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# Egypt Railways Development Crises and Obstacles

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## Egypt Railways Development: Crises and Obstacles

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The Cairo train station fire on February 27, 2019 raised many questions about the policies of the Egyptian Railway Authority (ERA), which has not been able to stop train accidents; instead, they always cited human errors and losses resulting from providing subsidies to train tickets as justifications.

This study seeks to answer the question: What is behind the frequent train accidents in Egypt, and what is the ERA future in light of its high debts and the large gap between revenues and losses?

*The study is divided into four parts:*

First: Causes of frequent train accidents,

Second: Obstacles of railways development,

Third: Loans and new projects,

Fourth: Future of the railways in Egypt.

### First: Causes of frequent train accidents in Egypt

#### 1- Man-related factors:

##### **(A) Corruption of human resource management**

The Administrative Prosecution Authority (APA) has issued a press release on the causes of train accidents in Egypt. The statement stated that there is corruption in the field of human resource management, manifested in poor distribution. The statement pointed out that the basic operation positions are 5,333 with a deficit of 7,786 positions, which means that the deficit represents 60% of the actual operation requirements, estimated at 13,119 employees – posing an overload on the actual on-the-job employees – although the official number of employees at the Egyptian National Railways exceeds [52,000 workers](#).

##### **(B) Lack of labor quality**

The ENR employees lack proper training on how to deal with modern operating and maintenance systems. In addition, the phenomenon of drug abuse is widespread among train drivers, which caused

many accidents; in addition to negligence during performance of functional tasks, especially by signalmen, which was the main cause of many accidents.

## 2- Technical factors:

### A- Manual-operated crossings

According to a report issued by the Central Agency for Public Mobilization and Statistics (CAPMAS) in mid-June 2018, 80% of train accidents in 2017 were caused by the collision of trains at gates of crossings, amounting to 1,435 accidents out of a total of [1,793 accidents](#).

In Egypt, there are 1,332 legitimate railway crossings, spread along the Egyptian railways, about 10,000 kilometers nationwide. A plan for the development of these crossings began in 2007 to convert them from manual to electronic systems. The Ministry of Transport has announced that by the end of 2018, some 335 crossings had been developed nationwide and converted from manual to [electronic](#) operation. Hisham Arafat, the former Minister of Transport, referred the slow development of crossings to the overlap and interrelation of responsibility between the Ministry of Transport, the local administrations, the Ministry of Awqaf, and the Ministry of Agriculture.

### B- Illegal crossings

A major challenge that faces the development of the Egyptian railways is that Egypt has about 2,000 [illegal crossings](#). In this context, Eng. Ashraf Raslan, the ERA Board Chairman, pointed out that these illegal crossings which were randomly prepared and used by citizens, especially in the wake of the Egyptian revolution (2011), have caused many problems as a result of absence of any [control systems](#).

### C- Traditional signal systems

The railway signaling system relies on electrical circuits according to the system introduced in 1992 for some rail lines while other lines are still working according to the old mechanical system.

The APA report pointed out that the Railway Authority must rely on the electronic signaling system to ensure safety of train operation, as it reduces man-related [errors](#).

## D- Worn-out locomotives and railcars

Eng. Ashraf Raslan, the ERA Board Chairman, said that the locomotives and railcars have not been developed for 50 years; and that the last batch of locomotives was supplied by General Electric, without a maintenance plan.

## Second: Obstacles of railway development

There are obstacles in the way of railway system development in Egypt, which poses a major challenge to the advancement of the railway system, including:

### A- Poor competitiveness and reduced use of the facility

According to a World Bank report, the ERA has lost its ability to compete over the past 15 years, especially in the freight sector, which fell from 12 million tons per year in 2000 to 3 million at present, representing 21% of revenues. There are many reasons for the Railway Authority's loss of the ability to compete other means of transport despite the low prices of train tickets, most notably the deterioration of the railway structure, the frequent breakdowns, the irregular train schedules, and the decline in safety levels that led to frequent accidents.

### B- Annual losses

There is a significant imbalance in the relationship between the revenues and expenses of the Egyptian Railway Authority. The total annual revenues achieved by the Egyptian Railway Authority does not exceed LE 3 billion, while the annual expenses amounted to LE 6 billion; in addition to the debt interest which amounted to LE 4.5 billion. Former Transportation Minister Hisham Arafat said the [debt interest](#) due to the National Investment Bank is estimated at LE 3.65 billion. Abdel Nabi Mansour, head of the Ministry of Finance's final accounts sector, pointed out that the Egyptian Railway Authority had made losses estimated at LE 10 billion by the end of the FY2017/2018. Mansour explained that these losses represented more than 40% of the losses of the loss-making economic bodies (16) that made [losses](#) estimated at about LE 23 billion.

### C- High indebtedness

There is no accurate report on the volume of indebtedness of the National Railway Authority. Although Former Minister of Transport Hisham Arafat confirmed that the Authority debts amounted to LE 60 billion, the ERA debts to the National Investment Bank amounts to LE 35 billion and its debts to the

Ministry of Finance amount to another [LE 35 billion](#), in addition to other loans. Ahmed Ibrahim, the former official spokesman of the Ministry of Transport, said the ERA debts amounted to [LE 100 billion](#).

### Third: Loans and new projects

Hisham Arafat, the former Minister of Transport, said that 70% of the Authority's projects relied on [loans](#). However, the researcher believes that this statement is inaccurate, as all the Authority's projects depend on loans, whether internal or external, in addition to borrowing from the Ministry of Finance, since the government considers the Railway Authority an economic body that does not have any support from the state budget. It is noteworthy that loans have increased considerably between 2006 and 2019.

#### A- CAO report on ERA loans

In 2017, the Central Auditing Organization (CAO) issued a report revealing that the Egyptian Railway Authority (ERA) did not benefit from the loans it had received. The report that was submitted to the Parliament pointed out that the Authority has obtained loans from foreign parties since 2007/2008 without full utilization of them due to the absence of feasibility studies before implementation.

The CAO report mentioned some examples, such as the Authority's conclusion of several contracts related to the development of crossings during the period from 2008 to 2015 at about LE 1.581 billion while it was not clear whether the Authority benefited from these works, which is reflected in the frequent train accidents due to the unfinished development of these [crossings](#). According to the 2014 CAO report, the Egyptian Railway Authority slowly dealt with the World Bank's \$ 270 million [loan](#) over three and a half years.

#### B- Loans and utilization efficiency

The failure of the railway system in Egypt to benefit from loans and grants is due to several reasons, for example: bridging the annual deficit resulting from the Authority's losses, and management corruption.

*Reliance on loans for the ERA development is a dangerous policy due to several reasons, including:*

1- There are no returns guaranteeing the repayment of these loans.

- 2- Adding new financial burdens on the railway authority, that the debt service is now double the revenues of the authority.
- 3- Adding economic and social difficulties to future generations due to the inability to repay those debts or at least their interest, which will lead to a significant rise in the price of the service.
- 4- Loss of the independence of the Railway Authority, given the application of the terms of donor institutions.
- 5- Selling Assets: The National Railway Authority is currently seeking to appraise many of its assets to use for repayment of part of the debts. The Authority has estimated a set of assets worth up to LE 22 billion to be sold to to the National Investment Bank in order to repay part of its due debts.

#### Fourth: Future of Egyptian Railway Authority

The railway authority faces major challenges. Returning to the significant statement by Arafat that 70% of the Authority's projects depend on loans, as the researcher believes it is inaccurate, arguing that 100% of the Authority's projects are financed by loans and that the Authority's annual debt service only is one and half double its revenues which are estimated at LE 3 billion annually.

The Ministry of Transport's statement that the Authority's debts are estimated at LE 60 billion is not true. In fact, the ERA internal indebtedness to the Ministry of Finance and the National Investment Bank is estimated at LE 75 billion (40 billion to the National Investment Bank and 35 to the Ministry of Finance), while the loan for purchasing 1300 railcars cost LE 22 billion, similarly to the loan for the construction of a new railway line (Salam – the Administrative Capital – the Tenth of Ramadan), and the 290-million euro loan for financing 100 locomotives (LE 5.5 billion), and the two World Bank loans of \$ 270 million in 2009 and \$ 330 million (about LE 10 billion) in 2011, in addition to other loans.

Based on the above, the debts of the Egyptian Railway Authority exceeded LE 150 billion, which are likely to increase by LE 10 billion annually due to the losses and debt service, in addition to the likely indebtedness due to the execution of the Ain Sokhna / El-Alamein railway project.

Thus, with regard to the future of the Egyptian Railway Authority, the paper suggests the following:

### A- Selling assets

The assets of the Egyptian Railway Authority include land amenable to investment, workshops of all kinds, and its fleet of locomotives and railcars. The government is currently seeking to sell land owned by the ERA worth LE 20 billion to the National Investment Bank to repay half of the Authority's [debts](#).

### B- Partnership with the private sector

In February 2018, the Egyptian Parliament passed a bill allowing partnership with the [private sector](#).

### C- International partnerships

The railway authority's high indebtedness with its inability to repay, in addition to the increasing loans, especially from international companies, opens the door for those companies to own large stakes in the new railway system, and to have a significant role in its management.

### D- Decline in the role of ERA

A significant result of the local and international partnerships is that the Egyptian Railway Authority will no longer be the sole owner of the facility or the sole body responsible for its management, policy making, development, or formulation of its relationship with the citizen.

### E- Cutting labor force

Former Minister of Transport Hisham Arafat said in 2017 that the railway authority cannot be managed in the same way as 50 years ago, noting that dependence on the human factor in the authority operation will be reduced in the [coming period](#).

### F- Reducing current network operation

Former Minister of Transport Hisham Arafat confirmed that the trains operating schedules will be reduced by combining every two trips in one trip in order to accelerate the project of developing the railway network, pointing out that the waiting time between every two trips will be increased from 12 minutes to [20 minutes](#). There are proposals to review the operating plan (1200 trips per day) and cancel some of them under the pretext of lack of economic and social feasibility, which will reduce the expenses of operation, maintenance and depreciation.

## Conclusion

The current policies are not expected to lead to an improvement in the performance of the train system in Egypt. The current Minister of Transport started his activity with a submitting a request to the Ministry of Investment to get a loan of LE 35 billion to develop the [railway system](#). Most of the new minister's activities are almost limited to field visits as well as control and formative measures related to cleanliness and penalties imposed on citizens in case of violation, amid absence of any measures for conducting a qualitative development in the structure of policy making with regard to service development. The current minister, Kamel al-Wazir, like the former, Hisham Arafat, maintain the policies set out in cooperation with the World Bank during the reign of minister Saad Al-Geyoushi. Accordingly, the fate of the current minister depends only on likely train accidents, exactly like his predecessors, not the assessment of his performance.

To read the full study in Arabic, click [here](#)

*\*The views expressed in this article are entirely those of the author's and do not necessarily reflect the views of EIPSS.*