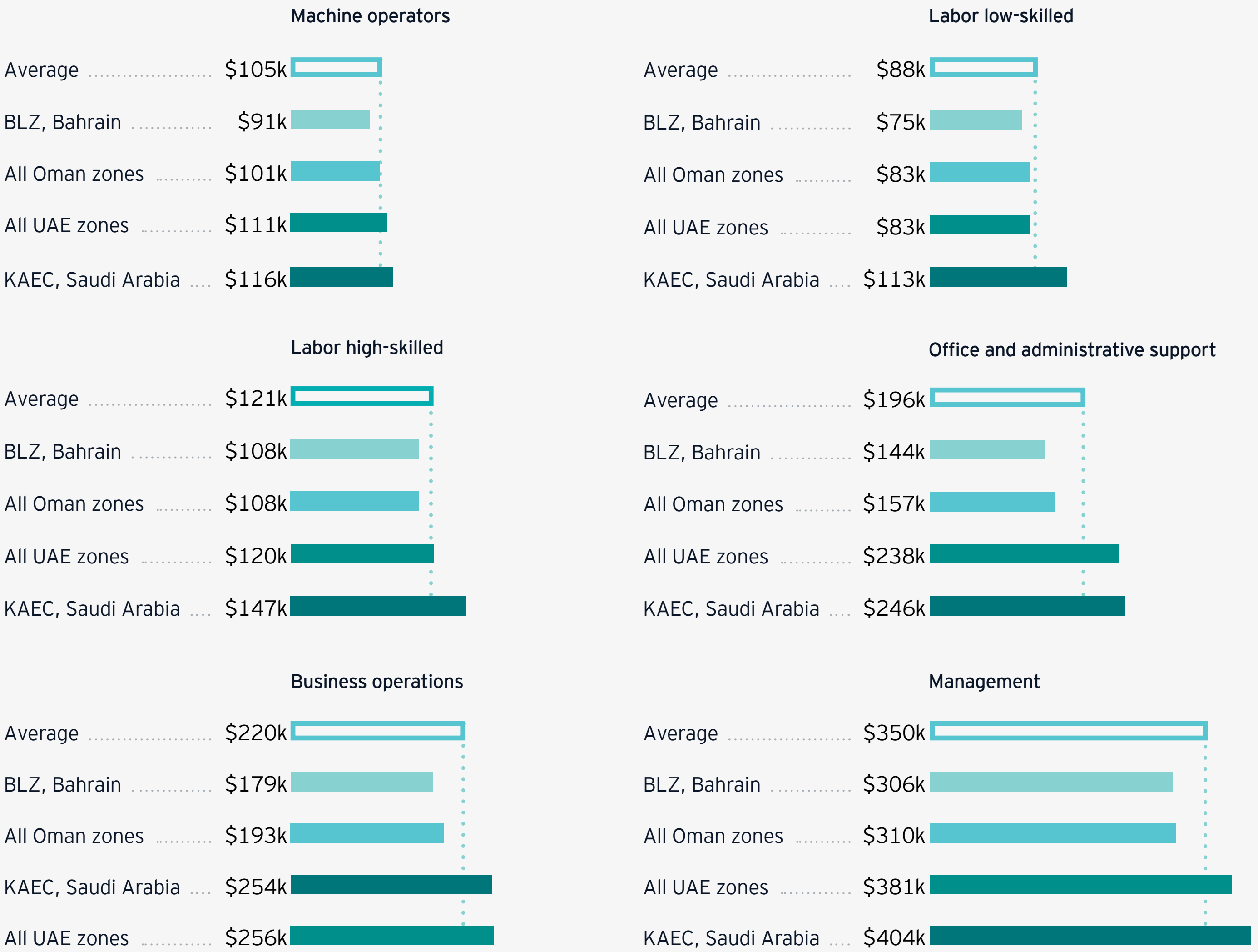


Source: EY calculations.
Note: UAE zones include Dubai Investments Park, Dubai South Logistics City, and Jebel Ali Free Zone and Khalifa Industrial Zone. National average wages are taken to represent the labor costs in the zones.
Note: Calculations of averages and percentages are based on non-rounded values.

Figure 9 disaggregates the total annual labor cost by categories of occupation: management, business operations, office and administrative support, machine operators, and low- and high-skilled labor. For each category, labor cost reflects the sum of the annual wages paid to employees with occupations that fall within the category. Table A2 of Appendix II provides details on the level of employment per occupation and the groupings of occupations into categories.

Labor costs in BLZ are the lowest for every category while they are highest in KAEC for almost every category (except business operations). Management occupations make up the largest percentage of costs compared to other job categories. In this category, BLZ and all Oman zones are much more competitive than KAEC and all UAE zones. Occupations related to business operations and office and administrative support make up a significant percentage of the overall labor cost. In these categories, BLZ, SOHAR and SFZ are on the low end of cost and KAEC and UAE zones are on the high end. Wages for machine operators and high-skilled and low-skilled labor do not vary much across locations and therefore are not a differentiating factor.

Figure 9. Total annual labor cost by category of job for a logistics business



Source: EY calculations.
Note: Oman zones include Sohar Port and Freezone and Salalah Free Zone; UAE zones include Dubai Investments Park, Dubai South Logistics City, and Jebel Ali Free Zone and Khalifa Industrial Zone. National average wages are taken to represent the labor costs in the zones.
Note: Calculations of averages and percentages are based on non-rounded values.

Acquiring a warehouse and commercial office space

A major cost for a logistics company is the cost of acquiring the appropriate warehouse and general office space for its operations and back-office activities. Depending on the path the company takes, this can cost as much as $2.57m in the first year for the case study company if it opts to construct its own facility.

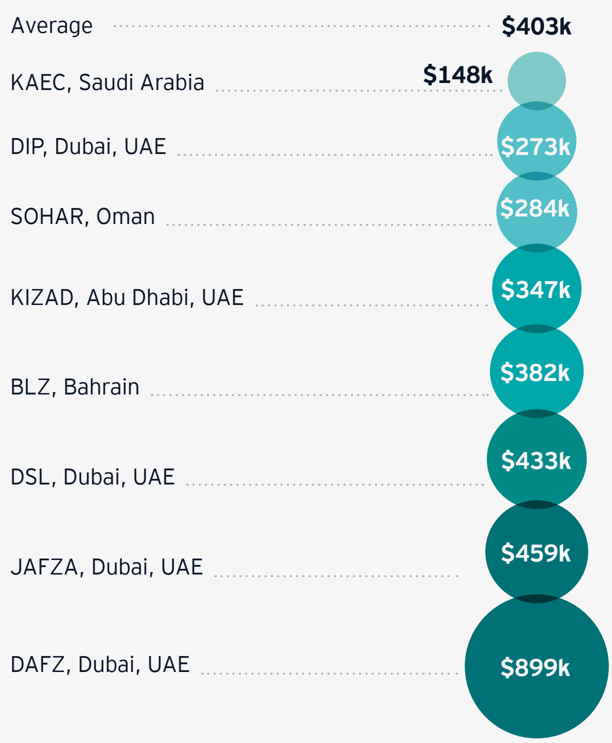
There are generally two options presented to companies that wish to set up operations in the zones. The first option is to rent a pre-built warehouse, whereas the second option is to rent land from the zone authority and construct a custom warehouse. Details about each of these options are provided below.

Option 1: pre-built warehouse rental

Most locations provide options to rent a pre-built warehouse. In some locations, the zone authority directly manages the rental of warehouses, while in other locations the authority rents land to commercial developers who in turn develop and rent out pre-built warehouses.

Figure 10 presents the annual rental costs for a 3,000m² warehouse for the case study firm. The annual cost of rent ranges from $148,000 in KAEC to $899,000 in DAFZ. KAEC's low cost is roughly 63% lower than the average and 84% lower than the cost in DAFZ – the highest-cost location. Dubai Investments Park (DIP) and SOHAR also provide competitive rentals where the annual cost is $273,000 and $284,000, respectively.

Figure 10. Total annual rental cost of a 3,000m² pre-built warehouse



Source: EY calculations.
Note: Calculations of averages and percentages are based on non-rounded values.

Rental rates are generally set at a cost per m². In most zones, these rates are negotiable, with more favorable rates provided for larger units and longer-term leases. Table 1 provides more detail on rent and other various costs associated with renting pre-built warehouses in the respective locations. Monthly rent for pre-built warehouses ranges from $3.56 per m² per month in KAEC to nearly $25 per m² per month in DAFZ.

Service fees generally fund the maintenance of common areas and are levied in addition to base rent. Service fees are highest in KAEC at $0.56 per m² per month (amounting to 15.5% of rent). JAFZA imposes a 2% fee, while SOHAR imposes a fee amounting to 1% of annual rent.

A grace period may be offered to provide companies an opportunity to begin operations free from the financial liabilities of rent. Only three of the seven locations in Table 1 offer a grace period. For the locations that do offer a grace period, the duration varies from one to three months; KIZAD and DSL offer the most generous grace period. In BLZ, this can be negotiated directly with the developer.

Table 1. Monthly rental rates and other fees for a pre-built warehouse

Cost	BLZ	SOHAR	KAEC	KIZAD	DAFZ	DSL	JAFZA
Pre-built warehouse Monthly rent (per m^2)[1]	$10.60	$7.80	$3.56	$9.65	$24.98	$12.03	$12.49
Rent deposit	$0[2]	1 month of rent	$0	3 months of rent	$0	5% of annual rent	10% of annual rent
Service fee/charges on rent	$0[3]	1% of rent	$0.56 per m^3	$0	$0	$0	2% of annual rent + $82 annually
Grace period[4]	Negotiable	Up to 4 weeks	N/A	Up to 3 months	N/A	Up to 3 months	N/A

Sources: EY conducted interviews in 2024 with representatives of the various SEZs included in this study, regional real estate companies, and other government authorities.

[1] Generally, rates are negotiable.

[2] Prepayment of three months of rent is required.

[3] 15% of rent. This fee is charged to the developer. The renter of the facility does not directly pay this fee.

[4] A rent-free period provided to the renter.

N/A = Not applicable

Option 2: land rental plus construction

Figure 11 provides a comparison of the costs under this option. The figure displays the overall total cost of construction and construction permitting of a 3,000m^2 warehouse in addition to rental costs (including service charges) of a 5,000m^2 plot of land in the first year. The figure also disaggregates this overall total by its components to allow for comparison of each component across the locations.

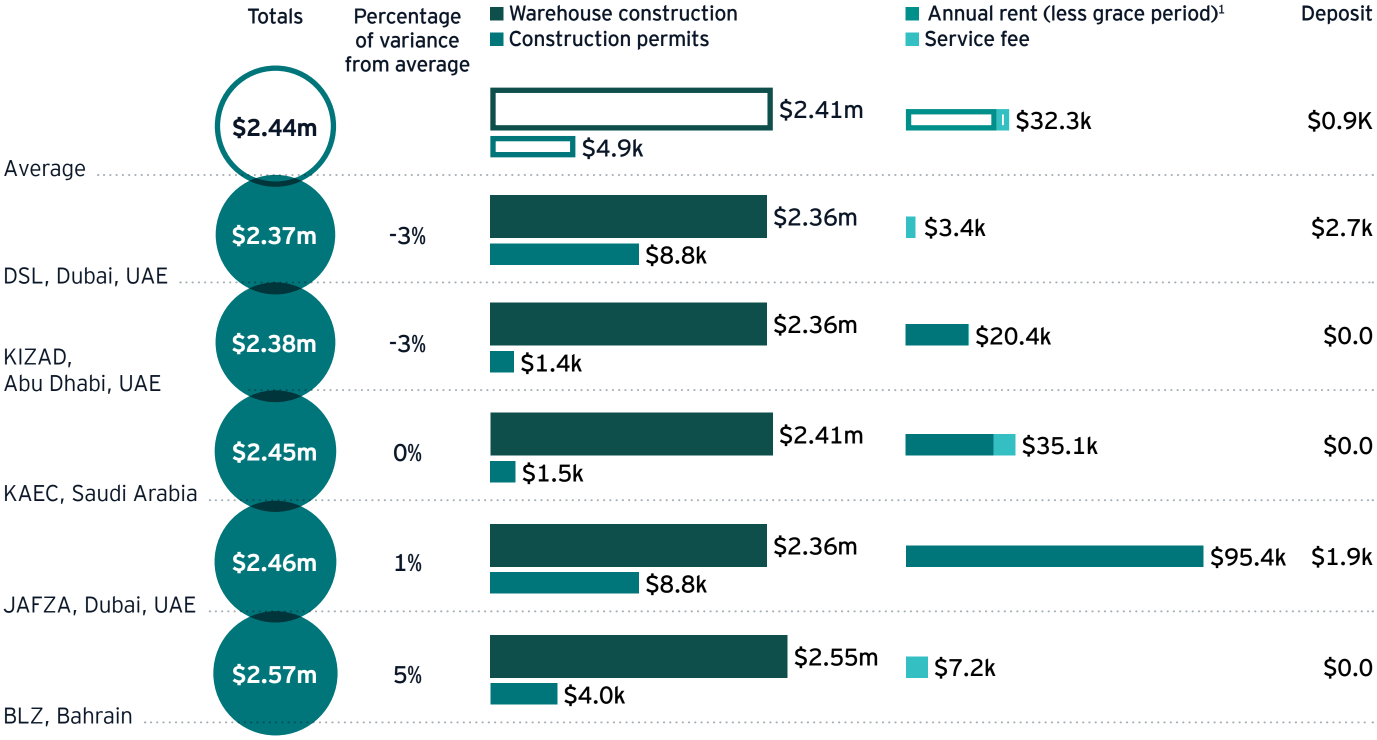
DSL is the most competitive location, mainly due to the lower construction costs in the UAE and the lower rental costs in DSL. The estimated cost to rent a plot of land (in the first year) and construct a warehouse in DSL is $2.37m, which is 3% ($91,000) below the average cost and 7.5% below the cost in BLZ — the highest-cost location. At a total cost of $2.56m, the cost of this option in BLZ is roughly 5% ($117,000) higher than the average. In the next three paragraphs, the study discusses the individual cost components of the overall cost of this option.

Construction costs of a warehouse is lowest in all UAE zones, where it is estimated to cost $2.36m, which is $49,000 lower than the average. On the other hand, construction costs are estimated to be the highest in BLZ, where the estimated cost of construction is $2.55m.

Construction permit costs vary significantly across locations. Permit costs are the lowest in KIZAD and KAEC, while construction permits have the highest cost in JAFZA and DSL.

Rental cost is calculated for the first year since construction is likely to occur then. The total cost of rent in the first year may not be representative of rent in subsequent years due to grace periods provided by the zones. The total cost of rent also includes service charges imposed by the zones. Since rent deposits are generally refundable or could be applied to rent, they are presented in Figure 12 but are not included in the total cost. The total annual cost of rent for a 5,000m^2 plot of land in the first year is lowest in BLZ and DSL due to the one-year grace period provided by the zones. In contrast, costs are highest in JAFZA, as there is no grace period offered to offset the high monthly charge of rent.

Figure 11. Total cost of land rental and construction in the first year for a logistics warehouse



Source: EY calculations.

Note: Calculations of averages and percentages are based on non-rounded values.

[1] BLZ provides a grace period of up to 18 months depending on lot size, KIZAD provides a six-month grace period, while DSL provides a 12-month grace period.

Land rental

Table 2 provides detail on rent and other various costs associated with renting a plot of land in the respective locations. Standard advertised rental rates vary significantly from as low as $5.53 per m^2 per year in KAEC to as much as $19.07 per m^2 per year in JAFZA.

Rent deposit requirements are varied across locations. In some locations, an advance payment equivalent to the rent amount for a part of or the entire first year of the lease is required, as is the case in BLZ and KIZAD. In other locations, the deposit is calculated as a percentage of annual rent, such as in DSL and JAFZA. Larger and longer-held deposits reduce companies' liquidity and constrain their capital investment.

Among the locations that charge a service fee, DSL charges the lowest fee, $0.68 per square meter, equivalent to 6% of the base rent. In nominal terms, service fees are roughly equivalent in BLZ and KAEC, although they constitute a higher percentage of rent in KAEC due to KAEC's low rental rate. In KAEC, the service fee is $1.48 per square meter, equal to 27% of the base rent. In BLZ, the service fee is 15% of the base rent, which is equal to $1.43 per m^2 per year. Although KIZAD and JAFZA do not charge a service fee, the cost of maintaining the common areas is likely built into the rental price.

The length of the grace period varies by location. BLZ provides the most generous grace period of up to 18 months while DSL provides a standard one-year grace period specifically tied to construction. KAEC and JAFZA do not provide a grace period.

Table 2. Annual rental rates and other fees for a plot of land

Cost	BLZ	KAEC	KIZAD	DSL	JAFZA
Logistics land (USD/m^2/year)[1]	$9.54	$5.53	$8.17	$10.90	$19.07
Rent deposit	$0[2]	$0	$0[3]	5% of annual rent	2% of annual rent
Service fee/charges on rent	15% of rent ($1.43 per m^2) per year	$1.48 per m^2 per year	$0	$0.68 per m^2 per year	$0
Grace period[4]	Up to 18 months[5]	N/A	6 months	1 year	N/A

Sources: EY conducted interviews in 2024 with representatives of the various SEZs included in this study, regional real estate companies, and other government authorities.

Note: DAFZ and DIP authorities do not offer logistics land to rent. Land in DIP can be leased through independent leasing agencies.

[1] Generally, rates are negotiable.

[2] Prepayment of three months of rent is required.

[3] Prepayment of one year of rent is required.

[4] Rent-free period provided to the renter is sometimes linked to the start of production or end of construction.

[5] Grace period depends on lot size.

N/A = Not applicable

Construction cost

Table 3 presents the cost per m² to construct a warehouse. The costs provided in the table are averages from major cities within each country.

Table 3. Construction costs per m²

	BLZ	KAEC	All UAE zones
Warehouse	$850	$803	$786

Source: EY calculations.

Construction permit

Table 4 shows the costs associated with obtaining a construction permit. In most zones, these costs vary according to the size of the structure and are presented as a price per square meter or implemented at a flat rate. Construction permit costs the highest in zones located in Dubai.

Table 4. Cost of construction permits

Zone	Permit cost structure	Estimated permit for a 3,000m² facility
BLZ	$1.33 per m²	$3,990
SOHAR[1]	$1,300 (flat rate not by m²)	$1,300
KAEC[1]	$270 per building + $0.41/m²	$1,500
KIZAD	$1,362 (flat rate)	$1,362
All Dubai zones	Normal submission: $2.93 per m² on total built-up-area (minimum $54).	$8,790

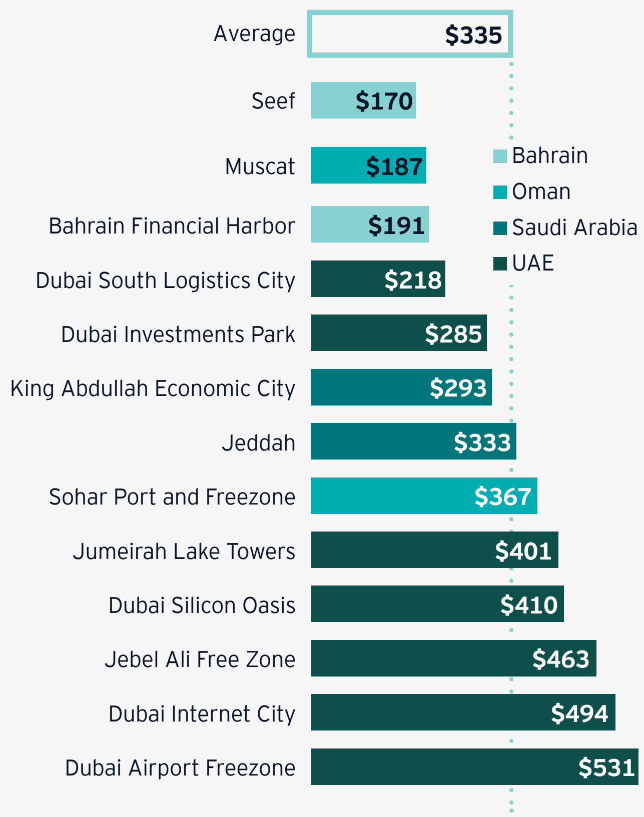
Sources: Al Ain City Municipality, 2014; Dubai Development Authority, 2023; Ministry of Commerce and Industry, 2016; Ministry of Municipalities Affairs and Agriculture, 2023; MODON, 2022; and EY calculations.

[1] Permit charges are unique to the zone.

Office rental

Companies may opt to locate management, back-office support, and other staff in commercial office space in office parks near their warehouse facility. For this purpose, the study provides a comparison of the costs to rent commercial office space in various office parks near the zones. Bahrain offers the most competitive rates for Grade A office space with rents at Seef and Bahrain Financial Harbour at the low end of reported rates (Figure 12). Rates in Seef, which is located in the commercial districts in Manama (the capital city of Bahrain), are roughly $170 per m², 49% below the region's average rate of $335 per m². For office space of 200m², the low rates in SEEF can result in savings of $33,000 annually compared with the average. Noticeably, Dubai has some of the most expensive office space locations, as all top-five locations by cost are located in Dubai.

Figure 12. Commercial office space cost in zones and nearby locations (annual, per m²)



Sources: EY conducted interviews in 2024 with representatives of the various SEZs included in this study; Corporate Parks Sohar Port Free Zone, LinkedIn, n.d.; Dubai Land Department, n.d.; Knight Frank, 2023; and JLL, 2022.

Commercial utilities and fuel

Electricity and water

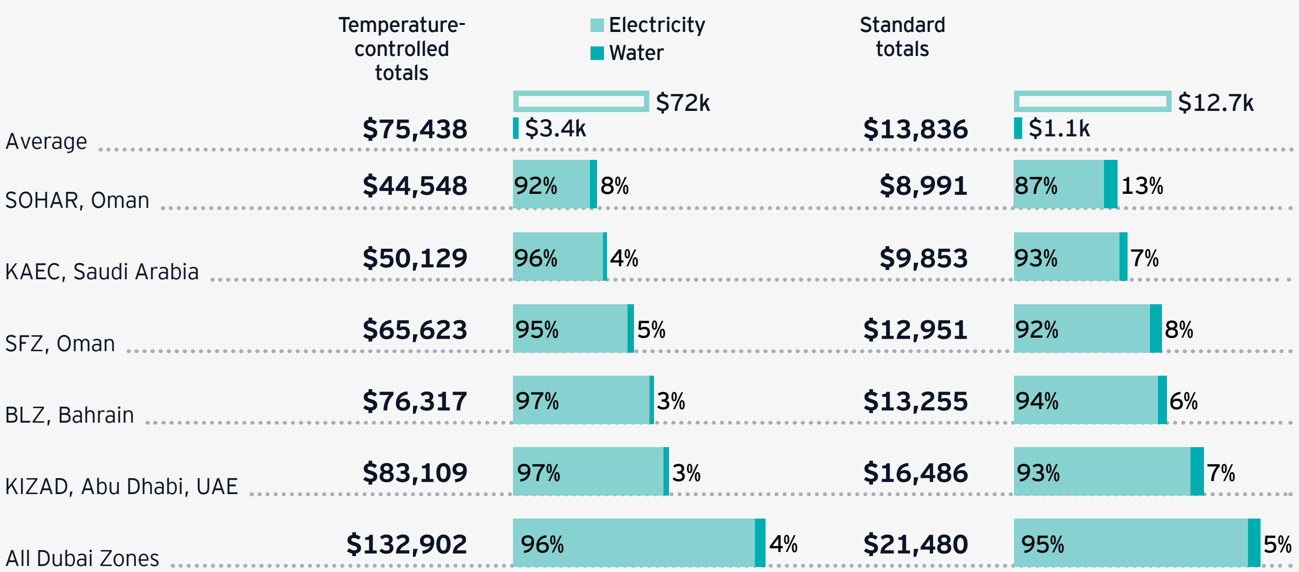
Utility costs hold significant importance for a temperature-controlled warehouse due to their substantial impact on operating expenses and overall profitability. Since these facilities rely on energy-intensive refrigeration and climate control systems to maintain necessary temperature and humidity levels for perishable goods, their round-the-clock operation leads to the high consumption of utilities such as electricity and water. Therefore, monitoring utility costs is important.

The calculation of utility costs, varies across locations due to unique tariff structures[4] for electricity and water. This analysis calculates utility costs, given the assumptions of the case study taking into consideration special pricing in peak hours and months. It compares the costs of utilities in the case study to a standard non-temperature-controlled warehouse. Consumption assumptions are as follows:

- Temperature-controlled warehouse: 82,293kWh of electricity and 101m^3 of water per month
- Standard (non-temperature-controlled) warehouse: 15,650kWh of electricity and 34m^3 of water per month

Figure 13 presents the results of the analysis. Dubai zones have the highest utility costs while SOHAR has the lowest.

Figure 13. Annual electricity and water costs for a 3,000m^2 warehouse — temperature-controlled and standard



Source: EY calculations.
Note: Temperature-controlled warehouse calculations based on 82,293kWh of electricity and 101m^3 of water per month. Standard warehouse calculations based on 15,650kWh of electricity and 34m^3 of water per month assumes a warehouse size of 3,000m^2.
Note: Calculations of averages and percentages are based on non-rounded values.

4 See Appendix III for electricity and water tariff schedules.

Gasoline and diesel

Fuel costs play a crucial role in shaping the efficiency and viability of warehouses. Warehouses rely heavily on transportation for the movement of goods, and fuel costs directly impact transportation costs. Differences in fuel costs across locations can impact the overall cost of moving goods through the supply chain. Warehouses in locations where fuel prices are lower can reduce the overall cost of moving goods through the supply chain. Also, warehouses located in strategic locations with proximity to transportation hubs can reduce fuel expenses.

In the case study, we consider fuel as a cost to the operation of the warehouse. This can include uses of fuel in machinery, equipment and vehicles related to the operation of the warehouse. The study assumes consumption of 13,822 liters of gasoline and 3,234 liters of diesel per month. Figure 14 displays the result of the analysis where average fuel costs amount to $123,000 annually for the case study warehouse. Companies in BLZ can take advantage of Bahrain's low gasoline prices where prices are the most inexpensive for gasoline 91 and gasoline 95; this is due to low base prices and the exemption of fuel from VAT in Bahrain. Companies in KAEC can take advantage of Saudi Arabia's low diesel prices where prices are lowest. Companies established in zones in Oman and the UAE will face the highest fuel costs.

Figure 14. Annual cost of fuel for a logistics business

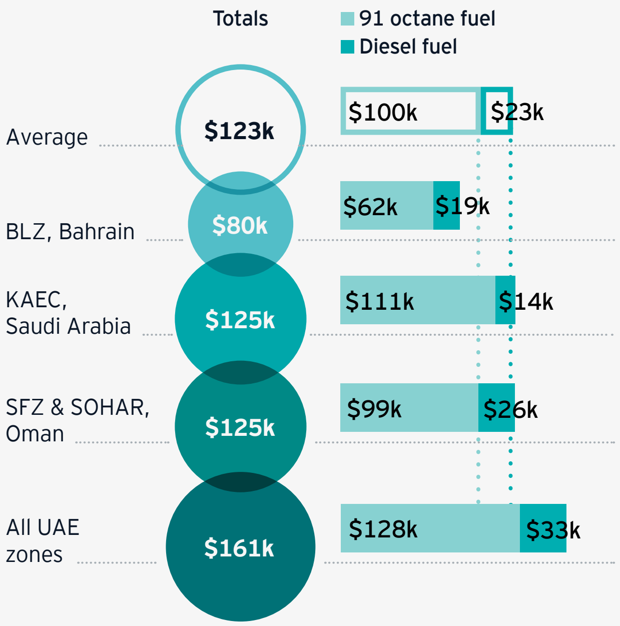


Table 5 shows the per liter costs for diesel, gasoline 91 and 95, and the VAT associated with them. These costs are set at the country level and are generally updated by the respective energy ministries monthly.

Table 5. Gasoline and diesel per liter

Cost	Bahrain	UAE	Saudi Arabia	Oman
VAT rates on fuel	0%	15%	5%	5%
Gasoline 91	$0.37	$0.77	$0.67	$0.60
Gasoline 95	$0.53	$0.82	$0.71	$0.62
Diesel	$0.48	$0.86	$0.35	$0.67

Sources: Aramco, 2024; Emarat, 2024; Ministry of Oil of Bahrain, 2024; Oman National Subsidy System, 2024. and EY Global Tax Guide, 2024.

Source: EY calculations.
Note: Assumes the use of fuel in operating machinery to amount to 17,056 liters per month. Fuel consumption assumptions are based on the annual consumption of fuel by eight forklifts and seven trucks. UAE zones include Dubai Investments Park, Dubai South Logistics City, and Jebel Ali Free Zone and Khalifa Industrial Zone.
Note: Calculations of averages and percentages are based on non-rounded values.

Transport and logistics

Transportation expenses play a crucial role in determining the optimal location for a company's logistics facility. The chosen location should offer easy accessibility for both customers and suppliers, utilizing various transportation modes such as land, sea and air. Moreover, the location directly influences the incurred transport costs. This section of the study conducts an examination of road, air and sea transport costs, featuring a case study for analysis. Additionally, it explores typical expenses associated with sea and air transport, including those related to storage and handling.

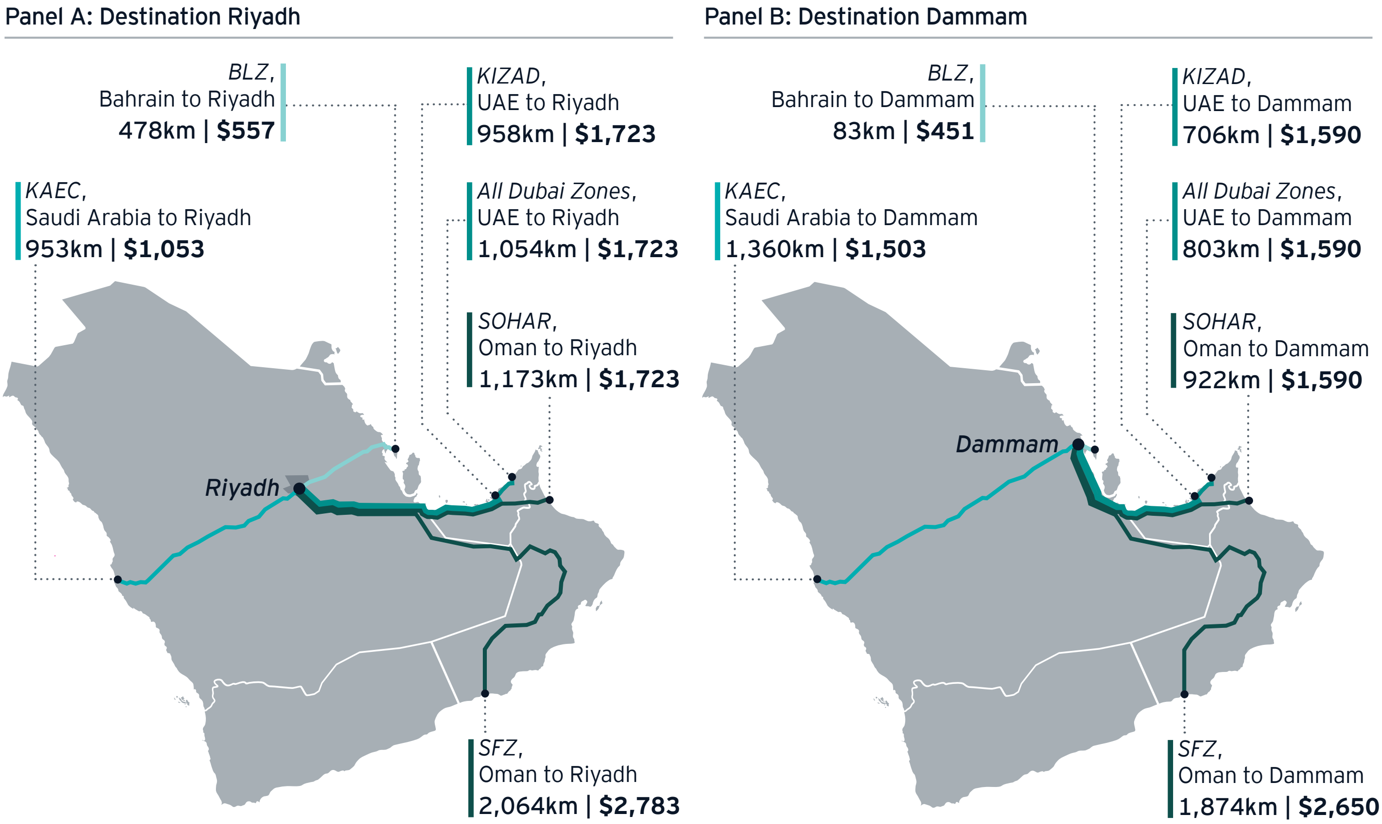
Transport cost case study

To demonstrate the strengths and weaknesses of different locations concerning transportation expenses, the analysis focuses on studying the costs of road and air transport specifically to Riyadh and Dammam, two of the largest cities in Saudi Arabia, the largest economy in the region. Further, Riyadh is selected because it is central to the region. The analysis will first review costs of road freight, then air and finally sea freight.

Road transport – cost

Road transport is important to consider for the viability of the logistics company since it will have a direct impact on clients' costs. The demand for warehousing services will depend on how cost-effective it will be for clients to ship to and from the location. This is why it is important to select a location that is easily accessible to a sizable customer base like Riyadh or Dammam, and also accessible to suppliers. Figure 15 shows the costs and routes for road transport to Riyadh. The average distance between the locations in this study and Riyadh is roughly 1,100km, while the distance from BLZ to Riyadh is less than half of that (478km). The distance from KAEC to Riyadh, the next nearest location in this study, is 953km. This is a significant advantage to locating in BLZ for a company with clients serving a customer base in Riyadh. This short distance also translates to significant savings in road transport costs where, as shown in Figure 15, Panel A, road freight cost is lowest for shipments originating from BLZ at an average rate of $557 for a 40-foot container. Compare this to an average cost of $1,594.

Figure 15. Road transport routes and costs, 40-foot container

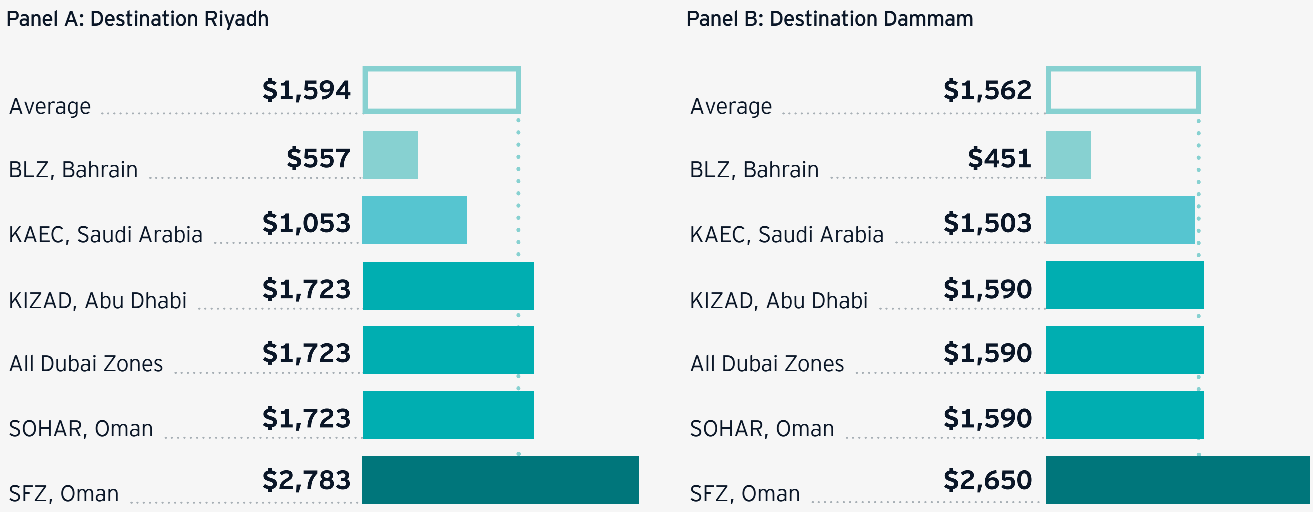


Sources: EY conducted interviews in 2024 with a regional road freight companies; and Google Maps, 2024.

Panel B of Figure 16 also shows the costs and routes for road transport, but in this instance, the destination is Dammam. Here, too, BLZ has the shortest and least complex route to the destination. The distance between Dammam and BLZ is only 83km and the total transport cost is $451, 71% below the average of $1,562.

Figure 16 provides a comparison of road freight costs from various locations to Riyadh, in Panel A, and to Dammam in Panel B. For trips destined to Dammam, costs range from as low as $451 for trips originating in BLZ to $2,650 for trips originating in SFZ. There is no difference in the cost of transport for trips originating from KIZAD, SOHAR or any of the Dubai zones.

Figure 16. Road transport costs from select locations to Riyadh and Dammam for one-way 40-foot container



Source: EY conducted interviews in 2024 with a regional road freight companies.

Air transport – cost

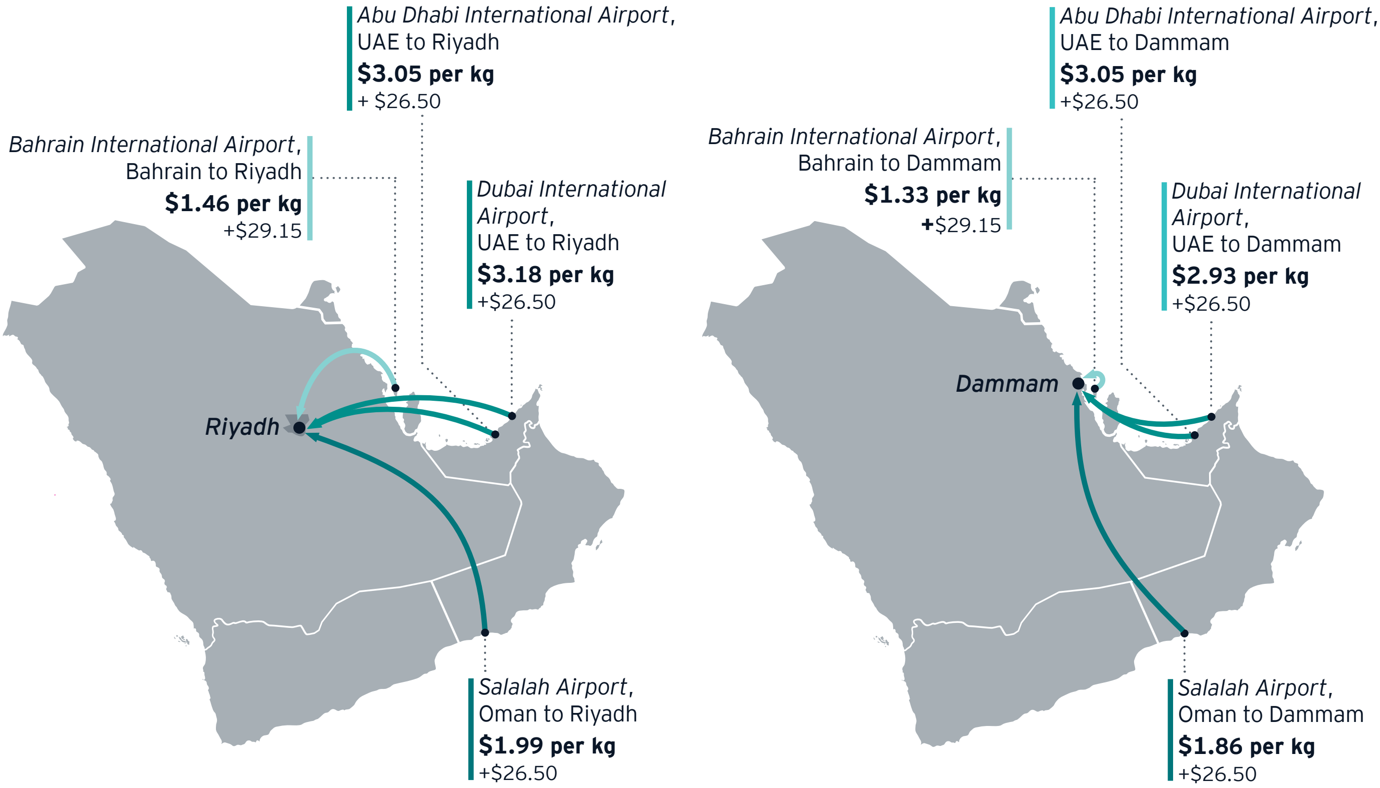
The cost of air cargo freight plays a critical role in the viability and profitability of a temperature-controlled warehouse. A significant portion of the products handled by such a warehouse consists of perishable goods, often transported via air freight for long-distance journeys. These goods typically may include select fresh produce, seafood and dairy products. The proximity of the temperature-controlled warehouse to major airports with low air cargo transportation costs carries substantial implications for its viability.

In Figure 17, Panel A illustrates air transport costs per kilogram and air waybill costs for air freight destined for Riyadh, originating from the various locations. Cargo originating from BLZ emerges with the lowest air freight costs to Riyadh with a per kilogram rate of $1.46 for shipments greater than 45kg. Figure 17 also provides the cost of air waybills by origin of shipments. Air waybill costs are relatively the same in all origin locations; costs are slightly higher for cargo originating in BLZ. Panel B illustrates the same metrics as Panel A to reflect the costs, with Dammam as the destination.

Figure 17. Air transport costs, per kg for shipments greater than 45kg

Panel A: Destination Riyadh

Panel B: Destination Dammam



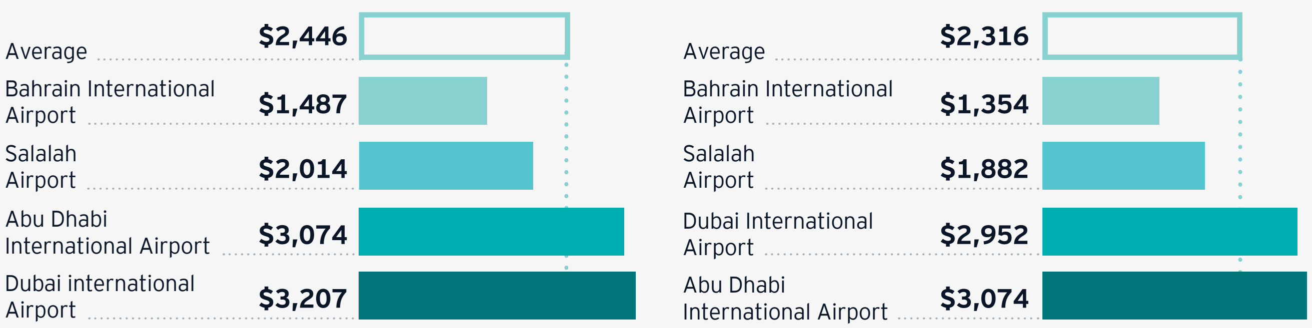
Source: EY conducted interviews in 2024 with a regional air freight companies.
Note: Parenthetical indicates air waybill cost.

To demonstrate the expenses associated with air freight for a standard shipment, Panel A of Figure 18 presents the costs derived from the sum of the per kilogram rate multiplied by the cargo's weight, along with the air waybill fee. For illustrative purposes, we compute the cost for a shipment weighing 1,000 kilograms. The calculated costs of air freight to Riyadh range from $1,487 to $3,207, where freight from Bahrain International Airport is the lowest cost and Dubai International Airport has the highest cost. Panel B performs the same analysis but with Dammam as the destination. The calculated costs for freight to Dammam range from $1,354 to $3,074, where freight from companies in BLZ utilizing Bahrain International Airport will have the lowest cost and freight from companies in all Dubai zones utilizing Dubai International Airport will have the highest cost.

Figure 18. Air transport costs from select locations to Riyadh and Dammam for 1,000 kg cargo

Panel A: Destination Riyadh

Panel B: Destination Dammam



Source: EY calculations.

Sea transport — cost

Generally, the cost of sea freight is determined by the distance and complexity of the route, where longer and more complex routes are likely to be more expensive. The shipping line is also a determinant in cost. In the GCC, most ports are serviced by the same liners and routes. For instance, a container shipped to Riyadh from the east (e.g., Shanghai or Singapore) will be on a route that will typically make its first stop at Jebel Ali Port, followed by a stop at Abu Dhabi's Khalifa Port. At this point, the container may either go to Bahrain and take the King Fahd Causeway into Saudi Arabia or continue to Dammam. In either case, the remaining portion of the trip is made via land freight. Following this logic, it is reasonable to assume that the sea freight costs will be lowest for freight arriving in Jebel Ali Port, and then for each additional stop, a marginal additional cost may apply.

Table 6 provides a sample of costs for sea freight from various locations to Dammam, Riyadh, Jeddah and Bahrain.

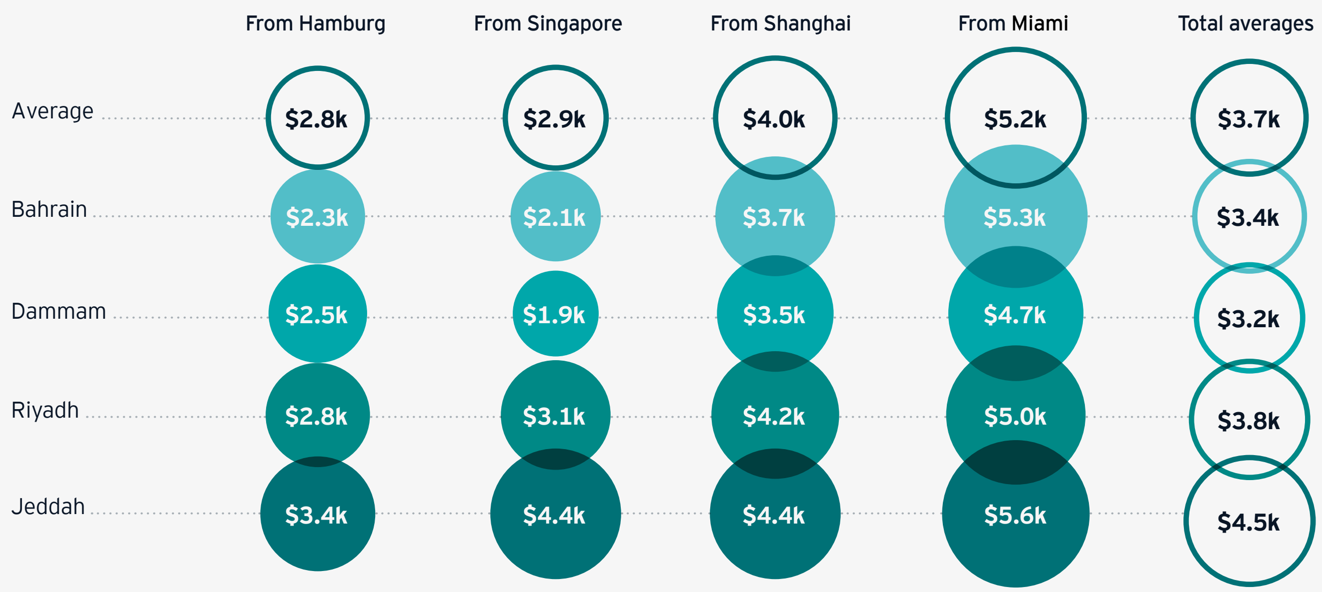
This data is collected from a survey of several freight forwarders. This should not be used to determine the definitive total cost of shipping but rather, is meant to provide the costs identified at one specific time during the collection of this data. Many factors affect shipping cost, including fuel costs, demand and geopolitics. Figure 19 provides a visualization of sea freight costs reported in Table 6.

Table 6. Sea transport or one-way transport of dry goods, 40-foot container

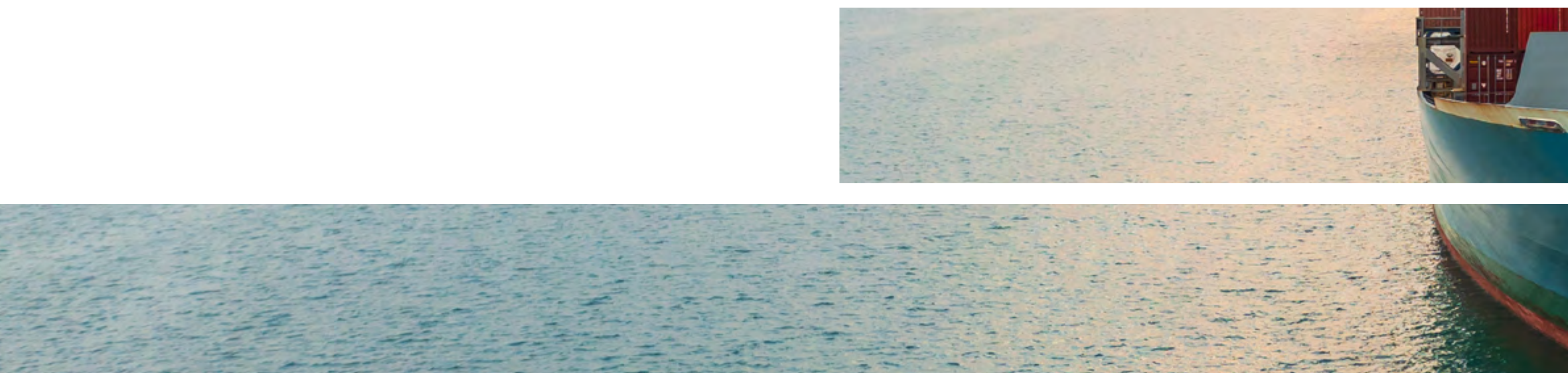
		Origin			
		Hamburg	Singapore	Shanghai	Miami
Destination	Bahrain	$2,288	$2,100	$3,700	$5,280
		44 days	24 days	36 days	41 days
	Dammam	$2,497	$1,900	$3,509	$4,714
		41 days	16 days	25 days	48 days
	Riyadh	$2,757	$3,100	$4,245	$4,974
		36 days	20 days	31 days	33 days
	Jeddah	$3,416	$4,352	$4,429	$5,634
		36 days	40 days	53 days	33 days

Sources: EY conducted interviews in 2024 with a regional sea freight companies; DHL, 2024; and Freightos Terminal, 2024.

Figure 19. Sea transport costs from select locations for one-way shipment of dry goods, 40-foot container



Sources: EY conducted interviews in 2024 with a regional sea freight companies; DHL, 2024; and Freightos Terminal, 2024.
Note: Calculations of averages and percentages are based on non-rounded values.

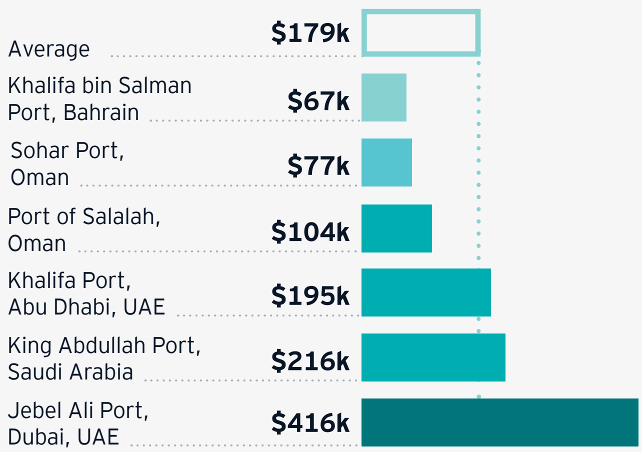


Sea transport — port storage

A major differentiator in the overall cost of sea freight for a logistics company will certainly be auxiliary costs like storage and handling. Terminal handling costs are notably higher in UAE ports. For instance, x-ray fees for a 40-foot container in Dubai ($300) are significantly higher than those in Bahrain's Khalifa bin Salman Port and Saudi Arabia's King Abdullah Port ($27 and $147, respectively). Various zones also offer airport transport and handling services where rates differ based on distance, origin and weight. However, among these costs, storage and handling for sea freight may be the most important auxiliary costs for the case study.

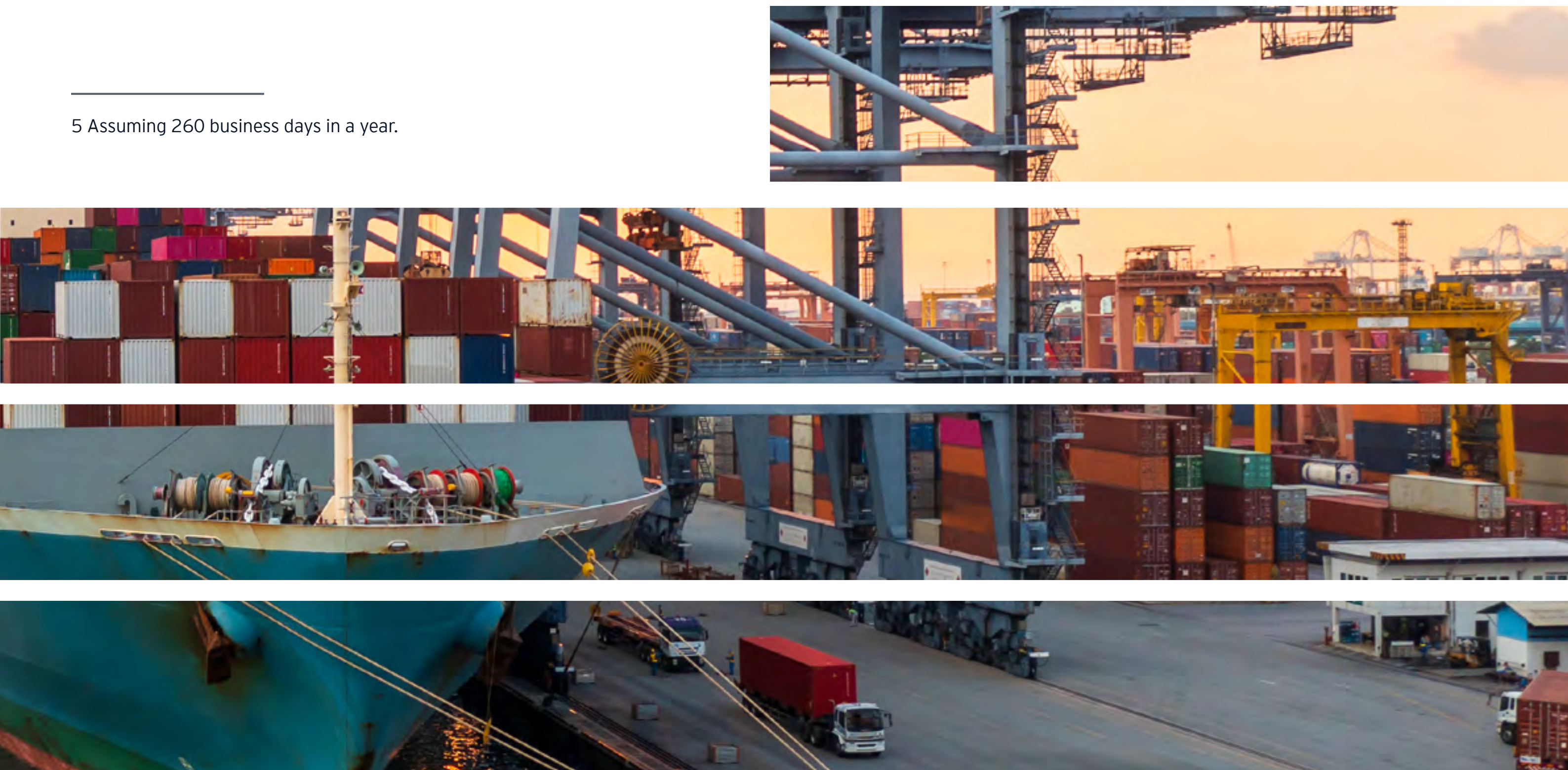
Khalifa bin Salman Port, which is the port closest to BLZ, has the lowest shipping container storage costs among the ports analyzed, where daily rates range from $8.75 to $29 compared with $27 to $60 in the other ports for shipments imported. As an example, the cost to store a 40-foot container at the port for 20 days will cost $104 for firms operating in BLZ compared with an average of $276. This cost is significant for businesses. Suppose a business handles up to 50 of the containers imported daily,[5] amounting to 13,000 containers per year. Assume the company occasionally stores containers at the port for an extended period (20 days) throughout the year amounting to 5% of the containers imported (i.e., 650 containers). Figure 20 presents the results of this scenario and demonstrates that the annual cost of storage will be $67,000 for firms operating in BLZ, which compares favorably to the average cost of $179,000.

Figure 20. Annual cost of 40-foot container storage



Source: EY calculations.
Note: Assumes storage of 650 containers per year for 20 days each.
Note: Calculations of averages and percentages are based on non-rounded values.

5 Assuming 260 business days in a year.



The pricing structure for port storage includes a "free-time allowance," where no fees are imposed. However, once this free time allowance has ended, storage fees are imposed daily per container, with a progressively increasing rate depending on the applicable rate slab.

Table 7 provides a standardized breakdown of seaport storage costs for imports for 10, 20 and 30 days. While UAE ports provide the largest number of free days, the cost benefit dissipates quickly when storage exceeds the free days allowance. For example, the 30-day storage cost in Khalifa Port (which offers 14 days free compared with nine days in Bahrain's Khalifa bin Salman Port) is roughly five times the cost in Bahrain's Khalifa bin Salman Port, where daily storage rates are lowest.

Table 7. Port storage cost standardized — imports

	Bahrain Khalifa bin Salman Port	Oman Port of Salalah	Oman Sohar Port	Saudi Arabia King Abdullah Port	Abu Dhabi, UAE Khalifa Port	Dubai, UAE Jebel Ali Port
Number of free days	9	7	7	10	14	10
20-foot container						
10 days storage	$5	$15	$12	$0	$0	$0
20 days storage	$52	$80	$59	$200	$150	$320
30 days storage	$113	$218	$141	$600	$559	$737
40-foot ontainer						
10 days storage	$9	$30	$24	$0	$0	$0
20 days storage	$104	$160	$119	$333	$300	$640
30 days storage	$226	$330	$282	$867	$1,117	$1,474

Source: EY calculations.

Table 8 displays the port storage cost information for exports. King Abdullah Port in Jeddah has the highest storage cost, up to $1,067 for 30 days of storage of a 40-foot container, while Bahrain's Khalifa bin Salman Port is on the lower end. For 30 days storage of a 40-foot container, the cost is 52% lower in Khalifa bin Salman Port compared to the average.

Table 8. Port storage cost standardized — exports

	Bahrain Khalifa bin Salman Port	Oman Port of Salalah	Oman Sohar Port	Saudi Arabia King Abdullah Port	Abu Dhabi, UAE Khalifa Port	Dubai, UAE Jebel Ali Port
Number of free days	11	10	7	5	10	10
20-foot container						
10 days storage	$0	$0	$12	$67	$0	$0
20 days storage	$42	$83	$59	$333	$82	$84
30 days storage	$104	$213	$141	$733	$163	$196
40-foot ontainer						
10 days storage	$0	$0	$24	$133	$0	$0
20 days storage	$85	$223	$119	$533	$163	$169
30 days storage	$239	$453	$282	$1,067	$327	$392

Source: EY calculations.

Sea transport — terminal handling fees

Table 9 offers information about select handling fees for services provided by ports including x-ray, handling of hazardous materials and container deposit fees. UAE ports have notably high costs associated with these services. Note that these are just a select few of the many paid services offered by these ports.

Table 9. Terminal handling and fees

	Al Hidd, Bahrain Khalifa bin Salman Port	Saudi Arabia King Abdullah Port	Abu Dhabi, UAE Khalifa Port	Dubai, UAE Jebel Ali Port
20 ft. container				
X-ray fee	$27	$123	$187	$191
Hazardous materials fee	$245	$94[1]	$259	$286
Container deposit fee	$71	$75	$202	$191
40 ft. container				
X-ray fee	$27	$147	$279	$300
Hazardous materials fee	$372	$187[1]	$381	$450
Container deposit fee	$104	$149	$268	$300

Sources: EY conducted interview in 2024 with regional transportation companies; and Mawani, 1987.

[1] General handling fee plus an additional 25%.

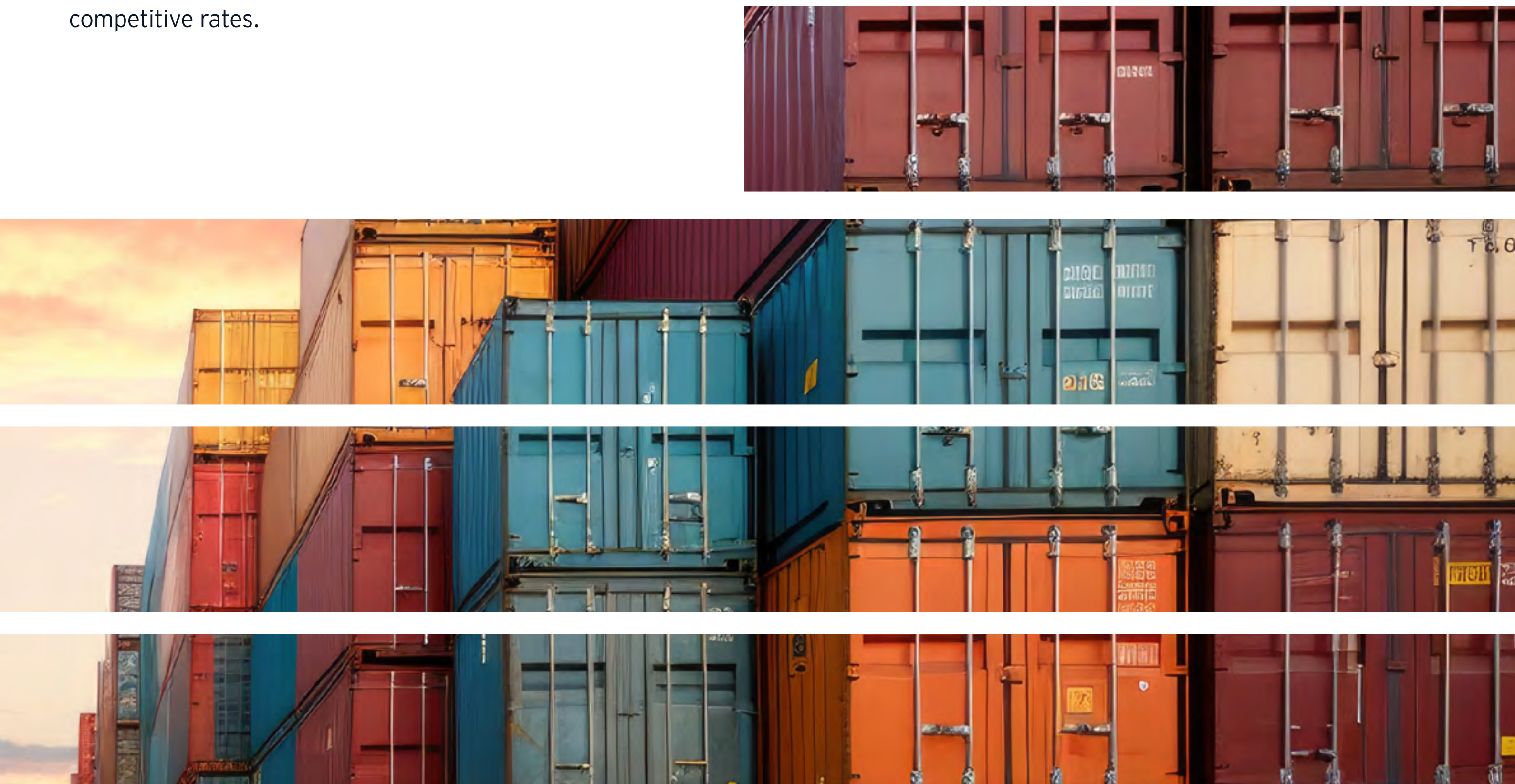
Air transport – airport handling fees

Table 10 presents the handling costs at the various airports. Fees are generally structured as a minimum charge in addition to a marginal schedule where the per kilogram fee increases progressively as weight increases. For heavy packages (1,000kg), which are more consistent with a business's needs, Bahrain International Airport (servicing BLZ) has the most competitive rates, roughly 50% of rates in other airports. For a small (10kg) package, Muscat International Airport (which is the main airport servicing SOHAR) has the most competitive rates.

Table 10. Airport handling fees — cost by total container weight (kg)

Container weight (kg)	Bahrain International Airport (servicing BLZ)	Muscat International Airport (servicing SOHAR and SFZ)	King Abdulaziz International Airport (servicing KAEC)
10 kg	$12	$9	$18
1,000 kg	$34	$68	$68

Source: EY calculations.



Taxes, fees and incentives

Key takeaways

An important cost consideration for logistics companies is taxes and fees that are incurred as a normal cost of doing business. With significant labor costs, logistics companies in the GCC could face several taxes related to labor. Additionally, logistics companies may face corporate tax, VAT and property taxes, in addition to duties and tariffs on international trade. Special economic zones (SEZs) provide tax abatements, and these vary by zone. The countries in the GCC have similar total rates of tax on labor, but corporate income taxes are currently lowest in Bahrain, reducing the net impact of taxes on capital in Bahrain.

Taxes and fees at the country level

Bahrain is currently the only country in the GCC in which a 0% CIT rate is applicable country-wide. This is the most generous exemption compared with other benchmarked jurisdictions with rates as high as 20% in Saudi Arabia.

All countries listed in table 11 impose a VAT, with rates ranging from 5% to 15%. Municipal taxes on rental properties are notably higher in Bahrain. A tax on real estate transactions is imposed at the national level in Saudi Arabia; however, no such tax is imposed by municipalities. The national-level tax has a rate of 15%.

Table 11. Taxes outside of free zones

	Bahrain	Oman	Saudi Arabia	UAE (Abu Dhabi)	UAE (other Emirates)
Corporate income tax[1]	0%	15%	20%	9%	9%
VAT	10%	5%	15%	5%	5%
Tax on rental properties	8.5%[2]	3%	15%[3]	5%	5%
Withholding tax	0%	10%	5%-20%	0%	0%
Social insurance[4]					
Employer share	17%	13.5%	11.75%	15%[5]	12.5%
Employee share	8%	8%	9.75%	11%	5%

Sources: EY, 2023; Federal Tax Authority, 2021; PwC, 2024; UAE Federal Tax Authority, 2017; and ZATCA, 2024.

1 Depending on jurisdictions' implementation of BEPS pillar two, a domestic minimum top-up tax of 15% will be applied to multinational enterprises with a global revenue equal or exceeding €750m in at least two of the four preceding fiscal years as per the OECD's Global Anti-Base Erosion. To review jurisdictions' adoption of BEPS, please visit EY's Pillar Two Developments Tracker.

2 Ranges from 7% to 10% depending on property type and payer of utilities.

3 A tax on real estate transactions exists in Saudi Arabia. Imposed by the national-level government, the tax carries a rate of 15% and is applicable to rent.

4 As a general rule, social security contributions in GCC countries are only due for their nationals. The rate presented includes social security, workers' compensation, unemployment insurance, and maternity and paternity leave.

5 Employers in the UAE pay a flat fee per employee for unemployment insurance premium. The premium schedule is structured such that for employees earning less than $4,320 monthly, the employer pays $1.37 (per month), while for employees earning more than $4,320 monthly, the charge is $2.74 monthly.

Taxes and fees across benchmarked zones[6]

By design, taxes and fees in special economic zones are more competitive than at the national level. Table 12 highlights major incentives provided in each of the SEZs reviewed in this study.

Table 12. Incentives offered at benchmarked jurisdictions[6]

Incentive type	BLZ	KAEC	DAFZ	DSL	DIP[1]	JAFZA	KIZAD	SFZ	SOHAR
100% Foreign ownership	✓[2]	✓	✓	✓	✓	✓	✓	✓	✓
100% Repatriation of capital	✓	✓	✓	✓	✓	✓	✓	✓	✓
Exemption from corporate tax	✓	×	✓	✓	×	✓	✓	✓	✓
Exemption from custom duties	✓	✓	✓	✓	×	✓	✓	✓	✓
Exemption from VAT	✓[3]	✓	✓	✓	×	✓	✓	✓	✓

1 Although DIP is a hub for investments due to its strategic location, it is not considered a special economic zone and thus it does not receive special tax exemption.

2 Limited to a specific set of logistics activities.

3 Exemption from VAT is applicable only to goods that remain inside the customs bonded zone and do not enter the country; this is also limited to goods used in re-export activities.

6 See Appendix IV for more details about incentive packages.

As shown in Table 13, most SEZs in this study offer a complete CIT exemption, except for KAEC and DIP, which impose a 5% and 9% CIT, respectively. In KAEC, the 5% CIT is a preferential rate provided for a duration of 20 years, after which businesses face the country-level rate of 20%. DIP does not provide a CIT exemption, and thus the 9% country-level rate in the UAE applies. BLZ, DAFZ and DSL do not impose a limit on the number of years companies may realize a CIT exemption, while JAFZA and KIZAD provide the longest tax exemption period (50 years).

While BLZ, SFZ, SOHAR, KIZAD, DAFZ and DSL zones are shown as having 0% corporate income tax rates, the OECD's Base Erosion and Profit Shifting initiative (BEPS) has encouraged countries to enact corporate tax regimes at or above the 15% minimum tax rate required by BEPS in order to avoid additional taxes levied by the home country of a multinational enterprise. Most zones will ultimately have rates of 15% or higher as a results of BEPS. Within the countries included in the study, Bahrain and the UAE have passed final legislation implementing pillar two that would apply to most businesses, including our case study company

Table 13. Tax rates within free zones

	BLZ[1]	SFZ	SOHAR	KAEC	KIZAD	DAFZ[1]	DIP[2]	DSL[1]	JAFZA
Corporate income tax rates[3]	0%	0%	0%	5%	0%	0%	9%	0%	0%
Duration of CIT exemption (years)	N/A	25	25	20	50	N/A	N/A	N/A	50
Value-added tax rates	10%[4]	0%	0%	0%	0%	0%	5%	0%	0%
Social insurance[5]									
Employer share	17%	13.5%	13.5%	11.75%	15%[6]	12.5%	12.5%	12.5%	12.5%
Employee share	8%	8%	8%	9.75%	11%	5%	5%	5%	5%

Sources: ASYAD, n.d.; DP World, n.d.; EY, 2023; Federal Tax Authority, 2018; KEZAD Group, n.d.; OPAZ, 2021; OPAZ n.d.; PwC, 2023a; and PwC, 2023b.

[1] These free zones do not have a limit on the number of years for CIT exemption.

[2] DIP is not a "designated zone" in the UAE, and thus does not receive a corporate income tax exemption. The UAE-level CIT is taken.

[3] Depending on jurisdictions' implementation of BEPS pillar two, a domestic minimum top-up tax of 15% will be applied to multinational enterprises with a global revenue equal or exceeding €750m in at least two of the four preceding fiscal years as per the OECD's Global Anti-Base Erosion. To review jurisdictions' adoption of BEPS please visit EY's Pillar Two Developments Tracker.

[4] Exempted under certain circumstances (e.g., re-export or distribution of goods).

[5] As a general rule, social security contributions in GCC countries are only due for their nationals. The rate presented includes social security, workers' compensation, unemployment insurance, and maternity and paternity leave.

[6] Employers in UAE pay a flat fee per employee for unemployment insurance premium. The premium schedule is structured such that for employees earning less than $4,320 monthly, the employer pays $1.37 (per month), while for employees earning more than $4,320 monthly, the charge is $2.74 monthly.

Customs duties

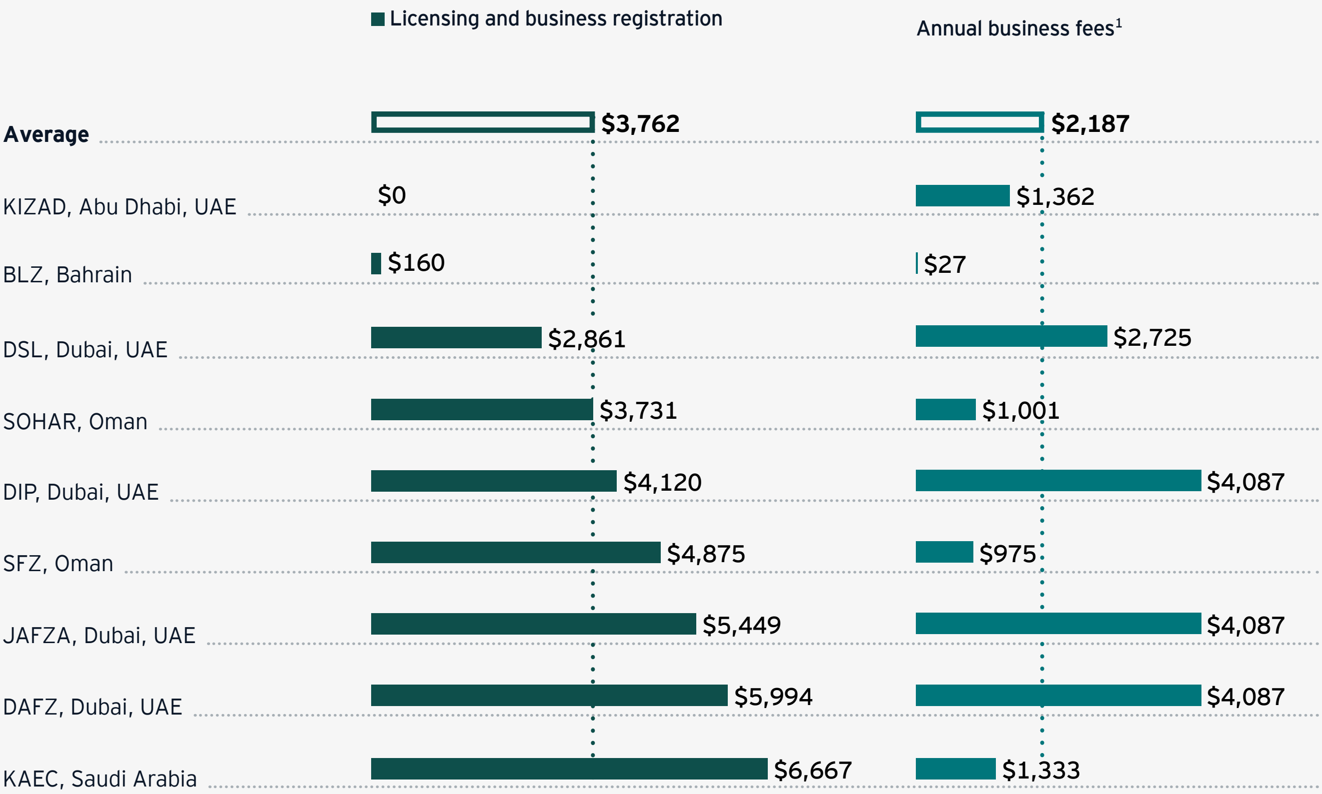
Customs duties are set at the country level. All jurisdictions fall under the purview of the GCC Customs Law, which aims to remove import tariffs between signatory states and create a harmonized tariff schedule (HS) facing non-GCC countries. In 2022, the harmonized schedule was revised such that most imports are charged a 5% tariff. While implementation of the HS is still taking place, the majority of goods for which a tariff is applied is taxed at 5%. Thus, in the GCC, customs duties are generally not a differentiating factor in the cost of doing business when comparing locations within the GCC. However, this agreement makes the entire GCC competitive globally. Furthermore, bilateral trade agreements also facilitate trade between various GCC countries. For example, Bahrain and Saudi Arabia's Authorized Economic Operator (AEO) program allows for closer economic ties between the two countries.

Most zones in this study have an import tariff exemption authorized by their respective governments, except DIP. Thus, a logistics company in DIP will usually need to pay a 5% customs duty on imports produced outside the GCC, whereas they would not in any of the other zones discussed in this study.

Business registration and licensing

Investors looking to establish a business in any zone should consider the general registration and licensing costs in order to legally engage in warehousing activities. Figure 21 provides a comparison of these costs across zones. Business registration costs take into consideration all fees imposed by government entities in order for the company to establish registration of a limited liability company (LLC). Licensing costs are the sum of fees imposed by government entities in order for the company to legally engage in warehousing activities while abiding by the local regulations. Annual business fees are those fees that are required to maintain the validity of the abovementioned registration and licensing. KIZAD does not impose any fees for the initial registration and licensing of the company while the cost to do the same in KAEC is $6,667 – the highest across the locations. Annual fees are lowest in BLZ. Annual fees are highest in DAFZ, DIP and JAFZA, where costs are 87% above the average.

Figure 21. Business registration and licensing costs for a logistics business



Source: EY calculations.

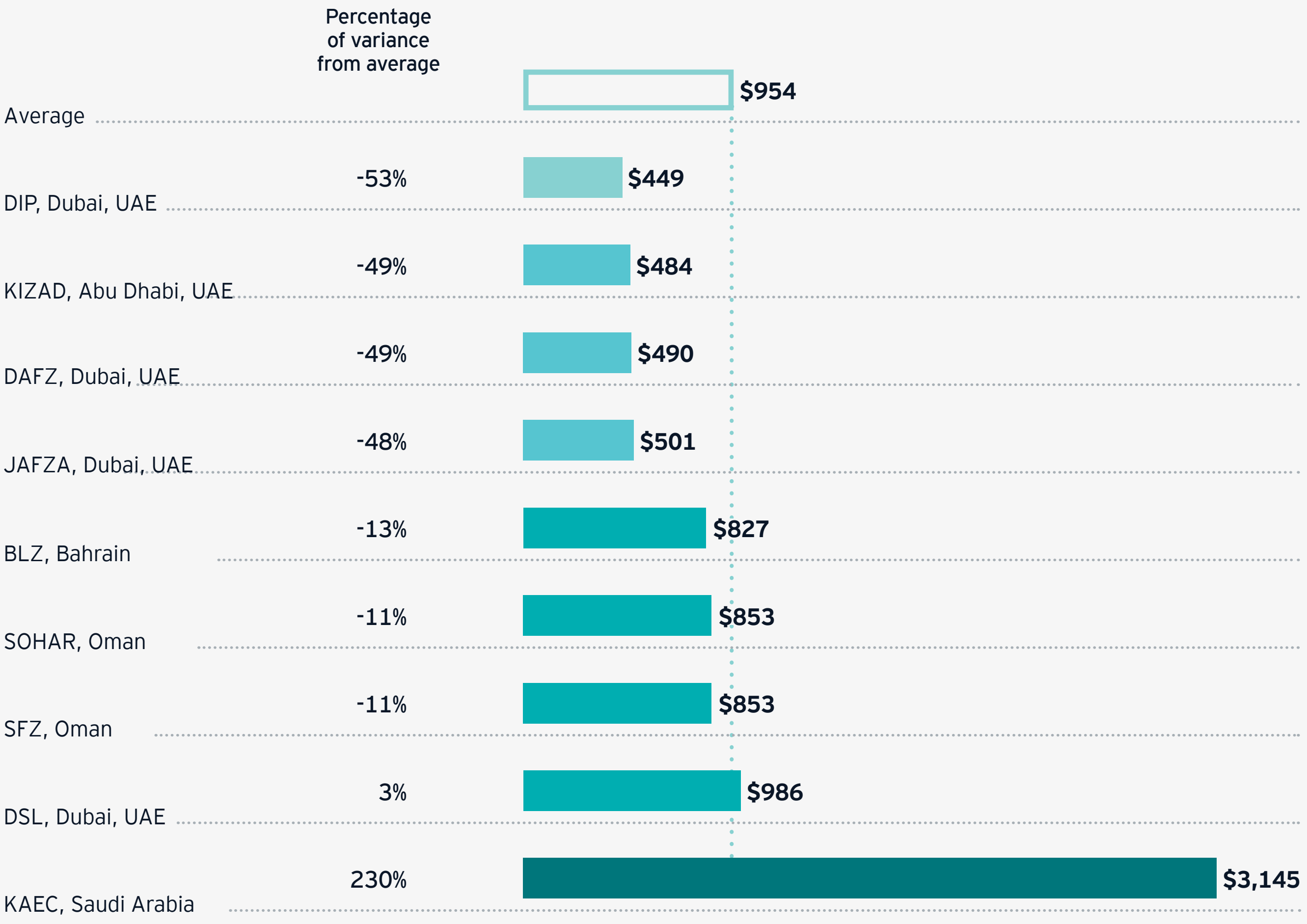
[1] Annual fees include license renewal fees and any other fees required to maintain the company's registration status and licenses.

Other costs

Presented in this section are several costs associated with immigrant labor, including: 1) fees associated with attaining authorization to work legally in the country 2) dependent visa 3) visitor visa 4) visa on arrival and e-visa 5) localization requirements and 6) labor accommodation.

Companies that employ expatriate labor must adhere to the respective locations' rules and regulations on the matter. Key costs incurred by companies are comprised of a labor or residence permit, identification card, pre-employment health check and health certificate that ensure medical fitness. Figure 22 provides the total expected cost in each location. The total cost of compliance with these rules and regulations is lowest in zones located in the UAE and highest in KAEC.

Figure 22. Total visa, permit, residency and other associated costs related to employing expatriate workers



Source: EY calculations.

In KAEC, where costs are highest, labor permits renew on a monthly basis and comprise an Iqama card (residency permit) and a Maktab Amal (work permit). The Iqama card fees are $173 for 12 months. The Maktab Amal fees vary according to the percentage of Saudi workers at the employing company due to localization laws. Assuming that at least 50% of the workers are Saudi citizens, the fee for a work permit is $187 per month (roughly $2,240 per year), which is significantly higher than in any other location. On the other hand, zones in the UAE generally set the lowest fees for labor permits, with the exception of DSL.

Table 14 presents the disaggregations of the totals presented in Figure 22. In some zones, like SOHAR, SFZ, DSL and JAFZA, the zone authority provides a package price that is inclusive of many of the individual costs. In other locations, the fees are paid individually and to the respective agency.

Health insurance costs represent the annual cost of government-mandated basic coverage per employee per year. In each zone (except Oman and KSA zones), the cost of the most basic options is reported.[7] For zones in Saudi Arabia and Oman, the employer is responsible for providing private health insurance to expatriate employees. To calculate an average premium per insured person, the study divides gross written premiums by the total number of insured persons for Saudi Arabia and Oman.

Table 14. Fees associated with obtaining authorization to work legally in the location[1]

	BLZ	SFZ	SOHAR	KAEC	KIZAD	DAFZ	DIP	DSL	JAFZA
Labor permit[2]	$265	$421	$421	$2,240	$106	$354	$106	$703	$365
Residency permit	$0[3]	$0[4]	$0[4]	$173	$0[5]	$0[6]	$0[4]	$0[7]	$0[8]
Health insurance	$191	$256[9]	$256[9]	$622[9]	$136	$136	$136	$136	$136
Work visa[10]	$318[11]	$56	$56	$13	$95	$0[6]	$60	$0[7]	$0[8]
Cost of pre-employment health check	$53	$91	$91	$80	$68	$0[6]	$68	$68	$0[8]
Health certificate[12]	$0[3]	$14	$14	$16	$3	$0[6]	$3	$3	$0[8]
Identification card	$0[3]	$16	$16	$0	$76	$0[6]	$76	$76	$0[8]
Total immigration cost for expatriate workers[13]	**$827**	**$853**	**$853**	**$3,145**	**$484**	**$490**	**$449**	**$986**	**$501**

1 Fees listed are for the following periodicity: Labor permit, renewal fees for labor permit and residency permit are annual fees, while the cost of pre-employment health check and health certificate are one-time costs incurred before employment. Work visa is a one-time fee incurred prior to entering the country. Identification card fees are one-time costs.

2 The labor permit allows expatriate workers to work in the jurisdiction; sometimes this permit is coupled with the permission to enter and reside in the jurisdiction.

3 In BLZ, the cost associated with the labor permit is inclusive of the residency permit, health certificate and identification card.

4 In SFZ, SOHAR and DIP, the cost associated with the labor permit is inclusive of the residency permit.

5 In KIZAD, the cost associated with the labor permit is inclusive of the residency permit.

6 In DAFZ, the cost associated with the labor permit is inclusive of the work visa, residency permit, pre-employment health check and certificate, and identification card.

7 In DSL, the cost associated with the labor permit is inclusive of the residency permit and work visa.

8 In JAFZA, the cost associated with the labor permit is inclusive of the work visa, residency permit, pre-employment health check and certificate, and identification card.

9 Represents the average cost of private health insurance calculated as total premiums divided by total number of individuals insured.

10 Also known as labor entry visa, employment visa or entry permit. It allows expatriate workers to enter the country for the purpose of work.

11 In BLZ, a monthly visa fee of $26.50 per employee is imposed; this fee is $13.25 per employee for the first five employees.

12 Also known as a health card, this serves as a certificate of completion for a mandatory health check.

13 Total does not include renewal fees for labor permit.

7 This is health insurance mandated by the respective governments; in most cases, it provides access to public government hospitals where basic services are provided.

Dependent visa

If expatriate employees are migrating with their entire family, they will incur the cost of attaining visas for their dependents. These are lowest in Dubai ($15), providing a lower cost for families relocating to work in any of Dubai's zones. On the other hand, this cost is highest in BLZ ($239).

Table 15. Visa costs for dependents of expatriate employees

	BLZ	All Dubai zones[1]	All Oman zones SFZ, SOHAR	KAEC	KIZAD
Dependent visa	$239	$15[2]	$39	$133	$48

Sources: Absher, n.d.; GDRFA, 2024; ICP, n.d.; LMRA, 2024; and Royal Oman Police, n.d.

[1] Dubai zones include Jebel Ali Free Zone, Dubai South Logistics City, Dubai Airport Freezone and Dubai Investments Park.

[2] Visas renew at a higher cost, $101.

Visitor visa

Tourists wishing to visit for leisure will require a visitor's visa unless they are citizens of a GCC country. Visa offerings are single entry and multiple entry obtained through advance visas, visa on arrival[8] or e-visa.

Table 16 identifies the cost of a tourist visit visa in each location. The prices listed reflect both single- and multiple-entry options. For single-entry visas, the UAE has the highest fee at $139, making it more costly for family and friends to visit workers in zones located in the UAE. On the other hand, Bahrain has the lowest fee at $24, making it less costly for visitors to visit employees working in BLZ. For multiple-entry visas, the UAE remains the priciest at $166, and Bahrain remains the lowest at $42.

Table 16. Visitor visa

	Bahrain	Oman	Saudi Arabia	UAE
Single entry	$24	$52	$101	$139
Multiple entry	$42	$130	$101	$166

Sources: Etihad Airways, n.d.; KSA Visa, n.d.; Ministry of Interior, Nationality, Passports, and Residence Affairs, n.d.; and Online-visa.com, n.d.
Note: Validity durations are 14 days for Bahrain (single entry); 30 days for Oman and the UAE; and 90 days for Bahrain (multiple entry) and Saudi Arabia.

Visa on arrival and e-visa

Table 17 compares the number of nationalities eligible for e-visa and visa on arrival. Oman no longer offers visa on arrival; thus, no nationalities are eligible, disadvantaging employees and investors in SOHAR and SFZ. Bahrain, however, offers the highest number of visas on arrival, making travel much easier for employees and investors in BLZ.

Table 17. Visa on arrival and e-visa (number of nationalities)

Cost	Bahrain	Oman	Saudi Arabia	UAE
Visa on arrival (nationalities eligible and number of countries eligible per location)	208	N/A	49	81
E-visa (nationalities eligible and number of countries eligible per location)	209	75	63	216

Sources: Etihad Airways, n.d.; eVisa, n.d.; Ministry of Interior, Nationality, Passports, and Residence Affairs, n.d.; and OMVisas, n.d.

8 Visa on arrival is not applicable in Oman.

Localization requirement

In the GCC, a business's ability to provide expatriate workers with visas is influenced by the localization requirements in the respective country in which they are operating. Zones in the UAE have the most lenient localization requirements as they exempt businesses from having a minimum number of Emirati employees. The UAE mainland also has a favorable localization requirement as it requires businesses to have 2% of positions filled by Emirati citizens. Saudi Arabia has a more restrictive localization requirement, with a variable requirement based on company size.

The following table summarizes the regulations, incentives and penalties for enforcing localization rules.

Table 18. Localization requirements

Location	Localization	Penalties
Bahrain Logistics Zone	Businesses based at BLZ are subject to Bahrain's localization requirement as prescribed by the Bahrain Labor Market Regulatory Authority (LMRA). As per the LMRA requirement, a logistics business employing more than 10 workers must employ 25% Bahraini nationals (requirement varies based on logistics activity).	Companies unable to comply with the localization rates are only eligible to apply for new work permits and sponsorship transfers by paying an additional annual fee of BHD250 ($663) per non-Bahraini worker. LMRA may apply fines to companies that do not comply with "Bahrainization" requirements.
Dubai Investments Park	Businesses based in the mainland UAE are subjected to a 2% localization requirement. (2% is the national target that started in June 2023) This means that 2% of their employee headcount are required to be Emirati. The Emiratization policy requires the percentage of Emirati nationals employed by businesses to increase by 2% every year until it reaches 10% in 2026.	Companies that do not adhere to the Emiratization policies are subjected to the following penalties: ▪ $27,226 for first-time violation ▪ $81,679 for second-time violation ▪ $136,132 for third time and beyond Additional $11,435 for each Emirati not appointed according to national target.
Khalifa Industrial Zone, Dubai Airport Freezone, Dubai South Logistics City and Jebel Ali Free Zone	Businesses based in designated free zones in the UAE are exempted from localization requirements.	Businesses based in designated free zones in the UAE are exempted from localization requirements, and thus no penalties are applicable.
King Abdullah Economic City	Different localization requirements apply to businesses based on their size (in terms of employment). For example, a medium-sized business (51 to 500 employees) must maintain a localization level of 35% to 47% depending on the exact number of employees to fall in the medium green localization band, which would then provide them access to certain incentives applicable to the band.	Penalties for not meeting localization requirements For a mid-sized company that falls in the medium green band include: ▪ Ineligible to apply for new expatriate worker visa. ▪ Expatriate workers cannot change occupations within the organization. ▪ Business cannot renew work permits for existing expatriate workers. ▪ Businesses cannot transfer expatriate workers' sponsorship to the entity from any other entity.
Salalah Free Zone	Within Salalah Free Zone, investors are subjected to a localization requirement of 20%. Outside the free zone, businesses are subjected to the national Omanization requirement of 60%.	Government sanctions on business and restrictions on number of expatriate visas the business can apply for.
Sohar Port and Freezone	Within SOHAR, investors are subjected to a localization requirement of 15%. However, they can enjoy a longer corporate tax exemption if they increase Omanization — reaching 25% after 10 years, 35% after 15 years and 50% after 20 years. Outside of the free zone, businesses are subject to the national Omanization requirement of 60%.	$1,300 to $2,600 per Omani required to be employed.

Sources: Various government websites.

Labor accommodation

Table 19 identifies which locations provide onsite accommodations for blue-collar workers. Blue-collar accommodations are not offered in all zones. Locations providing accommodations have an edge in attracting businesses that employ blue-collar workers due to the added convenience and potential cost savings. For those zones that provide this type of accommodation, Table 20 provides the monthly per bed charge. Costs are notably higher in KAEC while they are lower and comparable in KIZAD and JAFZA.

Table 19. Availability of basic accommodation in zones

Zone	Is basic accommodation offered?
Bahrain Logistics Zone	No
Salalah Free Zone	No
Sohar Port and Freezone	No
King Abdullah Economic City	Yes
Khalifa Industrial Zone	Yes
Dubai Airport Freezone	No
Dubai Investments Park	Yes
Dubai South Logistics City	Yes
Jebel Ali Free Zone	Yes

Table 20. Cost of basic accommodation

	KAEC	KIZAD	JAFZA
Cost per bed per month	$240	$136	$123

Sources: EY conducted interviews in 2024 with SEZ authorities.

4 Overall cost of living

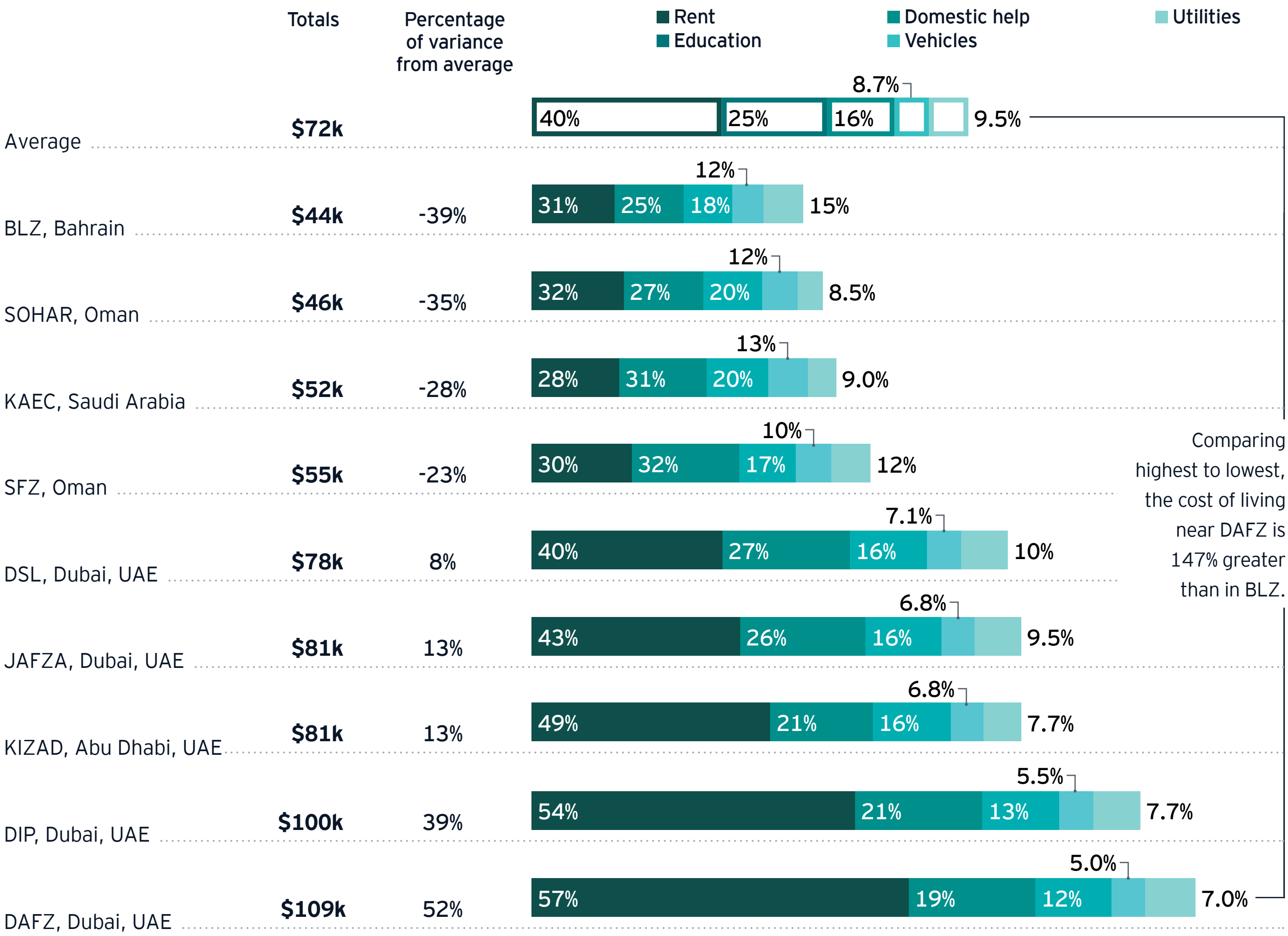
The cost of living is important to companies due to its impact on the wage levels required to attract and retain workers. This section of the study provides a detailed review of the cost of living across the benchmark locations for key costs that a typical family may face. Costs include rent, utilities, private education, vehicle costs and domestic help.

Key takeaways

The overall cost of living is lowest for families residing near BLZ and second lowest for families residing near SOHAR. This is achieved through particularly competitive levels of housing and education costs. Areas near two of Dubai's free zones (DIP and DAFZ) have the highest cost of living due to above-average housing costs.

Figure 23 presents the total annual cost of living for a family given the assumptions set in the case study. Notably, the cost of living for families relocating near BLZ is significantly lower than for those relocating to reside near zones in the UAE. At an annual cost of roughly $44,000, the average cost of living for families living nearby BLZ is 39% lower than the average. This constitutes an annual average savings of roughly $28,000. The cost of living is also low for families relocating near SOHAR, where costs are 35% below the average. DAFZ ranks highest, where the cost of living is 147% greater than in BLZ.

Figure 23. Overall annual cost of living for a case study family



Source: EY calculations.
Note: Calculations of averages and percentages are based on non-rounded values; attempting to calculate these based on rounded values may end in different results.

Residential rental

This analysis considers household profiles across three income levels: low, middle and high income. To estimate residential rent and utility payments, the cost of a two-bedroom apartment for the lower income profile, a three-bedroom villa for the middle income profile and a four-bedroom villa for the higher income profile were considered.

Generally, rent near zones in Dubai is significantly higher than in residential areas near other zones. Residential areas near BLZ have the lowest rental rates ($1,051), on average, and highest in DAFZ ($4,412).

Table 21. Residential rental rates in areas nearby zones (monthly)

	BLZ	SFZ	SOHAR	KAEC	KIZAD	DAFZ	DIP	DSL	JAFZA
2 bedroom apartment	$636	$533	$845	$600	$1,779	$2,725	$1,526	$1,771	$1,226
3 bedroom villa	$1,126	$1,170	$1,235	$1,200	$3,292	$5,211	$4,462	$2,589	$2,875
4 bedroom villa	$1,391	$1,690	$1,365	$1,600	$5,450	$5,300	$5,238	$3,610	$3,215
Average	**$1,051**	**$1,131**	**$1,148**	**$1,133**	**$3,507**	**$4,412**	**$3,742**	**$2,657**	**$2,439**

Source: EY calculations.

Note: For each zone, this table presents the costs of residential units nearby.

Residential utilities

Residential utility costs comprise water, electricity and telecommunications (internet services). For each profile, this analysis assumes a per capita level of electricity consumption of 1,102kWh per month and a per capita level of water consumption of 9.1m^3 per month. This level is multiplied by the number of residents (three people in a two-bedroom apartment, four people in a three-bedroom villa and five people in a four-bedroom villa) to calculate the typical electricity and water bills for each. Telecommunications costs for the two-bedroom apartment are taken as basic internet services offered by a common provider in the area, whereas for the three-bedroom and four-bedroom villas, these costs are taken as the price of advanced internet services.

Table 22. Residential utility costs by property type in areas nearby zones (monthly)

	BLZ	SFZ	SOHAR	KAEC	KIZAD	All Dubai zones[1]
Two-bedroom apartment	$383	$405	$239	$310	$471	$493
Three-bedroom villa	$533	$536	$329	$387	$516	$640
Four-bedroom villa	$636	$638	$514	$457	$616	$760
Average	**$517**	**$526**	**$361**	**$385**	**$534**	**$631**

Source: EY calculations.

Note: For these costs, this analysis calculates the consumption tariff assuming 1,102kWh monthly electricity consumption per capita and 9m^3 water consumption per capita.

[1] Dubai zones include Jebel Ali Free Zone, Dubai Investments Park, Dubai South Logistics City and Dubai Airport Freezone.

Table 22 presents the estimated utility costs for the three property types. Residential utility costs are lowest for families residing near SOHAR — $361 per month on average. Utility costs are, on average, highest for families residing near zones in Dubai ($631), where costs are roughly $139 more per month than in the other benchmarked locations.

Vehicle cost and gasoline

Estimated monthly vehicle costs are categorized into three income profiles using prices from different models: a Geely Emgrand for the lower-income bracket, a Hyundai Elantra for the middle-income bracket and a GMC Yukon for the higher-income bracket. Base model prices were considered for each vehicle. Monthly payments were calculated using a set of assumptions on loan duration, interest rates and downpayment.

For a middle-end vehicle, employees and investors residing near UAE zones can expect to have lower monthly payments. Costs are highest for employees residing near KAEC for the same class of vehicle.

Table 23 presents calculations for assumed annual fuel expenses for the case study family. For these calculations, the analysis assumes 91 octane gas consumption of roughly 36 liters per week.

Table 23. Monthly vehicle cost and gasoline[1,2]

Cost	Bahrain	Oman	Saudi Arabia	UAE
Lower end	$275	$269	$277	$280
Middle end	$365	$384	$435	$329
Higher end	$934	$939	$1,116	$928
Fuel costs[1]	$59	$95	$106	$130

Source: EY calculations.

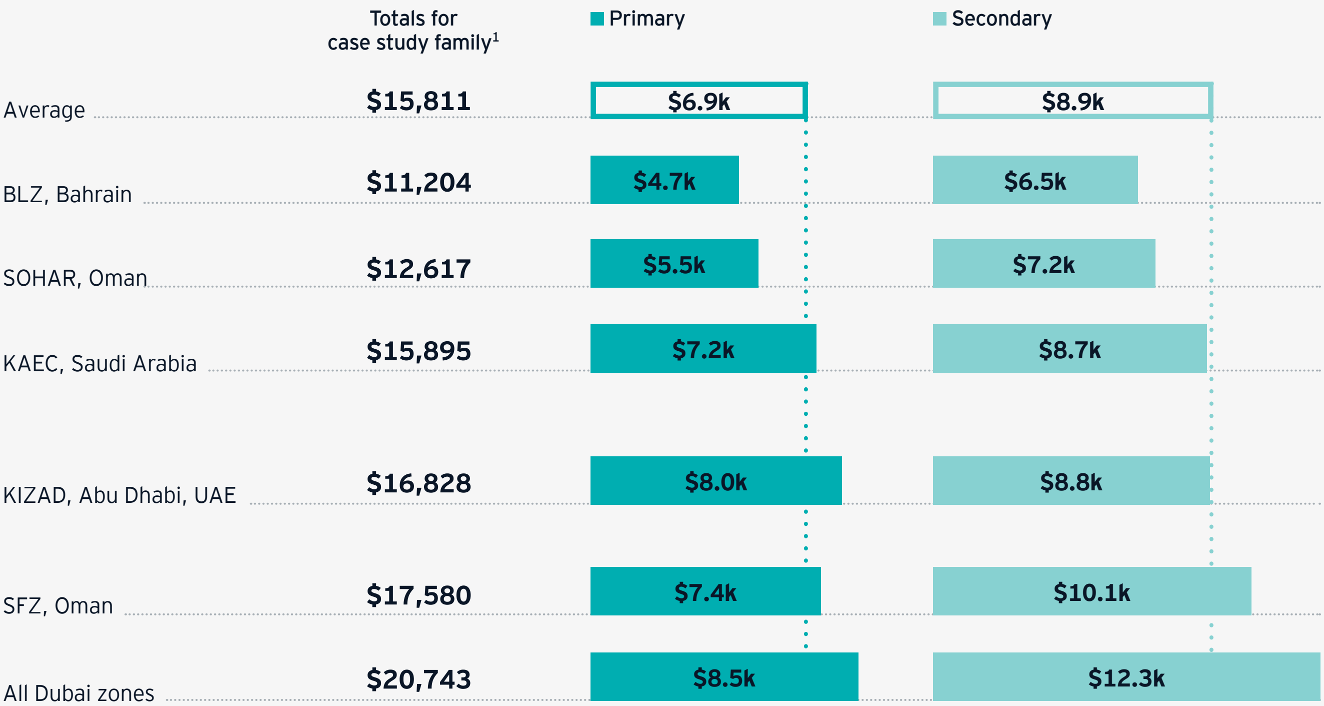
[1] Fuel costs are calculated assuming an individual fuels a middle-end car completely three times a month with standard gas mileage.

[2] Vehicle monthly payment is based on the following assumptions: 5% interest rate, 10% downpayment and five-year loan duration.

Education costs

The analysis also calculates an assumed level of spending for private education. This is of particular interest to expatriate families. Figure 24 displays the total education cost based on the case study family (two children – one in primary and the other in secondary school). In this case, families residing near BLZ have access to the most budget-friendly primary and secondary education.

Figure 24. Annual cost of education



Source: EY calculations.

[1] The case study assumes one child in a middle-tier primary school and another child in a middle-tier secondary school.

Note: Calculations of averages and percentages are based on non-rounded values.

Table 24 provides detailed education costs for schools at lower, middle and higher price levels. The cost estimates include the average cost of primary education (average annual tuition and fees from grade levels 1–6), secondary education (average annual tuition and fees from grade levels 7–12) and a bachelor's degree from a nearby university.

Table 24. Education cost — annual tuition by level of schooling and tier

	BLZ	SFZ	SOHAR	KAEC	KIZAD	All Dubai zones[1]
Primary education						
Lower tier	$1,081	$1,515	$1,812	$3,756	$3,436	$3,066
Middle tier	$4,708	$7,440	$5,469	$7,210	$8,015	$8,450
Higher tier	$9,818	$7,453	$8,312	$12,533	$12,221	$13,000
Secondary education						
Lower end	$1,431	$1,667	$2,156	$4,351	$4,168	$4,073
Middle end	$6,496	$10,140	$7,149	$8,685	$8,814	$12,293
Higher end	$11,880	$11,418	$13,303	$14,667	$16,076	$21,332
University						
Annual tuition	$8,673	$5,460	$7,372	$23,828	$46,309	$21,109

Source: EY calculations.

[1] Jebel Ali Free Zone, Dubai Investments Park, Dubai South Logistics City and Dubai Airport Freezone.

Domestic help

Table 25 shows information regarding the cost of domestic help, including both worker salaries and administrative costs. These administrative costs include visa fees for foreign workers, as well as processing fees and deposits. Families residing near BLZ, SFZ or SOHAR can expect to pay the lowest salary for domestic help. Families residing near zones in UAE can expect to pay much higher salaries for domestic help workers. Costs vary greatly within locations depending on the agency chosen by the family. Many factors impact prices, and generally there is enough variation within locations to accommodate families with different income profiles.

Table 25. Domestic help costs

Cost	Bahrain	Oman	Saudi Arabia	UAE
Domestic help salary (monthly)	$318	$318	$530	$663
Domestic help administrative cost (one time)	$4,108	$5,470	$3,867	$4,632[1]

Sources: EY conducted interviews with regional domestic help agencies; and Propel Consult 2024.
[1]In the UAE, there is a substantial annual cost for renewal of visas.

5 Conclusion

This study evaluates the cost of doing business in the logistics sector. It uses a case study of a logistics company operating a temperature-controlled warehouse in the GCC. A set of assumptions was made to estimate major costs for this company. Using this analysis, the study finds that Bahrain Logistic Zone has the most competitive costs compared with the other zones.

SEZs are used as a means to attract new industries to the GCC and may help to diversify the region's economy. The zones provide a myriad of incentives to reduce the cost of doing business. This study aims to provide some clarity on the cost of doing business for the logistics sector by summarizing costs related to labor, transportation, rent and worker support across a number of special economic zones in the GCC. These costs significantly influence a business's location choice, and this study serves as a tool providing transparency about these costs.

The importance of specific cost factors to the overall cost of doing business was demonstrated through the use of a case study, which illustrates that BLZ is the most cost-competitive location to operate a temperature-controlled warehouse for the set of costs measured. At an annual cost of $1.476m, operating a temperature-controlled warehouse in BLZ is roughly 20% less costly than the average ($1.85m). SOHAR and KAEC are the next most competitive locations. The following factors differentiated these three zones: in BLZ, the total low cost of doing business is a result of it being the lowest-cost location for labor. In the case of SOHAR, low costs of labor and rent contribute to the overall low cost. In KAEC, very low rental rates result in an overall low cost. DAFZ is the least-competitive location; at $2.49m, the cost of doing business in DAFZ is 69% higher than BLZ.

Aside from cost, choosing a strategic location within proximity of potential customers and suppliers is a significant factor that companies should consider. Further, companies should evaluate other costs not captured in the case study to assess feasibility and the likelihood of success in their endeavor.

6 Appendix

Appendix I: Methodology notes

This study leverages data on several indicators within each category of cost. Unless specified otherwise, each indicator is represented on a standardized basis for comparison purposes. For example, business costs are commonly listed in local currency in the source; this study quantifies them in US dollars for consistency.

The data for each indicator is collected from a variety of sources that can be classified into three categories: 1) primary data retrieved from surveys of companies or interviews with subject matter experts 2) primary data from official government sites and reports issued by governmental entities and 3) secondary sources utilizing web-scraping of reputable online resources. Values for the indicators represent the most granular level of geography available. However, where data for the specific zone is not available, it is replaced by the value for the level of government above it (i.e., municipal level is taken if available, but if that is not available, the national level data is taken).

Review steps for the data include analyzing the statistical distribution of costs and identifying outlier values. These values are then validated through further investigation. In most cases, this analysis cross-references values by reviewing multiple sources of data. All sources of data are recorded along with an explanation of how to interpret the value.

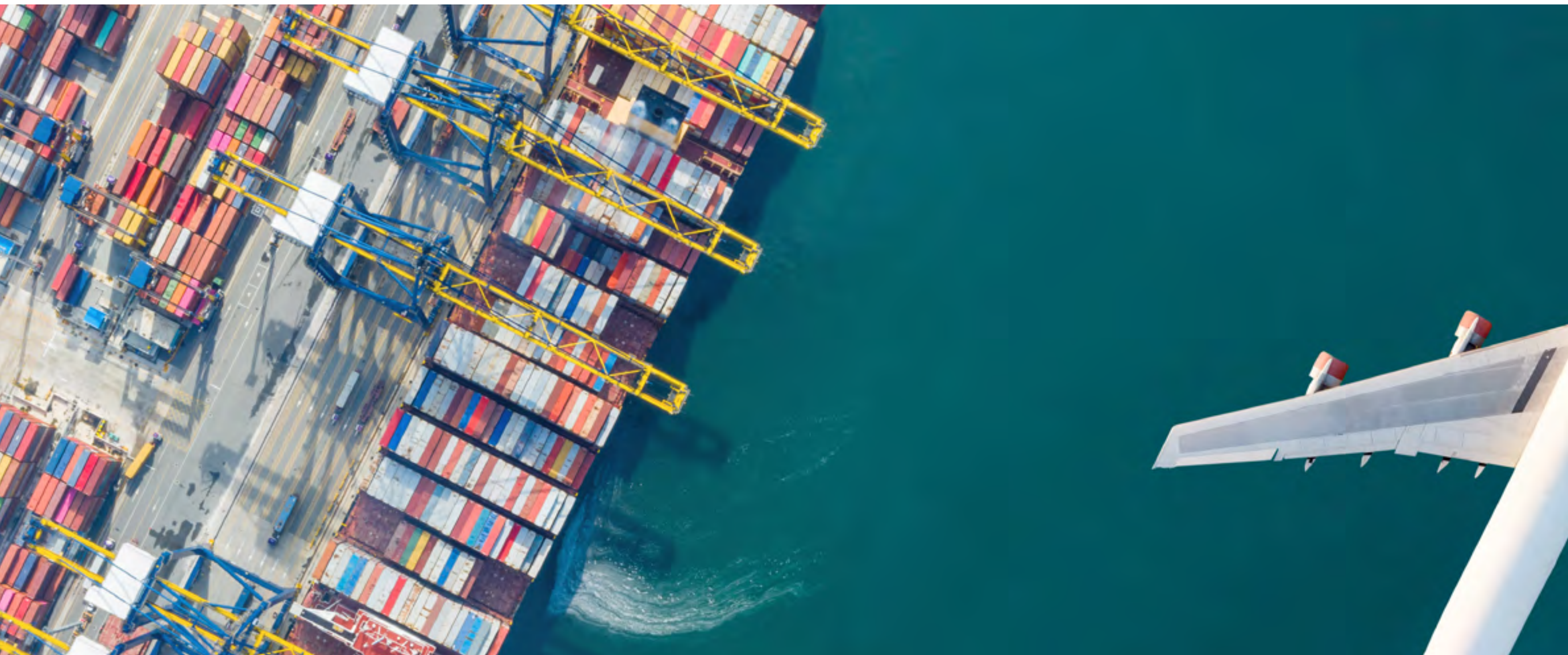
The exchange rates summarized in Table A1 are used in the analysis to convert monetary amounts in local currencies to US dollars for comparison purposes. The exchange rates reflect applicable conversion rates as of January 2024.

Table A1. List of assumed exchange rates

Currency	USD1
AED	$0.27
BHD	$2.65
KWD	$3.24
OMR	$2.60
QAR	$0.27
SAR	$0.27

Source: MSN Money, 2024.

Note: Exchange rates are based on rates extracted in January 2024.



Appendix II: Data tables

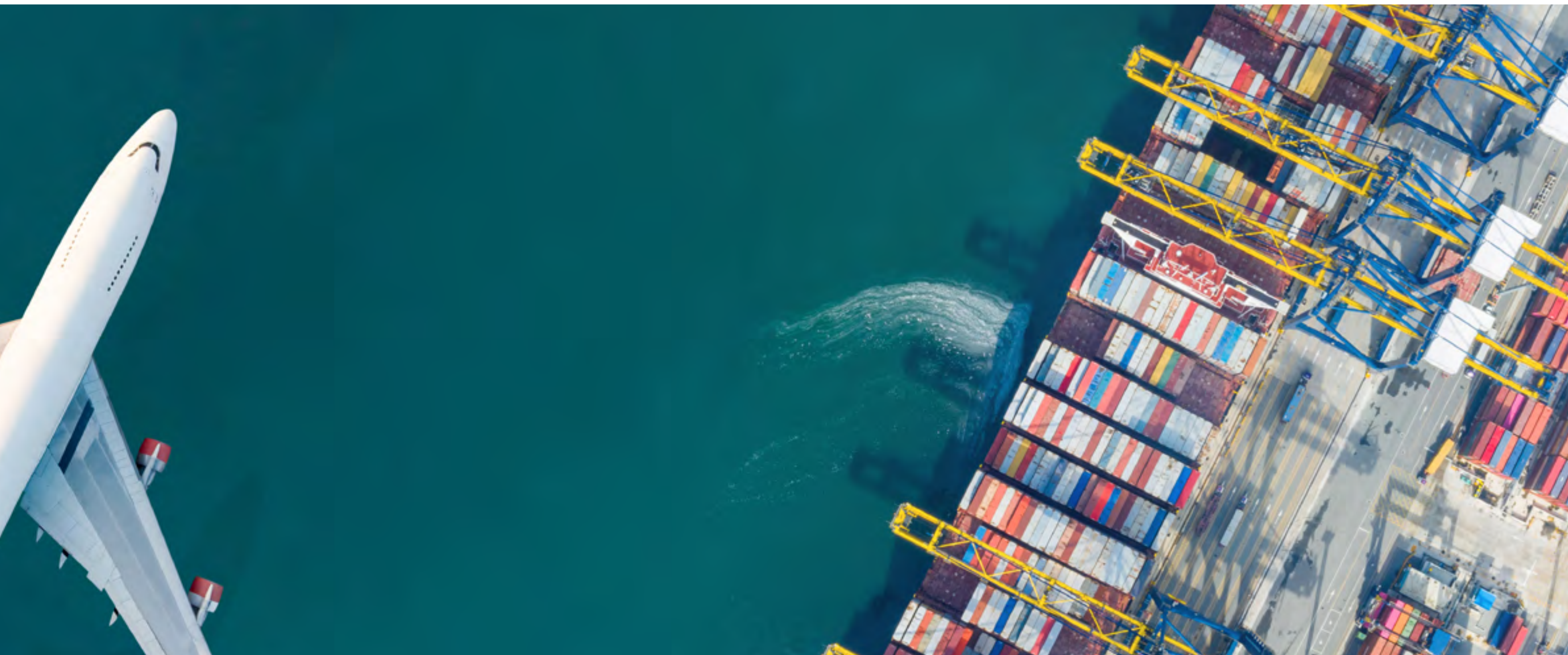
Occupational wages

Table A2 provides a breakdown of average wages for various occupations in Bahrain, Oman, UAE and Saudi Arabia. Occupations are grouped into categories which are used in the analysis of the case study. The table also provides the assumed level of employment for each occupation in the case study. Average wages in each country are assumed to be representative of the wages in their respective zones.

Table A2. Average annual wages by occupation and country for the logistics sector

Occupation classification	Occupation	Number of employees in case study	Bahrain	Saudi Arabia	UAE	Oman
Management	CEO	1	$145,000	$170,000	$187,500	$147,500
	Finance/accounting manager	1	$51,500	$62,500	$58,500	$52,500
	Operations manager	1	$41,000	$60,000	$57,500	$41,000
	Customs clearance manager	1	$38,000	$69,500	$35,500	$38,500
	Sales manager	1	$30,000	$41,500	$42,000	$30,500
Business operations	Logistics manager	1	$35,500	$43,850	$45,500	$36,000
	Logistics officer	4	$18,000	$27,500	$28,000	$19,500
	Sales executive	3	$17,500	$25,000	$25,000	$20,000
	Warehouse incharge	1	$19,000	$25,000	$23,500	$19,000
Office and administrative support	Customs clearance agent	5	$21,500	$37,500	$37,500	$23,500
	Personal assistant/secretary	2	$18,000	$29,250	$25,000	$19,500
Machine operators	Operations coordinator	1	$18,000	$26,500	$26,500	$19,000
	Maintenance coordinator	1	$17,500	$27,000	$21,500	$17,000
	Machine operator	5	$11,000	$12,500	$12,500	$13,000
High-skilled labor	Delivery driver	7	$9,000	$12,250	$10,750	$9,000
	Forklift operator	5	$9,000	$12,250	$9,000	$9,000
Low-skilled labor	Blue collar labor (unskilled labor)	15	$5,000	$7,500	$5,500	$5,500

Source: Propel Consult, 2024.



Electricity and water tariff

For reference, Tables A3 and A4 present the cost per unit of consumption for water and electricity (per m^3 and per kWh, respectively). In most zones, the pricing of electricity is set by a progressive schedule; the higher the consumption, the higher the marginal price. In SFZ and SOHAR, rates are determined by season (i.e., winter and summer rate). Prices for water are set as flat rates across all locations except in the Dubai zones where the cost increases based on usage. Tables A5 and A6 present the results of the modeled estimates for the case study, where A5 presents the estimated utility cost for a temperature-controlled warehouse and A6 is for a standard warehouse.

Table A3. Electricity tariffs

	Electricity tariff schedules	
Zone	Range	Price
Bahrain Logistics Zone	0–5,000kWh	0.0424 USD/kWh
	5,000 and above	0.0769 USD/kWh
All Dubai zones	0–2,000kWh	0.0627 USD/kWh
	2,000–4,000kWh	0.0763 USD/kWh
	4,000–6,000kWh	0.0872 USD/kWh
	6,000 and above	0.1035 USD/kWh
King Abdullah Economic City	All	0.048 USD/kWh
Salalah Free Zone	Winter rate	0.0003 USD/kWh
	Summer rate	0.0004 USD/kWh
Khalifa Industrial Zone	0–1,000kWh	0.0779 USD/kWh
	1,000 and above (normal hours)	0.0736 USD/kWh
	1,000 and above (peak hours)	0.0997 USD/kWh
Sohar Port and Freezone	Winter rate	0.042 USD/kWh
	Summer rate	0.042 USD/kWh

Sources: Abu Dhabi Distribution Co., 2023; ASYAD, n.d.; Electricity and Water Authority Bahrain, n.d.; Government of Dubai, n.d.; Ministry of Commerce and Industry, 2016; and MODON, n.d.

Table A4. Water tariffs

	Water tariff schedules	
Zone	Range	Price
Bahrain Logistics Zone	All	1.9875 USD/m^3
Dubai Airport Freezone	0–10,000m^3	2.0978 USD/m^3
	10,000–20,000m^3	2.3975 USD/m^3
	20,000 and above	2.7571 USD/m^3
King Abdullah Economic City	All	1.7253 USD/m^3
Salalah Free Zone	All	2.574 USD/m^3
Khalifa Industrial Zone	All	2.1168 USD/m^3
Sohar Port and Freezone	All	2.002 USD/m^3

Sources: Abu Dhabi Distribution Co., 2023; ASYAD, n.d.; Electricity and Water Authority Bahrain, n.d.; Government of Dubai, n.d.; Ministry of Commerce and Industry, 2016; and MODON, n.d.

Table A5. Utility cost for a temperature-controlled warehouse[1]

	BLZ	SFZ	SOHAR	KAEC	KIZAD	All Dubai zones[2]
Total utility cost	**$76,317**	**$65,623**	**$44,548**	**$50,129**	**$83,109**	**$132,902**
Electricity	$73,855	$62,477	$41,081	$47,993	$80,522	$128,454
Water	$2,461	$3,146	$3,468	$2,135	$2,588	$4,448

Source: EY calculations.

[1] Calculations are based on 82,293kWh of electricity and 101m^3 of water per month.

[2] Jebel Ali Free Zone, Dubai Investments Park, Dubai South Logistics City and Dubai Airport Freezone.

Table A6. Utility cost for a standard warehouse[1]

	BLZ	SFZ	SOHAR	KAEC	KIZAD	All Dubai zones[2]
Total utility cost	**$13,255**	**$12,951**	**$8,991**	**$9,853**	**$16,486**	**$21,480**
Electricity	$12,397	$11,881	$7,812	$9,127	$15,313	$20,493
Water	$858	$1,070	$1,179	$726	$1,173	$987

Source: EY calculations.

[1] Calculations are based on 15,650kWh of electricity consumption per month and 34m^3 of water consumption per month.

[2] Jebel Ali Free Zone, Dubai Investments Park, Dubai South Logistics City and Dubai Airport Freezone.

Appendix III: Details about waste management and infrastructure levies

Waste management

Waste management charging practices in the GCC vary greatly across locations; thus, these costs are not easily measurable or comparable based on published rate schedules. Generally, countries in the GCC have set certain goals for transitioning waste management efforts to a circular model (one which emphasizes material reuse and recycling) as opposed to a linear model (the traditionally used, more wasteful framework commonly described as take, make, waste). In Bahrain, the Supreme Council for the Environment oversees waste management efforts and mandates a detailed approval process for waste management that includes documenting the type of waste and directing it to the appropriate landfill for disposal or processing it for repurpose. Both Saudi Arabia and the UAE have also made commitments for sustainable waste management, including the Circular Economy Policy (UAE) and the Vision 2030 Circular Carbon Policy (Saudi Arabia). Lastly, Be'ah in Oman (Oman Environmental Services Holding Company) oversees waste management, promoting key strategic goals for recycling and sustainability.

Infrastructure levy

The infrastructure levy for the water and electricity connection process and their implementation across different regions vary significantly. However, Bahrain's process for water and electricity connection is streamlined and comprehensive. In Bahrain, businesses need to use the Electricity and Water Authority (EWA) website to initiate the connection for both utilities, completing required forms and providing necessary documents. On the other hand, for water connection in Abu Dhabi, UAE; Saudi Arabia; Dubai, UAE; and Oman, businesses visit the authorized local websites and follow the provided steps, which might involve account creation, document upload, payment of security deposit and receiving unique reference numbers for progress tracking. An uncommon requirement is the tenancy registration with the Tawtheeq system (a system used to regulate all tenancy contracts) for businesses renting properties in Abu Dhabi, UAE.

Appendix IV: Details about zone incentive packages

This appendix provides additional detail about financial incentives and other tax benefits available to companies making investments in free zones. The information in this appendix supports information summarized in Table 12 in the main study.

Bahrain Logistics Zone (BLZ) permits 100% foreign company ownership and 100% repatriation of capital, profits and dividends. There are no corporate, personal income or inheritance taxes imposed in the region. Bahrain maintains a treaty network with roughly 45 countries through double taxation treaties. BLZ is strategically situated near the main sea, air and land transport hubs. The zone's management provides guidance through local requirements for business setup and liaises with government entities to obtain necessary permits. Flexible plot options and pre-built infrastructure (with utilities) are available with access to a vast road network. The zone has 24-hour customs services to streamline business processes.

Dubai Airport Freezone (DAFZ) permits 100% foreign company ownership and 100% capital and profits repatriation. There are no restrictions on currency or employment. Individuals and businesses are exempt from personal income and corporate tax, customs duty and VAT. The zone has a 24/7 customs operation and rapid cargo clearance. DAFZ has direct access to Dubai's international airport. Businesses will have access to a comprehensive digital onboarding and setup process.

Dubai South Logistic City (DSL) permits 100% foreign ownership and provides for 100% capital repatriation. In terms of taxes, the zone provides full exemption from corporate and personal income taxes. There is a customs duty exemption on imported raw materials and equipment, imports and exports. It is a designated zone; therefore, it is a VAT-free zone, considered to be outside the UAE for VAT purposes with respect to the supply of goods. Geographically, the zone is within close proximity to the Jebel Ali Port and provides direct access to Al Maktoum International Airport. The zone also provides relaxed visa processing and allows for a variety of licensed activities and a secure legal environment to facilitate business setup and operation.

Jebel Ali Free Zone (JAFZA) permits 100% foreign ownership. There is no restriction on currency and capital repatriation. The zone provides a full exemption from personal tax and CIT for 50 years with the possibility for renewable concession. The zone also provides full exemption from customs duties on imported raw materials and equipment, imports or re-exports. Onsite customs are available to facilitate business operations. Finally, VAT is not imposed, as it is a designated VAT zone. The zone is within close proximity to Jebel Ali Port and Al Maktoum International Airport.

Khalifa Industrial Zone (KIZAD) allows 100% foreign ownership and 100% capital and profit repatriation. Individuals and businesses are exempt from CIT, income tax and sales taxes. There are no customs duties within the free zone. Furthermore, VAT is not applicable within the zone, which is within close proximity to Khalifa Port. Businesses may utilize a dual license allowing access to sales in the local market.

King Abdullah Economic City (KAEC) permits 100% foreign ownership and has no restrictions on capital repatriation. The city provides a preferential 5% corporate income tax rate, valid for up to 20 years, and a 0% customs duties deferral on goods inside the zone. There is also a permanent 0% withholding tax rate for the repatriation of profits from the city and 0% VAT on intra-SEZ goods exchanged within and between zones in Saudi Arabia. KAEC is positioned along the east-west belt and road-time route. Regulations are flexible for foreign talent for the first 15 years with expatriate levy exemptions[9] for employees and their families.

Salalah Free Zone (SFZ) offers several incentives such as 100% foreign company ownership, no minimum capital investment requirement, and no restrictions on repatriation of capital, profits and investments. There are no taxes on personal income or taxes on profits or dividends for 30 years. Customs procedures remain flexible, allowing exemptions for customs duties on imports and exports. VAT is not imposed within the zone. SFZ is a regional and global port in trade and logistics. The zone offers a streamlined single-window clearance system that expedites company setup, licensing and permit acquisition.

Sohar Port and Freezone allows 100% foreign ownership. The zone provides full exemption from corporate income tax for up to 25 years. There is a full exemption from personal income tax and a full exemption from customs duties on import and re-export. VAT is not imposed within the zone. SOHAR maintains a relaxed level of Omanization and has a low capital requirement for business setup. The zone is situated adjacent to Sohar port.

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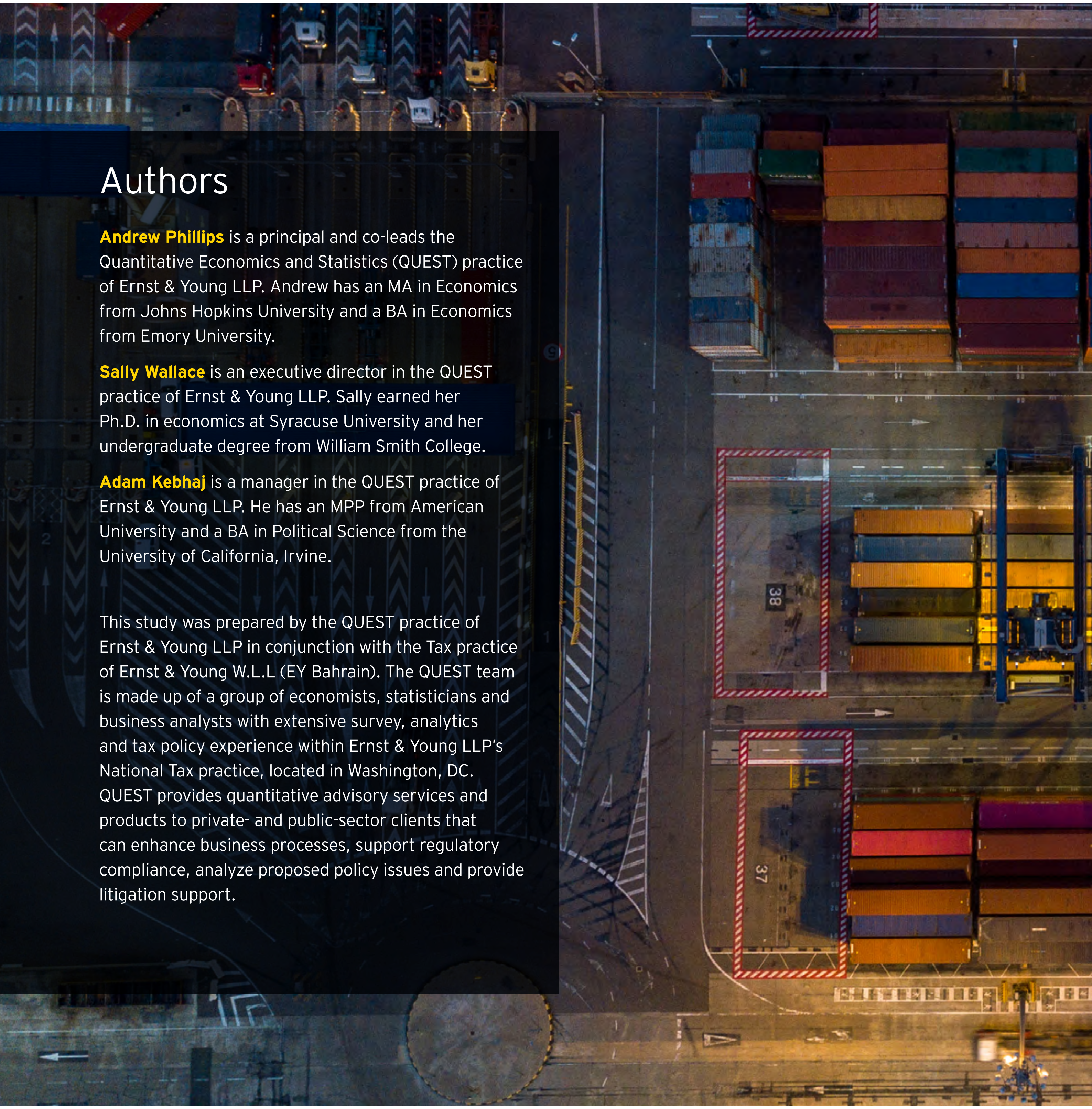

Authors

Andrew Phillips is a principal and co-leads the Quantitative Economics and Statistics (QUEST) practice of Ernst & Young LLP. Andrew has an MA in Economics from Johns Hopkins University and a BA in Economics from Emory University.

Sally Wallace is an executive director in the QUEST practice of Ernst & Young LLP. Sally earned her Ph.D. in economics at Syracuse University and her undergraduate degree from William Smith College.

Adam Kebhaj is a manager in the QUEST practice of Ernst & Young LLP. He has an MPP from American University and a BA in Political Science from the University of California, Irvine.

This study was prepared by the QUEST practice of Ernst & Young LLP in conjunction with the Tax practice of Ernst & Young W.L.L (EY Bahrain). The QUEST team is made up of a group of economists, statisticians and business analysts with extensive survey, analytics and tax policy experience within Ernst & Young LLP's National Tax practice, located in Washington, DC. QUEST provides quantitative advisory services and products to private- and public-sector clients that can enhance business processes, support regulatory compliance, analyze proposed policy issues and provide litigation support.

About the study

This study is one in a series of four prepared by the Tax practice of Ernst & Young W.L.L (EY Bahrain) in collaboration with the Quantitative Economics and Statistics practice of Ernst & Young LLP evaluating the cost of doing business in the GCC and MENA region. The studies are:

- **Cost of doing business in the GCC – logistics sector:** This study analyzes the cost of doing business in the logistics sector comparing costs across special economic zones and logistics parks in Bahrain, Oman, Saudi Arabia and the United Arab Emirates.
- **Cost of doing business in the GCC – manufacturing sector:** This study analyzes the cost of doing business in the manufacturing sector comparing costs across special economic zones and manufacturing parks in Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.
- **Cost of doing business in the GCC – financial services sector:** This study analyzes the cost of doing business in the financial services sector comparing costs across financial districts in Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.
- **Cost of doing business in the GCC – information and communication technology (ICT) sector:** This study analyzes the cost of doing business in the ICT sector comparing costs across technology hubs in the Middle East and North Africa region.

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