



Maritime Transport and Related Logistics Services in Egypt

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Efficient maritime transport and related logistics services enhance Egypt's competitiveness by ...

- Reducing transaction costs for **traders**
- Enhancing exports thus providing more business opportunities for **producers** and jobs for **workers**
- Lowering costs of imports for **consumers and producers**
- Increasing revenues for the **government** as Egypt becomes a regional hub for transshipments

This study attempts to:

- **Assess the current performance of maritime transport and related logistics services in Egypt**
- **Identify the reasons behind the modest performance of these services**
- **Propose regulatory and policy reforms to help enhance their efficiency**

The study addresses the following issues ...

- 1. Egypt's services profile**
- 2. National policy objectives (*focusing on maritime transport and related logistics services*)**
- 3. Performance of maritime transport and related logistics services**
- 4. Multimodal transport services in Egypt**
- 5. Regulatory and policy options for reform**

A large industrial ship, possibly a tugboat or a specialized cargo vessel, is docked at a pier. The ship has a dark hull with the word 'LINE' written in large, light-colored letters. Several tall cranes are mounted on the deck. The ship is positioned in a body of water, and a small boat is visible in the foreground. The sky is clear and blue.

1.

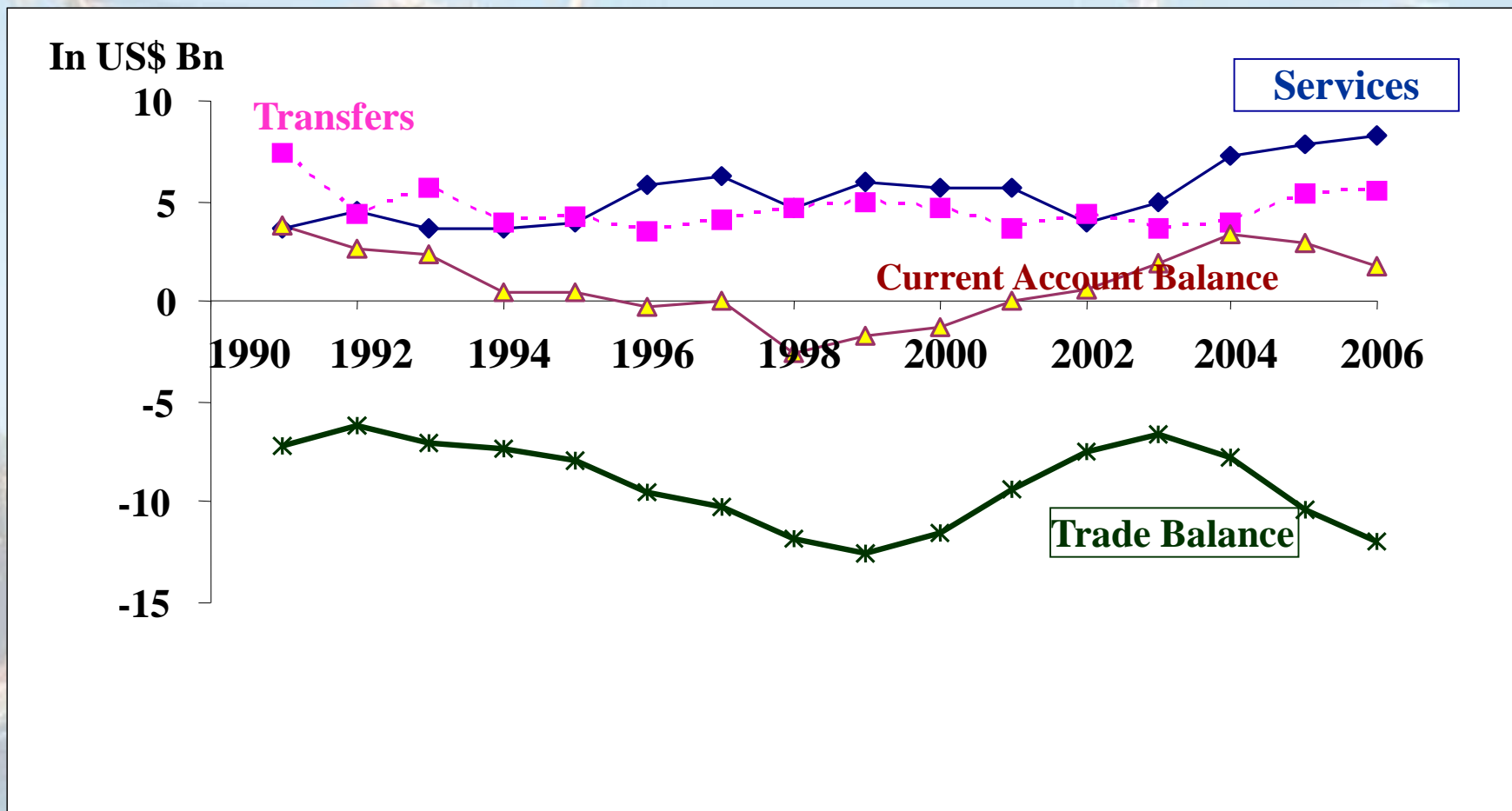
Egypt's services profile

1.

- **The services sector contributes 48% to Egypt's GDP and provides job opportunities to 51% of the employed**
- **Maritime transport and other production services constitute 32% of GDP and attract 16% of the employed**
- **The government is the main provider of services (20% of GDP are pure governmental services, while 28% of GDP are services provided by the government, the private sector or jointly)**
- **Egypt enjoys a revealed comparative advantage in a number of services (transport [*Suez Canal tolls*], travel, communications and construction)**

1.

Exports of services help achieve a current account surplus, despite the merchandise trade deficit.



The background of the slide is a photograph of a large cargo ship docked at a port. The ship's hull is dark, and the word "LINE" is visible in large, light-colored letters. Several tall cranes are positioned along the dock, and a small tugboat is moving through the water in the foreground. The sky is clear and blue.

2.

National policy objectives

(with a focus on maritime transport and related logistics services)

2. Egypt's policy objectives in relation to services are:

- Promoting exports of goods and services at an annual rate of 12% during (2007/08-2011/12)**
- Encouraging private sector's participation in providing services**
- Liberalizing trade in services (commitments on the multilateral, regional and unilateral levels)**

On the *multilateral level*, Egypt's commitments in ...

- **The GATS: Telecommunications, tourism, construction, financial and **maritime** sectors**
- **2005, included new sectors: Air transport, courier services and computer services**
- **Maritime transport: Limited only to passenger and freight and port dredging, with constraints on foreign investment and labor participation**
- **Logistics services: To be negotiated as requested by other WTO Members (e.g.: cargo handling, storage and warehousing, freight transportation, pushing and towing and quays and terminal facilities)**

2.

On the *regional level*, Egypt has:

- Submitted and received requests from Members of Arab GATS to liberalize various sectors including **transportation**
- Initiated with Jordan full liberalization of a number of sectors
- Started cooperation with the European Union to develop the “Landlord Model” in the **maritime transport sector**

2.

On the *unilateral level*, domestic liberalization far exceeds Egypt's multilateral commitments in many sectors ...

- **Maritime transport sector** is open for private (domestic and foreign) investments
- No restrictions on the establishment of **containers' operations and handling stations** and grain silos
- No restrictions on cross-border supply of **foreign shipping and cabotage**, except the need to nominate a local agent

2.

Despite allocating 23% of public investments in the transport sector to **maritime ports** in 2006/07, ...

- Investments needed per one port (e.g., Alexandria or Damietta), exceed total public investment allocations for all ports in one year
- Rail and road transport remain a priority for the government
- Foreign investments in the transport sector are declining relative to those in other sectors such as telecommunications

The background image shows a large cargo ship docked at a port. The ship's hull is dark, and the word "LINE" is visible in large, light-colored letters. Several large cranes are positioned on the ship's deck, and a tugboat is moving through the water in the foreground. The sky is clear and blue.

3.

Performance of Maritime Transport and Related Logistics Services

3.

- From 1995 to 2003, TEUs handled by Egyptian ports increased by 56% and the number of vessels visiting them increased by 35%
- 26% of total vessels to Egypt were received in Alexandria port in 2005
- Egypt is among the largest 20 developing countries in terms of container traffic
- Egyptian ports rank for container throughput (number of containers movements measured in TEUs) worldwide has been the 18th in 2004
- 80% of containers handled in Egyptian ports are transshipment containers (mainly handled by Damietta and Port Said)

3.

However, Egyptian shipping fleet is relatively inefficient:

- **Its size decreased from 141 vessels in 1999 to 71 only in 2005**
- **It is old aged (more than 15 years old)**
- **Nearly 65% of it, is owned by the public sector**
- **Trade handled by this fleet decreased from 10%-20% in the 1990s to 5% only in 2006**
- **70% of container movements at Egyptian ports are dominated by 8 international shipping lines only**

3.

Ports infrastructure is relatively weak, suffering from:

- **Lack of maintenance of existing terminals**
- **Limited ability of layouts, equipments and hinterland facilities to meet the requirements of shipping lines and containers**
- **Insufficient water depth (11.3 meters in Damietta)**
- **Short quays (12 meters in Alexandria)**
- **Limited area of quays (720 square meters in Damietta)**
- **Difficulty in moving cargo inside ports because of narrow roads (despite renovations in Alexandria port in 2007)**

3.

Private sector's participation and competition in providing services remain constrained by:

- **Public port authorities** being the owners, regulators and providers of a large number of services, while lacking financial autonomy
- Main ports remaining far from the **Landlord model**
- **Supreme Ports Council** relatively ineffective role
- **Rigidity in price setting** of port fees and services dues
- **Lack of human trained personnel**

3.

All the above resulted in weak performance indicators ...

- **Low productivity of a stevedoring operation** (only 22 containers are moved from a vessel/hour/clich in Egypt, compared to 25 in “best practices”)
- **Excessive dwell time** (from 5 to 20 days to unload and reload a container in Egypt, as opposed to 4 to 7 days in “best practices”)
- **Costly containers’ handling services** (20% of freight expenses in Egypt, compared to 8%-10% only in “best practices”)

3.

- **Cumbersome clearance procedures**, despite recent improvements (e.g., health inspection)
- **High freight costs** resulting from the low rates of containerization (35% in Egypt's total cargo trade, compared to 80% international rates of containerization)
- **Inefficient utilization of dry ports**, turning them into customs bonded warehouses rather than ports
- **Modest level of automation and electronic data exchange** (except in El-Sokna, Alexandria and Dekheila ports)

A large cargo ship is docked at a port. The ship's hull is dark blue with the word "LINE" written in large, white, block letters. The ship has a white superstructure with a prominent orange funnel. Several large yellow cranes are positioned on the deck and around the ship. In the foreground, a small white barge is moving through the water, leaving a white wake. The sky is clear and blue.

4. Multimodal Transport in Egypt

4.

Although multimodal transport could help enhance the efficiency of transport, it is constrained by ...

- **Lack of a legal framework for the liability of multimodal carriers**
- **Low containerization rates**
- **Complex and lengthy customs procedures for multimodal indirect transit shipments**
- **Weak road, railway and river ports infrastructure**



5.

Proposed Regulatory and Policy Reforms

5.

Regulatory reforms require:

- **An independent regulator capable of adopting an efficient Landlord model**
- **Financial independence of port authorities**
- **Adoption of competition policies to enhance inter-port competition; along with intra-port competition**
- **A legal framework for liability of multimodal carriers**
- **Simple customs regulations and procedures to enhance multimodal indirect transit shipments**

Policy reforms require:

- **Providing accurate, consistent and timely data**
- **Gradual deregulation of prices for port services**
- **Price incentives to further encourage the use of containers**
- **Wider use of automation and electronic data interchange (EDI)**
- **Promoting private public partnership (PPP) and cooperation with foreign donors to finance the upgrading of ports and multimodal infrastructure**

Conclusion

- **Efficient maritime transport and related logistics services are key to enhancing Egypt's competitiveness**
- **Without domestic regulatory and policy reforms, Egypt's GATS commitments will not increase private sector's participation in these services**
- **Cooperation between the government, the private sector and foreign donors is crucial to finance the upgrading of ports and multimodal transport infrastructure**

Logistics services mainly include:*

- **Cargo handling services** (*container and other cargo handling services, storage and warehousing services in ports, freight transport agency services*)
- **Maritime transport services** (*freight transportation, rental of vessels with crew, pushing and towing services, quays and terminal facilities*)
- **Maritime related multimodal transport** (*internal waterways, road and rail transport services*)

* Based on UN Central Product Classification. 2006.