



Egyptian National Railways Private Sector Rail Freight Initiative in 2022

Market Sounding Event

Cairo, 22 February 2022



- 1 Welcome and Introduction**
- 2 Egypt – A steadily growing freight market
- 3 The New Egyptian Private Sector Rail Freight Initiative
- 4 Management and Operation Contract (“Private Operator Model”)
- 5 Tender Process
- 6 Q&A Session / Next steps

ENR “**Market Sounding Event**” for ENR’s Private Sector Rail Freight Initiative in 2022

ENR seeks to

- Ensure the level of the **private sector interest** in this management and operation model approach to rail freight transport
- Ensure the **private sector ability to implement this project** under the proposed private management and operation model
- Obtain **suggestions about potential model variations** (commercial, financial, contractual, operational, contract duration) which better meet the growth target of rail freight market
- Assist ENR in deciding on the **preferred management and operation model**
- **Start the tender process** which is **consistent with the reality of the market**

1

Welcome and Introduction

2

Egypt – A steadily growing freight market

3

The New Egyptian Private Sector Rail Freight Initiative

4

Management and Operation Contract

5

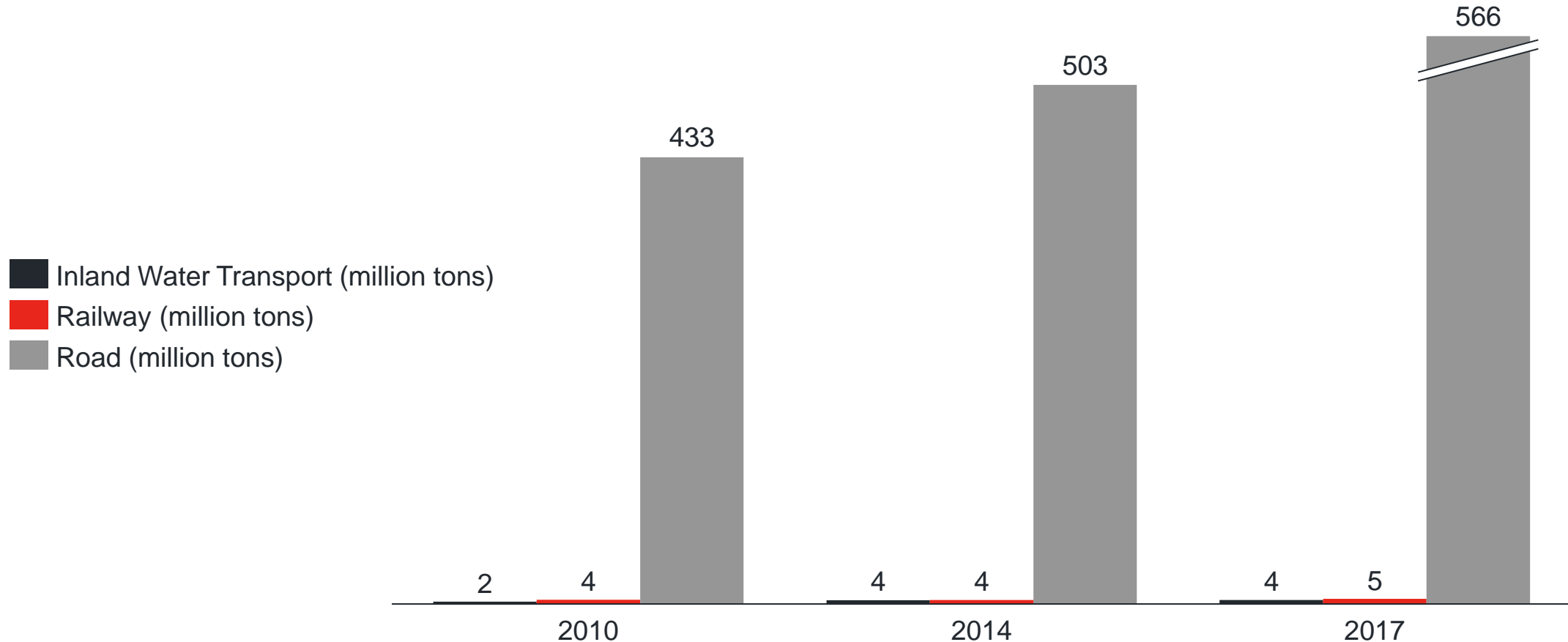
Tender Process

6

Q&A Session / Next steps

Egypt – A steadily growing freight market

Egypt shows significant overall growth rates in freight ...



Source: Japan International Cooperation Agency (2012); Authority for Transport Project Planning, MoT (2018)

Egypt – A steadily growing freight market

... but rail did not benefit from this growth due to various factors



Why rail did not benefit from freight market growth in the past?

- Aging wagon fleet leading obsolescence
 - Irregular train schedules
 - ENR currently just offering rail freight services, no intermodal or last mile solutions
 - No possibilities of electronic ordering and an electronic consignment note at ENR
- ▶ **But today customers ask for logistic solutions including the "last mile" not only for rail services**
- ▶ **This is why ENR needs the private logistics sector for increasing growing chances**

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The New Egyptian Private Sector Rail Freight Initiative

ENR has taken major steps to improve infrastructure for rail freight



- **New signalling and safety systems** with additional investments in the near future to improve overall rail safety



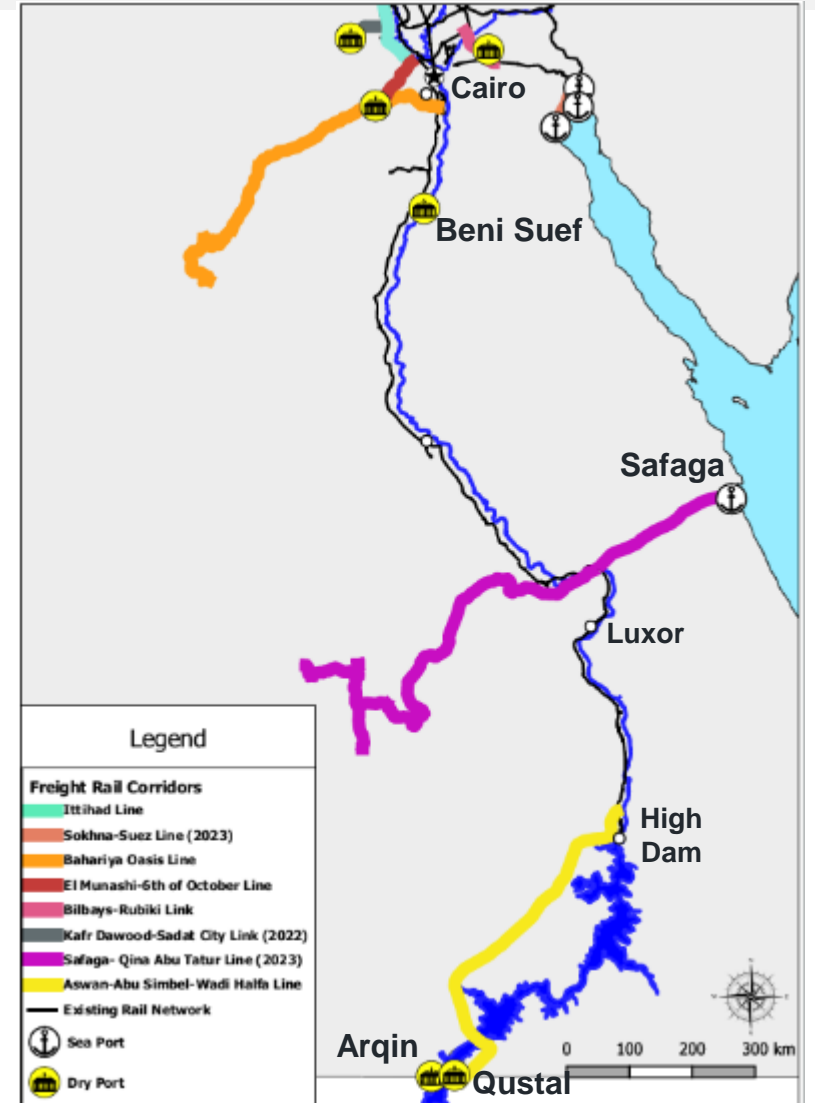
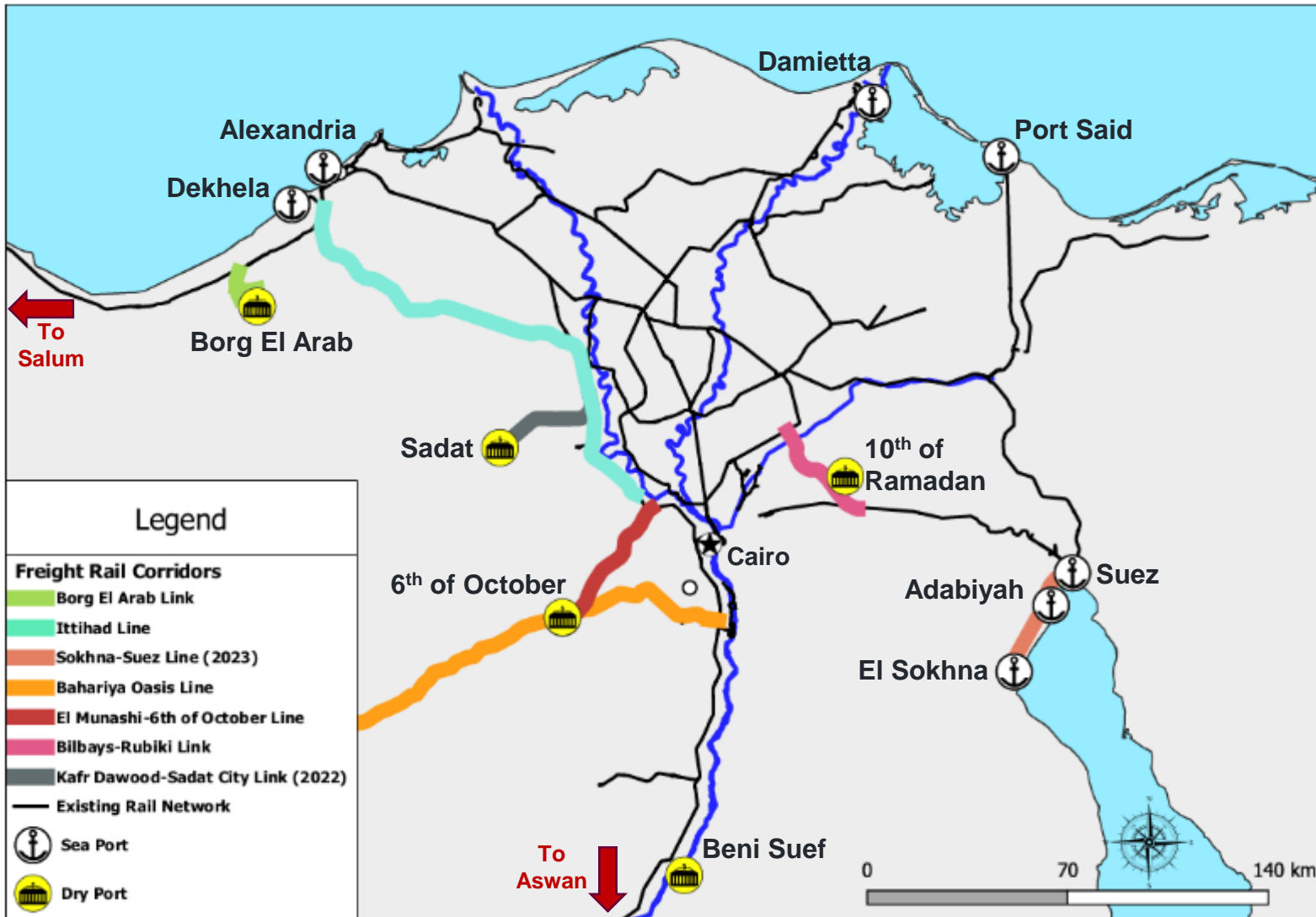
- Major investment in several new **dry ports** and **logistical sites**



- **Dedicated freight railway lines** across the country to increase rail freight capacity on tracks and link major customers to the rail network

The New Egyptian Private Sector Rail Freight Initiative

Freight lines will connect existing and planned dry ports



The New Egyptian Private Sector Rail Freight Initiative

Freight lines will connect existing and planned dry ports



The New Egyptian Private Sector Rail Freight Initiative

Rail Freight commodities remain on a stable basis with some commodities showing significant growth potential such as containers



Commodity	2020/2019		2021/2020	
	Revenues EGP	Ton	Revenues EGP	Ton
Cement	2.163.464	43.500	2.768.893	55.500
Molasses	3.477.276	28.313	6.318.161	48.732
Petroleum	39.797.059	487.671	38.356.390	491.793
Gravel	2.882	100	912.952	16.240
Containers	23.579.460	915.005	29.983.113	1.165.312
Iron	22.332.721	245.310	15.438.671	167.440
Military goods	34.728.968	188.193	34.093.101	212.575
Clay	9.048.677	71.640	15.247.478	123.080
Coal	17.783.166	224.850	10.057.920	125.750
Coke	1.662.527	22.322	0	0
Phosphate	5.563.982	50.600	14.648.030	142.505
Wheat	98.891.611	1.492.550	80.250.464	1.105.924
ENR internal goods	61.936.921	721.151	86.153.577	930.166
Waters	215.635	2.720	95.158	1.760
Clinker			117.697	2.960
Sugar cane	3.305.610	102.135	4.022.669	124.293
Total	324.489.957	4.596.058	338.464.271	4.714.029

The New Egyptian Private Sector Rail Freight Initiative

Currently available locomotives for freight by ENR



Source: facebook

**General Electric (GE)
ES40ACi**
45 locomotives
Power: 4,000 hp



**Henschel
Different models**
36 locomotives
Power: 3,000 hp

Further 100+ mainline and shunting locomotives of different types are available at ENR but currently not in use

The New Egyptian Private Sector Rail Freight Initiative

ENR will receive over 1,000 new Freight Wagons in the next 4 years



Flat wagons for container

New wagons: 375

Volume: 65t



Tank wagons

New wagons: 150

Volume: 40t



Closed freight wagons

New wagons: 125

Volume: 50t



Flip Open wagons

New wagons: 300

Volume: 50t

+ 75 hopper waggons for grain in 2022

Currently, ENR has 4,500 operational freight wagons for different kinds of commodities available

The New Egyptian Private Sector Rail Freight Initiative

1,600 ENR staff in the rail freight sector

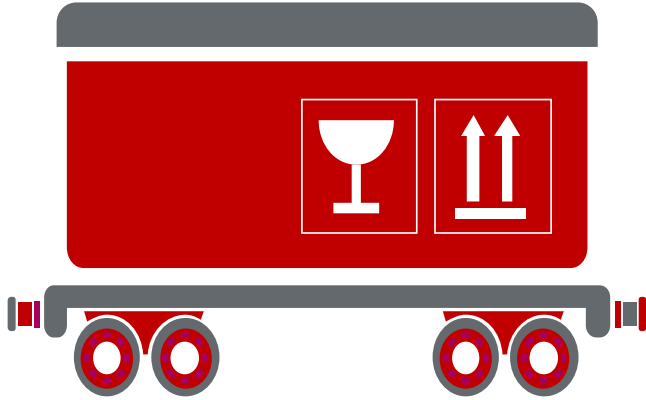


Central Operations Department

- Supervision of freight trains, Preparation of operating schedules, Provision of train crews
- 1,400 employees
 - 550 train drivers
 - 121 assistant train drivers
 - 292 train supervisors
 - 144 shunters
 - 47 yard principals
 - 246 engineers, other professions etc.

Central Department for Marketing and Sales

- Responsible for sales and customer services
- Accountants, administrators, cargo custodians
- 200 employees



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Management and Operation Contract (“Private Operator Model”)

In the future, the ENR shall act as regulator and “rail service partner”



Rail Freight Market Regulations

(in accordance with law No. 20 of 2018)

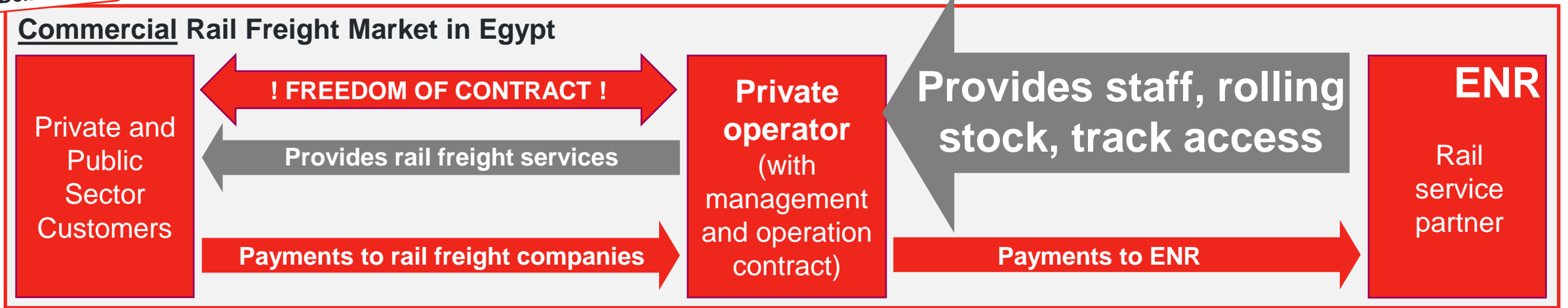
- Setting safety standards
- Operation rules / Definition of minimum service standards
- Licensing of private rail freight operators / Admission of train drivers and rolling stock

ENR



ENR tenders a 10-year-contract to engage a private sector operator

High Transport Demand



Management and Operation Contract (“Private Operator Model”)

The Private Operator shall enter into a track access scheme

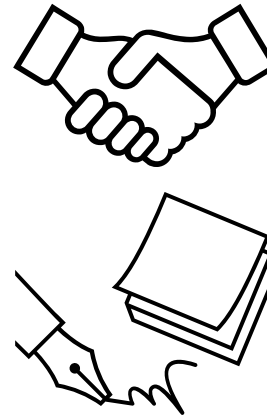


Track access scheme

ENR

- Provides the agreed track path
- Ensures a reliable and on-time operation; Infrastructure operating times are around the clock
- Establishes application procedures for train paths

Contractual Relationship defining rights and duties on both sides



Private operator

- Pays the agreed track access fee*
- Ensures that the train is ready for departure on-time
- Complies with all applicable safety standards, rolling stock operational requirements, the rule book etc.

* Track access and pricing model will be published together with the tender documents

Management and Operation Contract (“Private Operator Model”)

Transfer of existing customer contracts



- ENR has an extensive customer base
- The private operator must take over all current contracts free of charge
- The private operator has the right (freedom of contract) to renegotiate these contracts

Management and Operation Contract (“Private Operator Model”) Renting of rolling stock and other assets from ENR



ENR Rolling stock and other assets

- Under the management and operation contract, the **private operator must use ENR’s rolling stock fleet** on a renting scheme. This means that the right of use and disposition is transferred to the private operator.
- However, the private operator is **not permitted in any case to sell the rolling stock or use it in a different way** than for rail freight transport as agreed in the renting contract.
- **Further assets**, like buildings, land, yards, workshops, loading- and unloading terminals, might be rented from the authority as well, if requested by the private operator.
- **Rental fees and conditions** for the rolling stock and further assets are still being evaluated and will be published together with the tender document.

Use of private sector vehicles

- The use of the private operator’s **own locomotives and freight wagons similar to the existing ENR ones** is currently not permitted.
- **Innovative freight wagons** could be used based on ENR safety standards and approvals.

Management and Operation Contract (“Private Operator Model”)

Maintenance of rolling stock



- Only ENR possesses maintenance workshops for rolling stock in Egypt; the private operator must use these facilities
- As part of the rolling stock leasing agreements, the private operator must adhere to fixed maintenance intervals, maintenance qualities and agreed downtime of the vehicles

Maintenance Type	Vehicle Type	Duration
Light Maintenance	Freight Wagons	Not exceeding 2 days
Light Maintenance	Locomotives	Not exceeding 1 day
Heavy Maintenance	Freight Wagons	Not exceeding 10 days
Heavy Maintenance	Locomotives	Not exceeding 5 days

- The private operator will be provided with equivalent replacement rolling stock (free of charge) should the duration above exceed for this period.
- The maintenance fees are currently still being evaluated and will be included in the rolling stock rental fees.
- Note that the Gabal El Zaitoun and El Tebeen Workshops will be given to a new operator for maintenance and operation; conditions yet to be defined

Management and Operation Contract (“Private Operator Model”)

Provision of staff



ENR Staff

- The **private operator must engage ENR rail staff** such as drivers, their assistants, supervisors, manoeuvre workers, shunters for a rental fee
 - The existing employment relationship between the qualified personnel and ENR remains unchanged.
 - ENR will merely second the relevant personnel to the private operator.
 - The private operator will have the right to issue operational instructions to the seconded personnel subject to ENR’s safety standards.

- **Rental fees and conditions** for the qualified ENR staff are still being evaluated and will be published together with the tender document.

- The private operator may deploy its **own staff** in all non-railway operational areas such as administration or marketing.

- An **experienced railway operations manager** with at least 15 years of professional experience must be employed for railway operations. This person can be recruited from ENR to better understand ENR internal procedures or from international sources.

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Tender Process

Indicative Timeline for the Tender Process



	2022											2023	
	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb
Announcement	▲ 01/02/2022												
Market Sounding Event	▲ 22/02/2022												
1. Prequalification Phase													
2. Indicative Bid Phase													
3. Negotiations Phase													
4. Final Bid Phase													
5. Award Phase													

Tender Process

Indicative Bid Evaluation Criteria



Prequalification Phase

- **Proven technical and financial capacity**
- **Proven experience in national and/or international cargo (freighting) transportation and good knowledge of the Egyptian Market**
- **Combined experience of an Egyptian logistics companies and international rail freight operators would be welcomed**

Indicative/Final Bid Phase

- Solid and economically viable Business Strategy and Business Plan to achieve overall 30m tons target by 2030
- Sound indicative work plan with ENR
- Realistic short- and medium-term performance goals for the contract duration

Detailed Bid Evaluation Criteria will be shown in the tender documents

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Q & A Session

- Please send your **additional comments** on the proposed management and operations contract to ENR **no later than Tuesday, 8 March 2022**
- **ENR will review and consider your comments** in the revised tender document
- **Launch of the pre-qualification stage of the tender likely scheduled for April 2022**
- **Contact:**
 - **For English:** ENR-freight-tender@dornier.group
 - **For Arabic:**
 - aymanallam765@yahoo.com
 - ashraf_elsbaei@yahoo.com

Thank you very much
for your participation.

Have a safe trip back home