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INFRASTRUCTURE IN ISRAEL

FLANDERS INVESTMENT & TRADE MARKET SURVEY



Infrastructure in Israel

An overview

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FIT Tel Aviv

Introduction

Israel is still in the process of building and improving its infrastructure. For many projects, Israel looks for outside help, soliciting international tenders and partnerships. The coming years will see many opportunities, specifically relating to seaports, airports, highways, railways, energy, and water. Certain projects relating to public-private partnerships are published by The Israel Ministry of Finance, and there is plenty more occurring in Israel, as discussed in this report.

Note that the information below cannot cover all planned projects. It is aimed at illuminating some of the bigger ones as well as underlining the potential of the Israeli market for Flemish companies.

Government & Funding

Generally speaking, the Israeli government has opted for PPP (Public Private Partnership) or BOT (Build Operate Transfer) projects when it comes to big scale infrastructure projects.

In 2010, the Israeli government introduced the [Netivei Israel plan](#), allocating 27.5 billion NIS (approximately 6.5 billion euro) to transport infrastructure for 2010-2020. There have been issues with the proposed plans from 2010 including misjudgments of cost and time. This has caused delay in many projects, both directly related to infrastructure, and indirect business plans related to infrastructure changes. An excerpted report from the Bank of Israel on the matter can be read [here](#).

There is also [concern among local contractors](#) that too much of the work in infrastructure is being offered to international companies. The pushback from the Israeli Builders Association has the potential to alter the nature of a tender process some believe is overly favorable to foreign companies.

The Israel Infrastructure Fund is Israel's leading infrastructure investment firm, managing \$1.1 billion. They fund several infrastructure projects in Israel, but also work with global companies. More information can be found on their [website](#).

Seaports

98% of Israel's import and export cargo goes through its seaports. As Israel's economy continues to grow and in order to increase competition between ports, the port system will have to grow and improve—container traffic is expected to double every 10 years. The government has directed the [Israel Ports Development & Assets Company Ltd.](#) (IPC) to develop ports in the cities of Ashdod and Haifa. For information about the new planned port in Ashdod, see for instance [here](#). Works on this project are also expected to attract foreign companies as subcontractors.

In 2007, the IPC laid out a 50 year “strategic development master plan.” One of the primary goals is to involve the private sector and stimulate a competitive environment. The government has already approved the first phase: the design of a new container terminal at each port. Over the coming years, there will be many more projects.

The IPC hopes to integrate hi-tech into Israel's ports through some of the following methods.

- **State-of-the-Art Port Gates**—include the latest technology to automatically identify and verify whether entrance and exit from the port is authorized.
- **TOS – Computerized Terminal Operations System**—provide the port with new planning and management tools to improve utilization of berths, stacking areas, equipment and manpower.
- **Israel Maritime Community Supply Chain Management**—a national effort to re-engineer work processes and procedures through the use of standard EDI messages between members of the maritime community.
- **National Port Data Bank**—a national data bank will be set up to provide a national information database on port sector traffic and activities.

There will be numerous international tenders over the coming years. Flemish companies interested in these opportunities can check for new postings on the [International Tenders/RFI](#) section of the IPC website.

Airports

The Israel Airports Authority (IAA) oversees seven airports of Israel, including [Ben-Gurion Airport](#), and [Ovda Airport](#) & [Eilat Airport](#) (both of which will soon to be replaced by [Ramon Airport](#)).

The Ramon Airport (also known as Timna Airport) is being built near Eilat to replace Eilat Airport and Ovda Airport. The IAA intends to complete the project by the end of 2016, with test runs, authorization and operation periods beginning by mid-2017. More details can be read [here](#).

At Ben-Gurion Airport, there are [plans to build a fourth concourse](#) to meet increases in passenger traffic. The fourth concourse will be added on to terminal 3 and will be similar to existing concourses “with a structure consisting of eight air bridges for boarding and disembarkation, three of which are suitable for wide-bodied aircraft, including two bridges for simultaneous boarding and disembarkation of large aircraft such as the Airbus 380 and others... the concourse will be built on an area of 17,000m², with two bus gates, 5 remote parking stands for wide-body aircraft or seven for narrow-body ones. In addition, a passenger lounge, coffee shops, shops will be built and the concourse will include elevators for assisted passengers with a connection to the ambulift device for wheel chair passengers.”

Highways

Ayalon Highway, a road that runs through Tel Aviv and is considered the most congested freeway in Israel, has several projects which are underway and will be completed in the coming year(s), such as the [Judith Bridge Project](#), [Project Loop and Olbiski](#), and [Grade Separation Project 141](#). The major project that will begin soon is the [Fastest Paths Project](#). This project is scheduled for completion around the year 2021. It is a massive infrastructure initiative aimed to facilitate transportation via shuttles, general public transportation, and carpooling. It is expected that this will need to support tens of thousands of users every day. Posts regarding tenders can be found [here](#).

The Tel-Aviv Yaffo Planning Committee has [just approved](#) a 60 acre roofing project to cover Ayalon Highway, creating an open public area. More approvals are necessary, but it is expected

that [this project](#) will commence in 3 to 5 years. There will be an area for leisure, bicycle and foot paths, green spaces, cafes, and supportive commercial activity above the highway. It is expected to cost around 2 billion NIS (approximately 500 million euro).

Israel has also released tender pre-qualification files for the design, finance, construction, operation and maintenance of Highway 16. This four lane freeway will be built from the west side of Jerusalem, costing near 1.5 billion NIS (approximately 360 million euro). More details can be read [here](#). The project is intended to be completed by 2018.

Railways

There is an intention to build in the coming years a [high-speed railway](#) between Tel Aviv and Eilat. This will serve as a land bridge for trade done between Asia and Europe—an alternative to the Suez Canal. It will be approximately 350 kilometers of electrified double-track rail, serving both passengers and freight. The project is expected to cost approximately 8.6 billion NIS (2 billion euro).

The new (electrified) rail to Jerusalem is expected to be ready within a couple of years. This will be the first railroad project in Israel that is electrified, to be followed in the near future by a gradual conversion of the entire railway network.

Other plans include the construction of a [light rail in Tel Aviv](#), connecting the cities of Bat Yam and Petah Tikva. Officials are hoping to have the first line operational by 2021, but delays in planning may push that date back (construction has started in August 2015).

Energy

Israel's recent discovery of offshore gas will likely usher in billions of dollars in infrastructure spending and partnerships. The "Leviathan gas field" is located approximately 130 kilometers off of Israel's coast and is expected to produce 16-18 trillion cubic feet of gas. Israel is discussing the building of [pipelines to export](#) the oil to Europe. They are hoping to have the gas field operating by 2017, though legislative and other issues have halted the project for a considerable period of time.

The main supplier of electricity in Israel is Israel Electric Corporation (IEC). As always, they are in the process of ongoing projects related to providing power for Israel. The procurement plan (2015-2020) is found [here](#). A list of tenders can be found [here](#).

Despite numerous setbacks, Israel invests more and more in green energy solutions. For instance, there are ongoing projects (like [this one](#)), as well as plans for solar energy generation. Recently, it was [announced](#) that a 110-megawatt solar energy plant will be built.

Water

[Mekorot](#) is a government owned water company in Israel. They work on a variety of infrastructure projects throughout Israel and consistently have new projects. This includes several “[mega projects](#)” which they list on their website. Mekorot also developed the [WaTech](#) initiative, which is basically a laboratory for developing water technologies through a wide range of activities, including joint ventures with academia, industry and various water entities.

Approaching the market

There are various considerations and do's and don'ts, that one has to put into account when one wishes to do business in Israel: From a different business mentality to different laws that govern agents/ distributors relationships. These issues are beyond the scope of this paper. However, it should be emphasized that the following is to be considered, when one wants to participate in infrastructure projects in Israel:

- Be aware of plans to publish a given tender- Information about a coming tender is usually available well before the tender itself is published.
- Sign up for information- Many institutes that are in charge of publishing or executing tenders offer a subscription service, which will enable interested parties to be informed on time.
- Make contact with the body/ company behind the tender- It is highly important, and this has been repeatedly verified by different sources, that one would gain an advantage if one would get in touch/ meet with the relevant entity *before* it publishes a tender.
- Participating as a constructor- Note that in some cases one needs to be a registered supplier and/ or be on a shortlist of the issuer of the tender, in order to be able to participate.
- Participating as a subcontractor- Most likely, a Flemish company will participate in (big) infrastructure projects in Israel as a subcontractor. It is important therefore to gain access to potential main contractors of such projects.
- Check the messages by FIT- Flanders Investment & Trade publishes from time to time information about coming tenders. Check these messages regularly.

Conclusion

Israel is committing to several ongoing infrastructure projects throughout the rest of the decade. These involve several endeavors that require international tenders and billions of shekels/euros in funding. The Ministry of National Infrastructures, Energy and Water Resources will handle the majority of these processes. It is recommended that Flemish companies contact Flanders Investment & Trade with any questions or interests regarding infrastructure projects in Israel—our Tel Aviv office can assist in making the necessary contacts and navigating Israeli regulations prior to the submission of a tender, or contacting a contractor.

Appendix

Websites

Rimon	A prominent water project solutions provider. They can assist in the development of water infrastructure projects taken on in Israel.
Baran Group	A leading engineering and construction international group.
Shikun & Binui	One of the leading players in the fields of construction, real estate initiatives and infrastructures in Israel.
Ashtrom Group	Engaged in all aspects of construction and real estate, both in Israel and worldwide.
Danya-Cebus	Involved in the development of infrastructures: highways, interchanges, bridges, tunnels, railways, and more.
Epstein	Engineering and project management.
NTA	The company in charge of the light train project in Tel Aviv. See here its tenders.
Ministry of National Infrastructures, Energy and Water Resources	For a list of tenders, see here
Israel Railways	Tenders (not always kept updated).
Yehuda Raveh & Co	A leading law office in the areas of project finance and infrastructure in Israel, and is also active in Europe.
The engineers association for building and infrastructure	The representative trade union of civil engineers in Israel. The association now numbers some 2,700 engineers.

*Flanders investment & Trade informeert u over economische relevante activiteiten in potentiële exportmarkten. Deze informatie mag nooit geïnterpreteerd worden als indirecte steun van de (geo)politieke standpunten van overheden waar ook ter wereld.
Specifiek voor Israël volgt Flanders Investment & Trade de EU-standpunten ter zake:
<http://diplomatie.belgium.be/nl/businessguidelines.jsp>*