

## The program of cooperation between Italian and Egyptian railways

Lecce 11-12 October 2012

# ENR Facts & Data of Egypt

Egypt, one of the most populated countries in Africa, borders to the Mediterranean Sea and the Red Sea

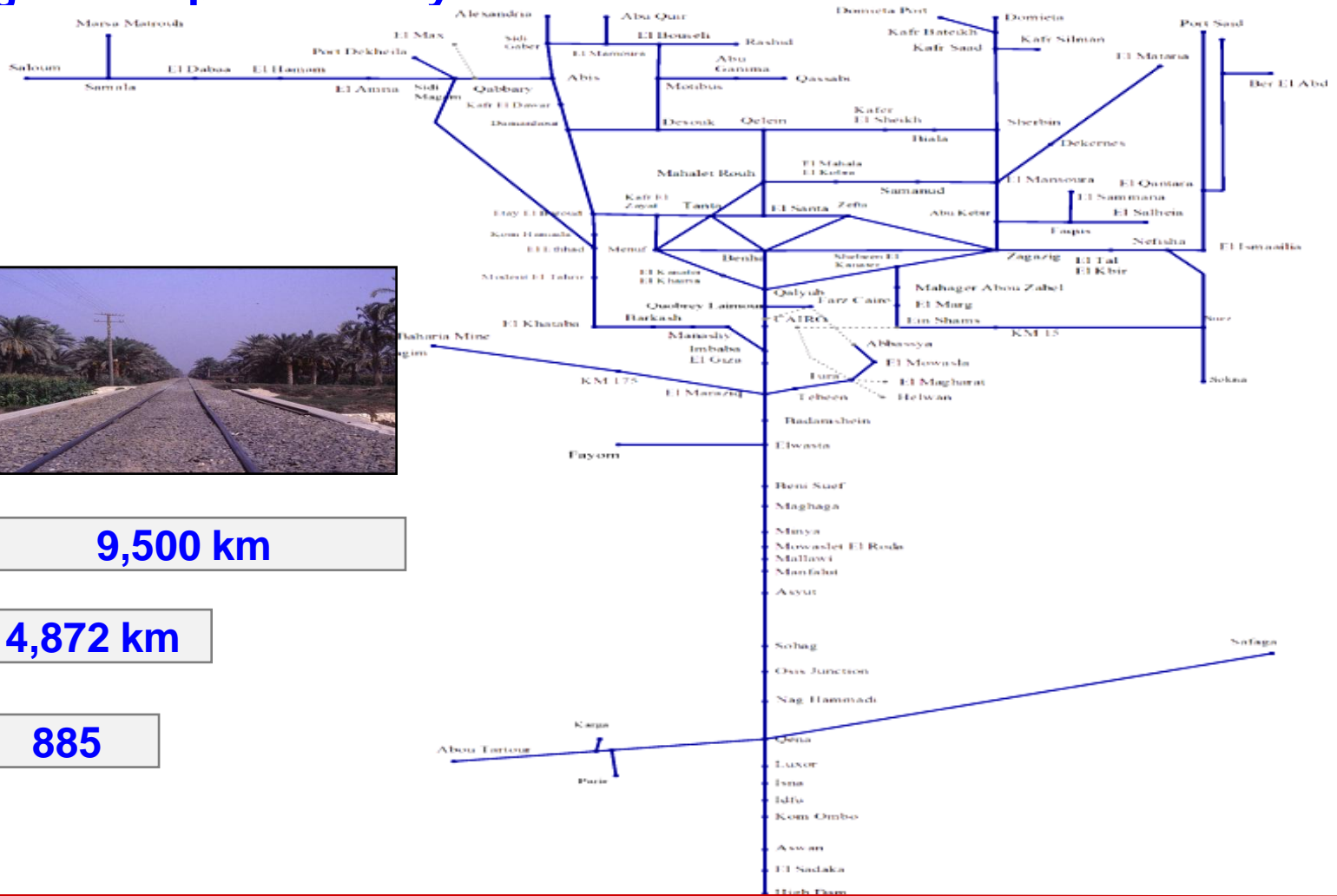


- Egypt is with 83 Mln residents one of the most populated countries in Africa
- The country is divided in 29 governorates as administrative divisions
- Muslims are the predominant religion (90%) followed by Christians (10%)
- The unemployment rate was 8,7% in 2009
- The GDP is expected to increase by 3,5% in 2012 and 5,7% in 2013.
- The average labor cost pro-capita is about 35,000 EGP (4,700 euro) per year.



# ENR Facts

Egyptian National Railways is the backbone of the Egyptian passenger transportation system

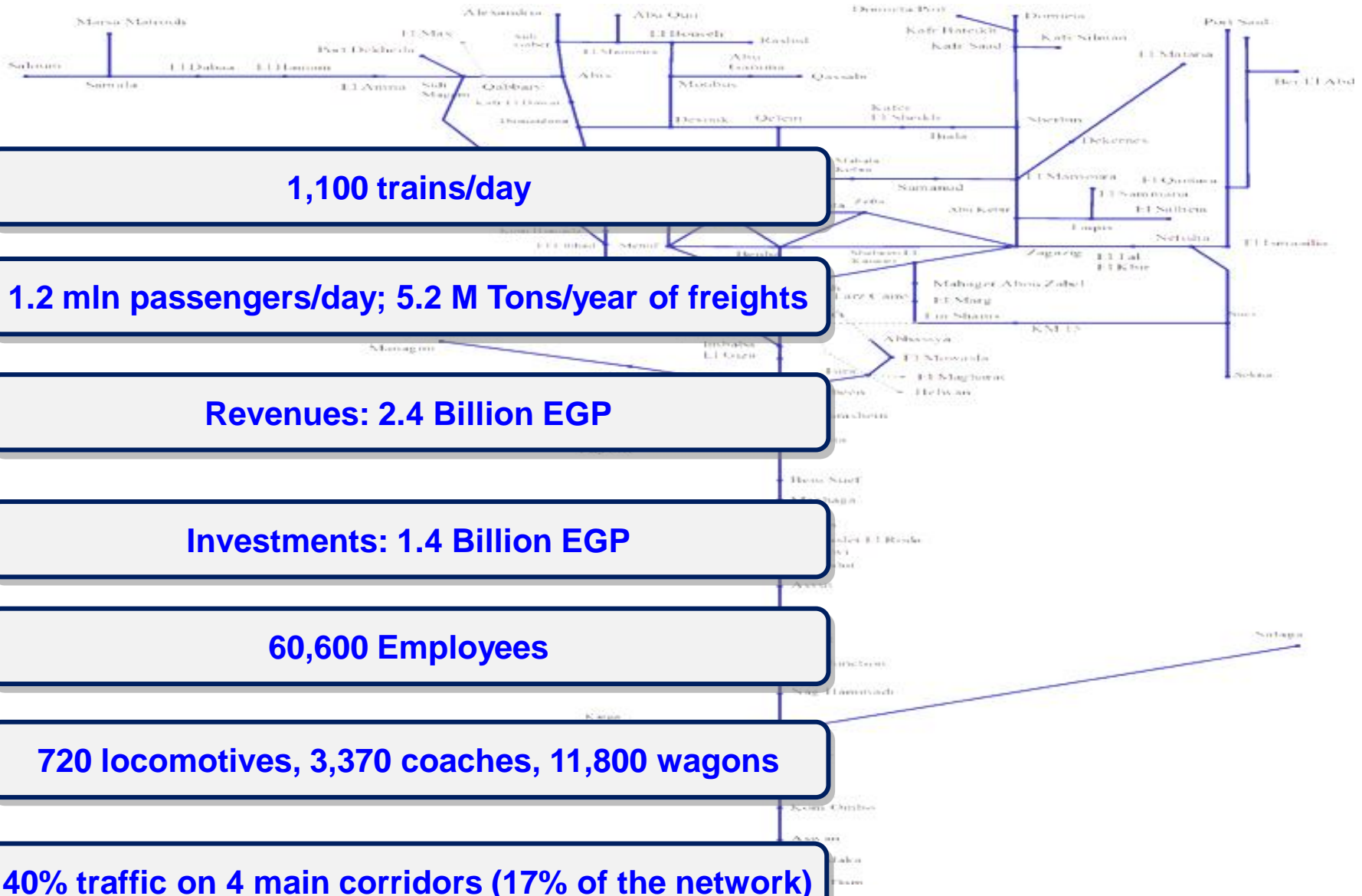


Tracks **9,500 km**

Lines **4,872 km**

Bridges **885**

# ENR figures



**1,100 trains/day**

**1.2 mln passengers/day; 5.2 M Tons/year of freights**

**Revenues: 2.4 Billion EGP**

**Investments: 1.4 Billion EGP**

**60,600 Employees**

**720 locomotives, 3,370 coaches, 11,800 wagons**

**40% traffic on 4 main corridors (17% of the network)**

# Transformation Plan: five top priorities

In 2006 the Minister of Transport (MOT) approved a plan with the aim of a deep change and transformation of ENR according to international standards.

The transformation Plan was endorsed by Egyptian Parliament.

The Plan is focused on five strategic priorities:

1

**Sector framework**

2

**ENR structure and operating model**

3

**Asset & Infrastructure investment**

4

**Revenue optimization**

5

**Safety capabilities upgrade**

# The contract with the Italian Railways

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**In 2008 the Ministry of Egyptian Transport launched an international assessment between Countries for a Cooperation in the railways sector, in order to support the implementation plan for ENR. Italian railways FS has been selected and a Contract established under international agreement.**

International agreement between Ministry of Transport of Egypt and Ministry of Foreign Affairs of Italy with a concession of a grant of 8 million Euro for five years (18 September 2008) divided into two phases. Signed in Rome on September 13<sup>th</sup> 2012 second phase of agreement.

Starting date of the project with Italian team at ENR (1 September 2008)

Contract signing between ENR and Italian Railways (20 march 2009). First phase concluded on march 2012. Second phase signed on July 8<sup>th</sup> 2012 till march 2014.

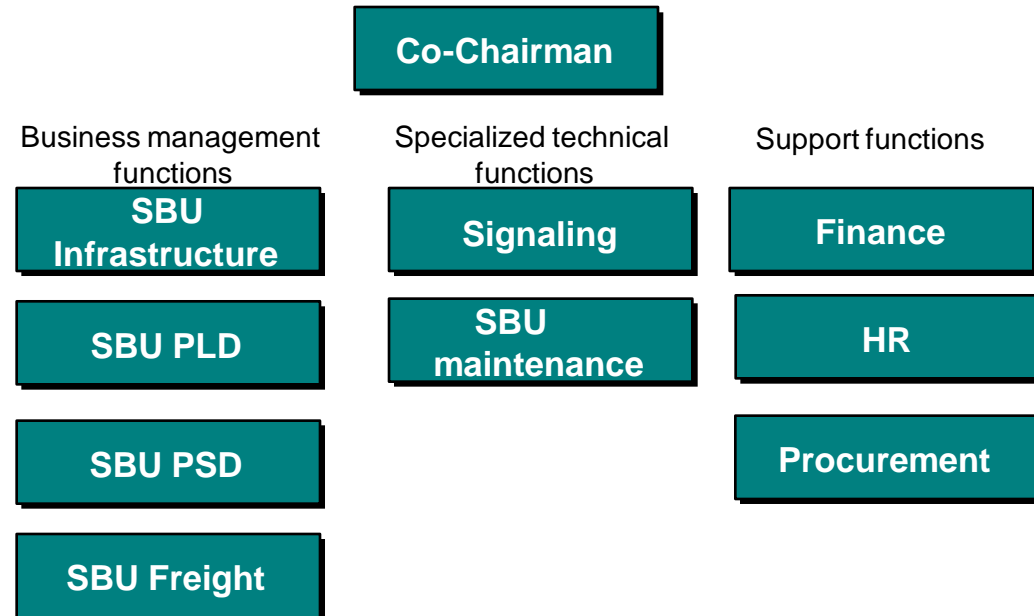
# The scope of cooperation

The technical assistance foresees ten Italian Manager as “shadow managers” for ten positions in ENR which are strategic for the restructuring and development Plan.

## Ministry of Transport approach

- ▶ Support, cooperate and tutoring ENR through 10 seconded Italian railway managers
- ▶ Strong contribution to the cooperation between the two Countries

## MoT proposition for management functions



# The objective of cooperation

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The overarching objective of the Transformation Plan is to assist Government in implementing its restructuring strategy in view of improving railway efficiency, strengthening its financial viability and enhancing its capacity to better serve social and economic need of the Country.

The specific objective of the Transformation Plan is to introduce modern management techniques and strengthen ENR management capacity to improve efficiency, service levels and safety operations.



# Transformation Plan VISION

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**This Plan is consistent with a vision to transform ENR in an efficient rail operator providing safety and quality public services and competitive commercial products on a sustainable financial basis.**

**Moreover, the Plan recommends to invest in the enhancement of ENR human resources. The lack of adequate managerial skills and modern management techniques is considered a critical weakness which can compromise the effective implementation of the activities, while must be overcome through a know-how transfer process.**

# ENR strategies

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The transformation plan translates ENR objectives into strategic priorities:

**Sector framework**

New PSO model, opening free market, Regulatory framework

**New Operating model**

New organization structure and Corporate Governance

**Asset Infrastructure investment**

Infrastructure, Signaling and Rolling stocks large investments for upgrade standards, new technologies and fleet renewals.

**Revenue optimization**

PAX fare Optimization, Commercial Freight rates

**Safety capabilities upgrade**

ENR Safety processes and Organisation

# Transformation Plan structures

The Plan is organized in 20 strategic projects belonging to the five strategic priorities, managed by Italian Team and ENR management.

**Sector framework**

**ENR structure and operating model**

**Asset & Infrastructure investment**

**Revenue optimization**

**Safety capabilities upgrade**

- 1 Public Sector Framework
- 2 Operating Model
- 3 Efficiency Improvement
- 4 Human Resources
- 5 IT Systems and Procedures
- 6 Finance
- 7 No-Core Activities
- 8 Asset Improvement
- 9 ERMAS
- 10 Freight Services
- 11 Passenger Services
- 12 ERJET
- 13 Passenger Revenue Optimization
- 14 Safety
- 15 Customer Service
- 16 Communication
- 17 Procurement
- 18 Scrap
- 19 Maintenance
- 20 Quality Assurance

**ENR Transformation Plan is expected to be completed within June 2014.**

# Transformation Plan: projects contents

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## Safety

Improve safety culture and policies. Creation of a Rail Regulator at MoT to oversee safety regulations and full implementation of Safety procedures, organization and systems at ENR.

## Operating model

Implementation of a new organization structure allowing to increase efficiency, safety level and customer orientation (by business units, by Subsidiaries and by centers of competences)

## Assets

Large asset improvement and investment program for track renewals, signalling and rolling stock (locomotives, coaches and wagons).

## Revenues

Develop freight business, focusing on core commodities and on ports related traffic. For passengers revenue optimization measures and commercial revision of the offer and services.

## Technology

Large investment in IT infrastructure and application allowing to improve the efficiency and transparency of ENR

## Processes

Operation, maintenance and procurement efficiency ,which involve punctuality, cleanliness and availability for rolling stocks.

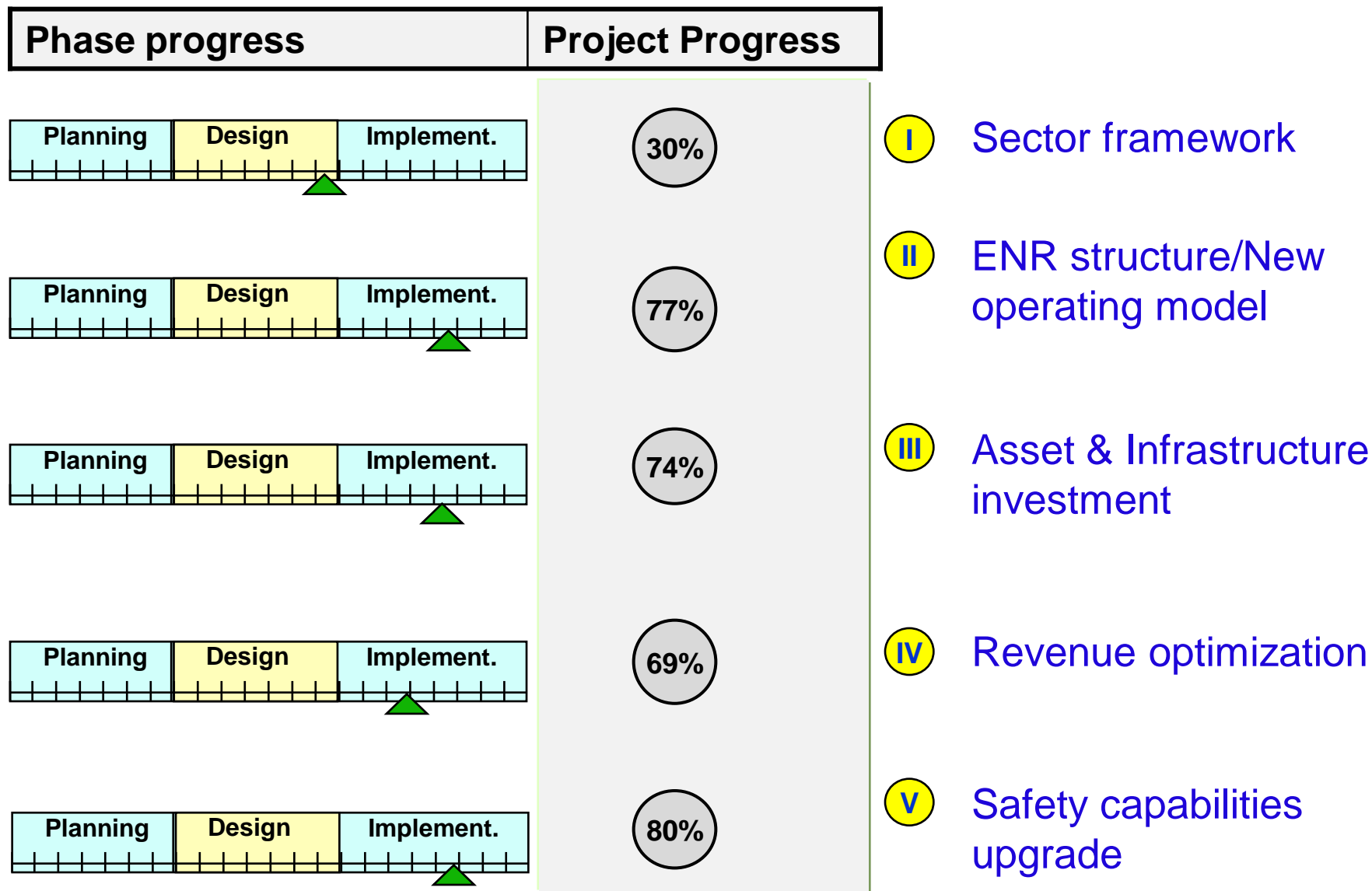
# Strategic projects organization

The execution of ENR Transformation plan involves many organization units according to the table below.

	Items
<b>93</b>	<b>Initiatives</b>
<b>63</b>	<b>Workteams</b>
<b>52</b>	<b>Gen. Managers</b>



# Strategic priorities: status at June 2012



# Strategic projects:status at June 2012

N°	20 Strategic projects	ال20 مشروع إستراتيجي	June 2011 Actual %	June 2012 Actual %	June 2013 Plan %
1	Public Sector Framework	إطار عمل القطاع العام.1	17	28	45
2	Operating Model	نموذج التشغيل.2	50	65	92
3	Efficiency Improvement	عمليات تحسين الفعالية والكفاءة.3	15	15	35
4	Human Resources	الموارد البشرية.4	51	73	88
5	IT Systems and Procedures	نظم واجراءات تكنولوجيا المعلومات.5	35	48	88
6	Finance	المالية.6	57	75	95
7	No-Core Activities	أنشطة غير أساسية.7	60	60	60
8	Asset Improvement	تحسين الأصول.8	38	64	85
9	ERMAS	إيرماس 9	32	67	90
10	Freight Services	خدمات نقل البضائع.10	44	70	92
11	Passenger Services	خدمات الركاب.11	40	68	84
12	ERJET	12. ERJET	27	27	27
13	Passenger Revenue Optimization	تعظيم إيرادات الركاب.13	14	39	83
14	Safety	السلامة.14	44	71	95
15	Customer Service	خدمة العملاء.15	22	48	71
16	Communication	الاتصالات.16	19	51	86
17	Procurement	المشتريات.17	32	69	91
18	Scrap	الخردة.18	80	100	100
19	Maintenance	الصيانة.19	30	48	94
20	Quality Assurance	ضمان الجودة.20	0	50	64

**Progress status:**

**35%**

**57%**

**85%**

# Key elements of success

## Government support

Support by Government, Strong involvement and attention of stakeholder's Community  
Strong involvement in project details at all levels

## Management commitment

Ongoing support and commitment by ENR senior management  
Active participation by most managers in teamwork alongside operating position

## Active involvement of ENR managers

Active participation of ENR managers / staff in the different project streams  
Increasingly more ownership of measures through the teams

## Change management support and coaching

Resistance to change expected in large transformation Programs mitigated through huge training program and coaching.

# Italian Team outlook and success factors

**Reliability and trust:** key role in the implementation of ENR transformation plan due to the team competences, leadership acknowledgment and appreciated knowledge of middle east culture.

**Point of reference** for Italian and international business Community for opening relations with Egypt in the transport and logistic sector.

Point of reference and guarantee for International Authorities like World Bank, EU and JICA (Japanese international Cooperation Authority).

**Development of a stable cooperation** among the two Countries through initiatives that are being activated (High speed, intermodal and logistic transport, rolling stock maintenance, stations exploitation, track maintenance diagnostic service, training and information technology).

# A model of cooperation between Egypt and Italy

Main initiatives of Cooperation between Egyptian and Italian Companies for the transfer of international know-how and practices have been launched with success:

## HIGH SPEED LINES

Pre-feasibility study for Cairo-Alex high speed line completed and **Joint declaration** signed to complete feasibility study for Alex-Cairo-Aswan (1,100 km)

## SIGNALLING

ATC upgrading at ETCS lev.1 on main corridors through international tenders (substantial presence of Italian Companies)

## STATIONS

**J.V. proposal** for commercial exploitation of two main stations (Cairo and Alex) and other major to move to sustainable profit centres.

## LOGISTICS

**Technical assistance/J.V.** for development of a network of intermodal centers in Egypt (Ports and Dry Ports)

## Maintenance

**Technical assistance** and coaching to upgrade tracks and rolling stocks maintenance processes