Maher Milad Iskander & Co.
LAWYERS & COUNSELORS

# EGYPT
## LAND OF OPPORTUNITIES

## Invest in Transport & Logistics

An Economical Guide

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Additional detailed information on Egypt, and advice on how to access our market intelligence and services, can be obtained from Maher Milad Iskander & Co. Trade and Investment Team in Egypt. Full contact details are available at the end of this guide.

Whilst we make every effort to ensure that the information is accurate, we can accept no responsibility for any errors, omissions or misleading statements.

**Maher Milad Iskander**
Managing partner

## Background

This guide is designed to inform potential investors about the current and upcoming transport and logistics market within Egypt. We hope that after you have completed looking through it you will have an understanding of the different types of transport and logistics within the country, where the core areas of investment lie, the advantages of investing here, and the legal processes which must be incurred to successfully carry out a project within this sector. We have also included a section outlining relevant success stories within this field. At the end you can find a brief over-view of our firm and the services we provide should you decide to launch a project in Egypt.

## Transport and Logistics in Egypt

Essential to every country's economy is a successful transport and logistics sector, one which will allow commercial activity to flow unhindered from production to consumption. A successful transportation system also facilitates access to raw materials, services and operating, all of which are essential for the success of any viable business venture. Egypt's unique geographic location combined with an expanding infrastructure base is enhancing the country's position as a key global logistics hub for companies looking to do business in, or trade between, Europe, Asia and Africa.

Naturally, the Suez Canal plays an integral role within this field as it is crucial to both global shipping and to the Egyptian economy, particularly since waterway travel accounts for a large proportion of trade revenue. The canal connects the Red Sea to the Mediterranean and acts as one of the country's major source of foreign investment, along with oil and gas exports and tourism. With a renewed focus on the Suez Canal, new rules are being implemented which could save up to half a day in sailing timing for traders travelling to Asia from Europe. With 8% of the world's maritime shipping passing through the Suez Canal each year and an increasing number of international companies from India and China, to Turkey and Spain using Egypt as a manufacturing base for exports targeted at the European market, Egypt's logistics and transportation sector is playing an increasingly vital role in international trade. About 90% of Egypt's foreign trade is shipped through ports, which also allow the country's logistics capacity to expand simultaneously with the volume of trade.

The presence of the Suez Canal in the Egyptian territory provides an important source of income to the Egyptian economy through fees and associated businesses. Those ports closest to the canal, such as Port Said are expected to see the strongest growth in the coming fiscal year. Egypt's Suez Canal registered an 8.5% year-on-year rise in revenues to about EGP3bn (USD441.9mn) in March 2014, compared with EGP2.8bn (USD407.4mn) in the same month in 2013. The canal also accounted for nearly EGP2.4bn (USD339.3mn) in revenues in February 2014.

Accounting for 3.1% of GDP in fiscal year of 2014/15 (fiscal year running from July-June), Egypt's logistics and transportation sector encompasses more than:

- 108,000 km. of paved roads.
- 9570 km. of railways.
- Globally ranked airports in all major urban centres, including a five terminal air cargo airports in Cairo.
- Six seaports on the Mediterranean and nine on the Red Sea.
- Six dry ports.
- An extensive network of Nile River transport facilities.

Although the sector is developing rapidly, there is still a demand for further growth, particularly as demand for imported goods increases in line with the growing income per capita. Furthermore, domestic enterprises are shifting their focus to export markets, which also requires an efficient and modernized transport infrastructure and logistics services.

Investments in this sector can arise in various forms, for example through the provision of materials required to upgrade Egypt's rail network, which is in need of significant infrastructural improvement. Alternatively, the ports and dry ports of the country offer investment opportunities in value-added services and large development projects.

Large scale foreign investments are still new to a sector, becoming prominent only in the past 10 years as a result of the opening up of the Egyptian economy, globalization and an increase of trade traffic. This open market has allowed investments by Dubai World in the Port of El-Sokhna, Hong Kong-based Hutchison in Alexandria and A.P.Moller Maersk in East Port Said, as well as smaller Italian investments in Damietta's seaport. Several domestic companies have also grown as a result of this economic openness. Egytrans Holding is a prime example of this, in that it provides complete supply chain services from freight management and packaging through distribution. Likewise, Egyptian International Shipping, which operates vessels between Asia and Egypt, diversified to provide shipping agency services when the market opened up in 1998.

Arguably, it is cheaper to invest in land transport because its infrastructure already exists. Despite this however, river transport is expected to boom since it could move around a million people a day via solar powered boats. The increasing flow of goods and permeating traffic jams will invariably lead logistics and transportation companies to consider rail or river investments, such as Citadel Capital's investment in a river port 20km north of Cairo.

Maritime transport will invariably see more activity as nearly 40 % of global oil transfer and 15 % of trade traffic pass through the Suez Canal, and Egypt's seaports handle 90 % of imports and exports. Experts have also pointed out that Egypt's largely undeveloped 2,000km coastline is a huge asset, and could be transformed into a port hub for foreign investors, particularly since only three of Egypt's 40 ports currently have international operators.

There are other less expensive investment opportunities in providing ship-related services such as food, laundry, supplies, cleaning and maintenance, and general and specialized warehouses. The used coast lines can also provide a good opportunity for ship scrapping ventures, which will in turn feed into other industries such as steel, aluminium and alloy producers.

## Areas of Investment in Transport & Logistics

### 1. Airport and Air Cargo

The Egyptian government is currently focused on building a new airport city at Cairo International Airport which will be worth an estimated USD14.49bn, and will cover an area of up to 10 million $m^2$ The Egyptian civil aviation minister has stated that the project is expected to take approximately seven years (from 2014) to complete, ultimately generating in excess of 100,000 jobs. The new facility will provide a new hub for Egypt Air, potentially boosting its business. The minister also stated that the ministry is preparing a plan to increase the EgyptAir fleet by $10m US dollars during the coming few years. This amount will include an increase in the number of EgyptAir airplanes to reach 127 aircrafts by 2025 as opposed to the current 81 aircrafts. The National Air Navigation Services Company is also committed to invest EGP 2bn in updating their systems to match those of their international competitors in the foreseeable future.

EgyptAir Cargo has four dedicated freighter aircrafts: two Airbus 300/B4F and two A300-600F models. The company also has the use of the belly holds of Egypt Air's passenger planes, enabling it to serve over 70 different destinations in Europe, North America, Africa, the Middle East and the Far East. Cargo revenue totalled 122.35mn tonnes in fiscal year 2011/2012 and cargo handled for foreign airlines in 2011/12 reached 68,000 tonnes. In the same year Egypt Air Cargo extended its market share by 5% to off-set the fall in volumes which occurred as a result of the political turmoil in the country. 59% of the cargo carried arose from exports, 29% from imports and the remaining 12% was carried on charter. In 2011/12, 57% of exports on freighters were to the Middle East, and 33% to Europe, making them the primary benefactors of the sector.

Expansion of the freighter line aims to double capacity to 25,000 tonnes a year at its Cairo cargo terminal. The development of Cairo as a freight hub will result in more flights and further expansion of Egypt Air Cargo. As of 2010, Egypt air's handling figure reached 197.66mn tonnes.

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|---|---|
| **EgyptAir Holding Company** | | | | | | | |
| Turnover (E£m) | 8,959 | 12,161 | 12,998 | 13,509 | 12,890 | 14,545 | 16,593 |
| Net Profits (E£m) | 579 | 695 | 573 | 533 | -2,059 | -3,106 | -1,748 |
| Number of employees | 20,734 | | | 29,285 | 31,725 | 35,000 | 35,000 |
| Number of passengers (m) | 7.8 | 8.2 | | 8.7 | 8.0 | N/A | N/A |
| Passenger load factor (%) | | | | 72 | 68 | N/A | N/A |
| Cargo carried (tons m) | | | | 127 | 121 | 122 | N/A |
| Number of aircraft (at year end) | 45 | 50 | 59 | 66 | 76 | 79 | 81 |
| **EgyptAir Airlines** | | | | | | | |
| Turnover (E£m) | 6,947 | 9,265 | 9,917 | 10,189 | 9,678 | 10,975 | 12,877 |
| Net Profits (E£m) | 161 | 232 | 208 | 130 | -2,205 | -3,069 | -1,885 |
| Number of employees | 7,600 | | | | | N/A | N/A |
| Number of passengers (scheduled & non-scheduled) (m) | 5.7 | 6.7 | 6,8 | 7,3 | 6,8 | 7,2 | 7,8 |
| Passenger load factor (%) | 63 | 67 | 68 | 72 | 68 | 65 | 67 |
| Number of aircraft (at year end) | 38 | 40 | 48 | 50 | 63 | 64 | 65 |

There is therefore potential for investors to contribute to the development of the infrastructure of the various airports within the country which are continually looking to improve and match global standards. Specifically, investments are encouraged to enable the creation of more terminals within existing airports which can cater to the anticipated increase of Egypt Air's fleet. Opportunities also exist for those wishing to invest in equipment and technology to upgrade the operating systems of the national airline.

## 2. Rail

In September 1856 Egypt inaugurated the first railway in Africa and in the East which ran from Alexandria to Cairo, making it the second country in the world to operate a railway system (the first being the UK). Today, Egypt's railway network spans 5,530 kilometres, 60 % of which is in the Nile Delta and along the Nile Valley. Rail network in Egypt is ranked the 34th largest in the world, made up of 9570 kilometres of railway tracks and 705 stations. The subsector has long been considered the backbone of passenger transport in Egypt as it holds approximately 500 million passengers annually, 1.5 million passengers daily and over 6 million tons of goods per year.

In 2014 the sector expanded by only 1.9% which shows the need for further investment. In an attempt to revive interest in the field, The Egyptian National Railways took out a loan from The European Bank for Reconstruction and Development (EBRD) for €126m [$159m]. The loan will be used to finance six new trains under a pioneering "supply and maintenance" structure, where the supplier of the trains remains responsible for the maintenance over a minimum period. The locomotives and trains financed by EBRD are intended for use between Cairo and Alexandria, which are very crowded and show a clear need for increased capacity and availability. In addition, the new trains are also expected to provide higher energy efficiencies which will benefit the Egyptian people. Another important support component of this loan is to help the Egyptian National Railways to improve their corporate governance standards, so the loan will not only support the purchase of new railway wagons, but will also to improve the transparency of Egyptian railways.

The National Authority for Tunnels aims to create two car tunnels and a Railway tunnel in south Port Said under the Suez Canal in order to connect between Sinai and the valley. This plan, if carried out, will be a mega infrastructure project for the country and will facilitate travel immensely.

The government is currently seeking similar investments which can be used to expand the railway system and improve its overall functionality. To assist with this The Egyptian National Railways Authority (ENR) has formulated a plan with the following aims:

- Enhance safety measures and service provision through the development of 20 stations.
- Increase the railway share In passen ger transportation.
- Reshape the financial structure of the ENR to cover expenditures and enforcing the social concerns.
- Study the possibility of private sector participation in sector development.
- Training and personnel capacity building.

## Underground Metro:

As a result of a rapidly growing population and increased urbanization, total public transportation trips are expected to reach about 33 million trips per day by 2022. To match this surge in usage it will become necessary to expand the current metro lines for Greater Cairo so that they cover a larger section of the city. In February 2012 the first phase of the third metro line running from Attaba to Abbasseya began operating. The total length of this new line will be 43.22 km, with the first phase covering 4.3km. In 2014 it was anticipated that total public investments will be EGP 5.3 billion, of which EGP 4.2 billion is to be provided from the public treasury and EGP 1.1 billion from loans and foreign facilities. The government's strategy to maintain effective development includes:

- Completing the upgrading and development process of Cairo Metro line 2 & 3 by upgrading 20 trains.
- Upgrading the signalling system.
- Replacement of 4 km of tracks.
- Upgrading 20 stations.
- Upgrading the surveillance system.
- Finalizing phase 2 of line 3 (Abassya - Heliopolis) of which 82% of the construction work have already taken place.
- Tendering and execution of phase 3& 4 of metro line 3.
- Finalizing the technical studies concerning phase 1 of line 4.

### 3. Roads

Spanning 23,619 kilometres, Egypt's system of roads can be divided into 67, 15,303 single roads, 3,920kilometres of double roads and 476 kilometres of high ways. The effective functioning of these roads is of paramount importance to the country, as 53% of freight activity is carried out via the roads. Despite their importance, there is currently no logistics provider in Egypt with a consistent distribution infrastructure and there is also a lack of services for road based transportation. Consequently, Egypt's road network is in need of investments for expansion and development, particularly in the south which is comparably worse than the rest of the country. The need for expansion is accentuated with the upsurge in car ownership, which will in turn require the creation of more freight corridors to ease congestion and drive economic development.

There has been talk of several projects which are bookmarked for the foreseeable future, the first of which is a bridge between Egypt and Saudi Arabia. The transportation ministry stated that Egypt's roads need $8bn in investments over the next 5 to 10 years particularly for more transit points and connection links on the roads. The ministry proposed a Safaga – El Quseir – Marsa Alam road with an $85m cost, a $71m Ras Sudr - Sharm Al-Sheikh road and a $640m road that extends from Alex in the north west of the Nile to Abu Simbel in the South. Meanwhile, the ministry has also adopted new tunnelling and urban transport projects in order to satisfy demand, accommodate the traffic increase and provide safe and efficient urban transportation.

To further facilitate investment, new government legislation has allowed quasi-governmental bodies, such as the Egyptian railways, to issue bonds, which will in turn result in greater investment

## 4. Ports and Dry Ports

With 15 commercial and 51 specialized ports (6 tourism, 15 petroleum, 9 mining and 21 fishing and 17 berths) across the Mediterranean Sea and the Red Sea, this category of Egypt's transportation sector is considered one of the most successful. The largest port in Egypt is the Alexandria port which accounts for 35.4% of the total handled goods. The Damietta port holds 21.2%, Port Said holds 30.6% and the Red Sea port holds 12.8%.Port Said holds the largest number of containers handled in Egyptian ports, representing 59.3% in 2011 of the total containers handled by the Egyptian ports. The Port serves as a regional trans-shipment hub for container traffic, while the Suez Port plays an important role for both cargo handling and Suez Canal transit operations.

The existence of these diversified ports generates direct revenues from the Suez Canal, as well as indirect revenues from the traders which use the ports for supply transportation. Total output at East Port Said is estimated to have grown by 3.5% to 26.51mn tonnes in 2014, and will average a 5.4% increase per annum until 2018. East Said Port is managed by international terminals operator APM Terminals.

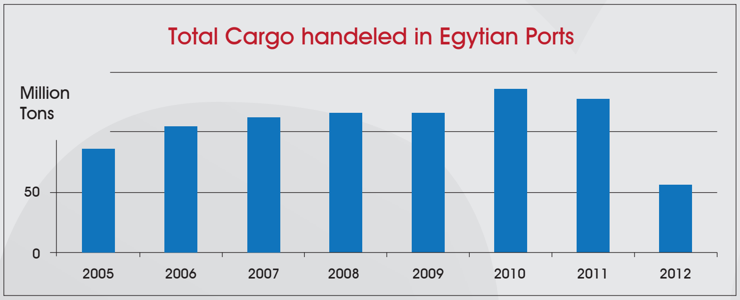
With the aim of upgrading ports to accommodate larger ships and increased trade, the Egyptian Ministry of Transportation is investing EG67 million (US$9.6 million) in the dredging of the Damietta Port.

As the rate of import/export activity increases (estimated increase of 4.8% over the next 20 years) dry ports will play an important role in reducing the pressure currently experienced across the working ports, as they will offer storage, cargo handling, customs clearance and other import/export services. The six strategically located dry ports in Egypt (all accessible by road and one to be accessible by both road and rail) require enhancements to their service portfolios to become integrated logistics centres with efficient operations at lower costs. As of June 2014 total companies established in the transportation field reached 2,998 with total investments of USD$4.4 billion.

The governments' plan centres around their desire to increase their competitiveness and output capacity of the ports through the establishment of new berths, renewing the existing passenger halls, upgrading the data transfer system, replacement of the out dated navy locomotives, and the establishment of logistics and distribution centres, furthermore, forming the suitable safety measures related to the maritime unites and developing the navigational assistance.

To achieve these measures projects will include

- 3 developmental projects in east port said
- Elevating the efficiency of the navigational tunnel in Arish port.
- Finalizing the developmental projects related to Red Sea ports to raise their efficiency and capacity.
- Raising the capacity of Damietta port




Source: Egyptian Maritime date bank

## 5. River Transport

River transport provides one of the most viable investment opportunities in the sector as it is responsible for carrying approximately 1.3million tons of cargo per year. Egypt's river transport network consists of 1,850 kilometers of navigable waterways, 11 locks, 39private ports and five public ports. The government is currently looking into developing four new routes totaling 1,790 kilometers. The barges' current capacity of 800,000 tons is fully utilized by rising demand, and this subsector offers significant investment opportunities as demand is projected to increase steadily by an annual rate of 4.8% to reach 2.1 million tons by 2026. Four river ports have been earmarked for development in order to handle future demand for passenger service and cargo shipments. The ports also require new service and storage facilities.

## Nile Taxi

The Nile taxi is a recent idea launched to provide a new and environmentally conscious means of transport around the city. The taxi operates from Maadi to the Nile City towers in downtown Cairo seven times a day from 8am to 5pm. Although the project has already gained significant positive feedback from the people of Egypt, it remains the only one of its kind which suggests that there is room for similar services across the city.

## Advantages:

- **Unique Geographic Position:** Located at the crossroads of international trade between Europe, the Middle East, Africa and Asia, Egypt is positioned to become a major global logistics hub. As a result, businesses are increasingly seeking to base themselves in the country as a springboard to Europe and booming regional markets.

- **Rising Domestic Demand:** A growing domestic demand for imports and a rapid rise in export oriented businesses is creating strong demand for logistics and transportation services in a market that is far from saturated.

- **Greenfield Opportunities:** Greenfield opportunities exist in subsectors such as the road network, which is the most used means of transporting freight but currently has no logistics provider with a consistent distribution infrastructure.

- **Built-in Markets:** Approximately 8% of world maritime trade flows through the Suez Canal each year, with ample opportunities for ship/container repair and value added services. In addition, Egypt's growing import/export trade requires logistics and transportation solutions. Built-in markets provide a broad customer base and variety of opportunities for logistics and transportation companies looking to set up shop in Egypt.

- **Underdeveloped and Expanding Sector:** Growing demand is causing capacity short falls in the nation's logistics and transportation sector, which is currently underdeveloped in terms of both infrastructure and services. There are therefore, major investment opportunities from infrastructure projects to value-added services and the ability for investors to attain large market share.

- **Labour Force:** Egypt has a large, educated, trained and competitively priced labour force eager to work in such sectors as logistics and transportation. A government-run industrial training program is providing hundreds of thousands of skilled workers for the industry. These low labour costs combined with educated, skilled labour improve profitability year after year.

## Suez Canal

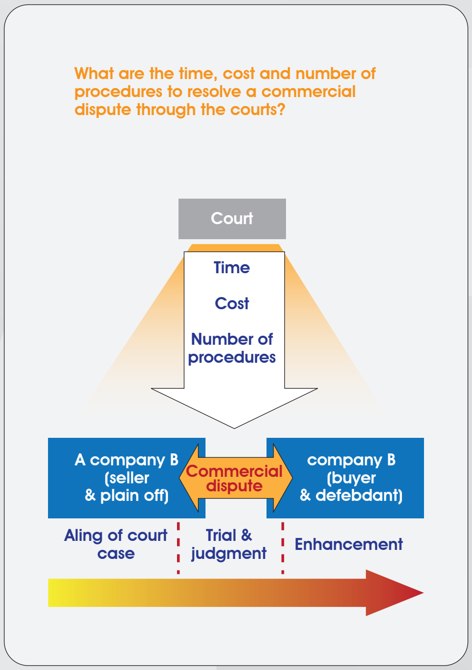
Egypt is creating a new Suez Canal alongside its -145 year-old predecessor through a multi-billion dollar project aimed at expanding trade along the fastest shipping route between Europe and Asia. The plan is to build seven new tunnels under the canal (three in Port Said and four in Ismailia) and to transform a 76,000 km2 area on both banks of the canal into an international logistics, commercial and industrial hub. The estimated initial cost of the project is $4 billion; however economists expect revenues to hit $ 100 billion annually when completed. The current Suez Canal brings in around $5 billion of revenues per year, showing its important role as a source of hard currency for Egypt. Construction of the new passage is scheduled to take a year. Once completed, the new canal will reduce maximum waiting hours for ships to three hours from 11 hours. This mega project will provide million job opportunities once the first stages are completed, making a real qualitative leap in the national economy.

## Companies Involved:

In October 2014 Egypt signed contracts with six international dredging firms: the National Marine Dredging Company of the United Arab Emirates, Royal Boskalis Westminster and Van Oord, both based in the Netherlands, Jan de Nul Group and Deme Group, both of Belgium, and U.S.-based Great Lakes Dredge and Dock Company. The companies would work in five zones while engineers from the Egyptian Army work in a sixth zone of the canal. In the same month, state-owned Arab Contractors and the private Orascom Construction Industries (OCI) were selected to build four of the tunnels, two for cars and two for railways. In November 2014 the Armed Forces announced that alongside the above contracts, the German firm Herrenknecht was selected to provide drilling equipment to build the tunnels

## The Egyptian Legal System

Egypt's system of civil law is based on a legal code derived largely from the Napoleonic Code. Jurisdiction is determined on the basis of the claim value. Cases up to and including EGP 40,000 (US$5,700) are heard by the lower division of the courts of first instance, and those above EGP 40,000 are heard by the upper division.



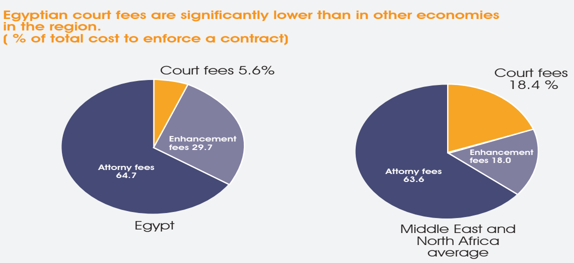

The Civil and Commercial Procedural Code regulates the procedures before all sorts of courts as laws, regulations and procedures are the same across cities. However, the court jurisdiction varies from one local court to another according to the nature of the dispute.

One way to reduce caseload is alternative dispute resolution (ADR). Since 2009, the International Finance Corporation (IFC) has supported an ADR project by providing professional training and certification for mediators, conducting awareness raising workshops, and assisting with the drafting of Egypt's first mediation law, which will regulate both private and judicial mediation. These efforts have already started to produce positive results. There is a now steady referral of cases to mediation at the three IFC-supported institutions—the Economic Courts, the General Authority for Investment and Free Zones, and the Cairo Regional Centre for International Commercial Arbitration—and the average number of days required for case resolution through mediation is 28.6 days.

The average cost of litigation in the Egyptian cities measured is 23.6% of the claim value, is significantly lower than the global average of 35.1% and below the regional average of 24.6%. Court and enforcement fees are regulated nationally by the Ministry of Justice as set by the Law on Court Fees and therefore are identical across cities. Egypt's court fees, at 1.3% of the claim value. are among the lowest in the world. Together, the court and enforcement fees constitute 35.3% of the total cost, with court fees accounting for only 5.6%, compared with 18.4% of the total cost in the Middle East and North Africa. Court fees such as the fee to file a case are fixed, while the enforcement fees are largely based on a percentage of the claim value.

Egypt is one of the countries which take less time to issue a judgment. As the number of days it takes to consider a lawsuit is 1010 days. This is relatively good in comparison with Italy that takes 1185 days to consider a lawsuit.

Such period could be reduced in many governorates where an efficient computerized system allows judges and court registers to access case information including trial dates, adjournment and final judgment.




## Relevant Laws:

## Importation and Exportation Laws

The two basic laws governing international trade activity in Egypt are the Customs Tariff Law No. 66 of 1963 and the Import & Export Regulations Law No. 118 of 1975.

### 1. Customs Tariff Law of 1963

Key provisions of this law read as follows:

- Taxes and tariffs shall be collected according to the rules and rates set forth by the Customs Authority.
- Items shall be classified according to the provisions, and the general explanatory rules.
- For the re-importation of goods exported temporarily for completion of their manufacture, customs taxes shall be collected on the end imported product plus all transport and insurance expenses.
- For the re-importation of goods temporarily returned to the country of origin for repair, customs taxes shall be collected at the rate of 12 % of all repair costs plus all transport and insurance expenses.

- Customs taxes shall be collected at the rate of 22 % on machines, equipment, apparatus and instruments, excluding passenger cars, as imported by hotel and tourist establishments.
- Assembly industries may request authorization for treating their products under the Customs Department's control to tax their products according to provisions mentioned in Article 6 of the Presidential Decree No. 300 of 2004.

## 2. Import and Export Regulations Law of 1975

### *Imports:*

The import of goods is allowed by both the public and private sectors.

Commodities subject to specific import controls may not be imported unless they are first examined to ascertain their conformity to the conditions and specifications decreed by the law, or unless they are accompanied by a certificate of examination approved by the Egyptian authorities, conforming their fulfillment to the regulations.

### *Exports:*

The Minister of Foreign Trade shall issue a decision organizing export operations whether from local production or from previous imports, and shall issue certificates of origin and lay down the procedures to be followed in this connection.

The Minister of Foreign Trade & Industry may restrict the export to agreement countries and also the export of certain essential commodities to the public sector.

Exports can only be practiced by persons whose names are recorded in the register and in the Ministry of Foreign Trade. Persons whose names are to be recorded in this register should belong to one of the following categories:

- Egyptian shareholder companies whose head office resides in Egypt.
- Public organizations, cooperatives and their unions.
- Persons and companies fulfilling the conditions to be defined by a decision of the Minister of Foreign Trade.

The conditions, forms, proceedings and documents relating to registration and its renewal in the register, modifications of the data striking out and cancellation will all be defined by a decision from the Minister of Foreign Trade. As will duties of registration, renewal and modification of data, and extracted copies, provided that they do not surpass the following limits:

- LE50 for duty of registration in the exporters register.
- LE15 for duty of renewal of registration every three years.
- LE5 for duty for modification or insertion of date.
- LE3 for duty for copy extracted from the register.

Despite the need for an Egyptian shareholder company to partake in exportation activity there are many legal ways to allow foreign investors to carry out import/export activities within Egypt, for example through the formation of a limited liability company with an Egyptian company.

### 3. Investment Law No.8 of 1997

This law offers incentives for Egyptians and foreigners for investment in certain fields which include the provision of infrastructure projects for roads. The law provides the following incentives for investors:

- Companies may not be confiscated or nationalized.
- Companies and their assets cannot be sequestered, seized or expropriated by administrative order.
- No administrative body can interfere in setting prices or profit margins.
- Projects are allowed to repatriate their capital and profits.
- Projects may be entirely owned by foreigners. Furthermore, their boards of directors may be wholly composed of foreigners.
- Companies have the right to own building lands and develop real estate as needed for implementing and expanding their activities, regardless of the nationality or place of residence of partners and shareholders or the percentage of their participation. (Except for Sinai, as Foreign ownership is only allowed in the case of partnership with an Egyptian partner who has to own 51 per cent of the land).
- Projects are exempted from certain labor requirements of the Egyptian Companies' Law and the Labor Law.
- Foreign experts' salaries are exempted from income tax if their stay in Egypt is shorter than one year.
- Projects are free to maintain foreign currency bank accounts.
- Projects are subject to a flat rate of 5 per cent in customs duties on imported equipment and machinery.
- Projects are exempt from stamp duties and notarization fees for 3 years from the date of registration with the commercial register.
- Projects are exempt from all registration and notarization charges normally levied on contracts.

## 4. Maritime Law 1 of 1998

Permits private companies, including foreign investors, toconduct most maritime transport activities, including loading, supplying, and ship repair.

## 5. Aviation Law 502 of 2005

Foreign investment in air transport is allowed up to 49% in companies involved in regular international and domestic flights (for both passenger and cargo services). Foreign investment up to 100% is permitted in ancillary services including maintenance and repair of aircraft, selling and marketing of air services and computer reservation systems.

## 6. Article 2 of Law 152 of 1980

Private investors (foreign and domestic) may invest in the development of new rail networks but only if these do not compete with the existing government controlled network.

## 7. Companies Law 159 of 1981

Law 3 of 1998, amending law 159 of 1981, covers investors including shareholders, joint stock, and limited liability companies and representative and branch offices. It allows for automatic registration of a company upon presentation of the application to the Companies Department and for acquisition of legal status 15 days after annotation in the Commercial Register. The Administrative Authority can challenge the establishment of the company within 10 days of its notification in case of non-compliance with procedures; the company's objectives contradict with laws or public order; or lack of qualifications requisite to operating a business (Article 17 & 18).

Founders of joint stock companies must submit a bank certificate showing a 10% deposit of the issued capital to the Companies Department, to be increased to 25% within three months (Article 32); as for the limited liability companies, the issued capital should be fully paid.

Law 3 of 1998 amending law 159 provides for the right of petition for denial of incorporation, removes the restriction that 49% of shareholders must be Egyptian, allows 100% foreign representation on the board of directors, and redefines accounting standards.

## International Success Stories

### 1. KGL PI

Kuwait and Gulf Link Ports International (KGL PI) is a subsidiary of Kuwaiti transport giant KGL. In2006, KGL PI signed a 40-year concession agreement with Damietta Port Authority (DPA) to build, finance and operate a US$1 billion container terminal in Damietta. The first phase is partially complete and operating, with a current annual capacity of 5.6 million tons of mostly grain, flour, other bulk goods and general cargo. By mid-2011, the terminal output capacity reached 2.5 million TEUs per year, and it is expected to reach 4 million TEUs per year by mid-2016.Taking full advantage of Damietta's already strategic location, the new container terminal will give the Nile an inland container depot for barges and other container ships arriving as feeders to mother ships waiting at Damietta Port. Specialized in transport, off-loading, stevedoring and the handling of various types of cargos, KGL PI has established relationships with its customer shipping lines and with ship owners recruited as shareholders and partners in KGL PI ventures and projects. The combined expertise of these partnerships allows the operators to maximize the terminal's efficiency and productivity. The new facilities are expected to handle some of the largest container ships traversing the Mediterranean, significantly lowering operating costs and sailing time for transshipment activities.KGL PI expects an internal rate of return of more than 15% per annum throughout the duration of the contract.

### 2. Mediterranean Shipping Company (MSC)

Founded in 1970 in Geneva, Switzerland, MSC launched its first service between the Mediterranean and South and East Africa in the mid-1970s. In 2003 it became the second largest container shipper in the world, and remains in that position. The carrier operates 200 direct and combined services weekly, calling at approximately 335 ports. It has 421 offices in 145 countries and employs more than 30,000 staff.

### 3. DB Schenker

DB Schenker is a wholly owned subsidiary of Deutsche Bahn AG that focuses on logistics. The company, created by reorganization and rebranding of Deutsche Bahn subsidiaries, comprises a logistics division encompassing air, land, and sea freight, and a rail division made up from European rail freight companies. The company operates in Egypt in alliance with Egyptian Transport & Commercial Services SAE, and has two offices in Cairo.

### 4. Nippon Yusen Kabushiki Kaisha (NYK Line)

NYK Line originated in Tokoyo and has become one of the largest shipping companies in the world since its conception in 1885. The company specializes in Global logistics based on international marine transportation business, cruises, terminal and harbor transport, shipping-related services, real estate, and others, and currently employs 1590 employees worldwide. NYK Line operates a cargo service in the Alexandria Port through Worms Alexandria Cargo Service.

### 5. Agility

With a major distribution center, freight forwarding operations and project logistics capabilities, this Kuwaiti company has become a top logistics supplier in Egypt. The Agility warehouse in 6th of October City offers more than 60,000 pallet positions with material handling lifts transferring goods to 67 loading docks. Agility teams in other four locations offer superior solutions for the movement of time-sensitive cargo and online tracking of goods transported overland or through major air and sea ports. Agility helps domestic and international businesses to capitalize on commercial opportunities in this developing marketplace.

## National Success Stories

### 1. Egyptair Holding

Egyptair is the world-renowned national airline of Egypt, based in the cosmopolitan city of Cairo. It started operating on the 7th of May 1932 as the first airline in the Middle East and Africa and the seventh in the world to join IATA. Throughout its 80 years of service, Egyptair has experienced significant growth, allowing it to become the prestigious multifaceted company that it is today. Egyptair Holding Company has a highly reputable and advanced Training Centre which provides training programs in various fields for Egyptair companies and other international businesses. Furthermore, the Egyptair Training Centre includes the latest flight simulators in the Middle East. On the 11th of July 2008, the airline officially became the 21st member of Star Alliance.

Egyptair cargo established its 1st cargo terminal in May 1981. Since its foundation it has been on the forefront of transporting and handling of general and special cargo. In September 1991 another cargo terminal at Alexandria International Airport was established with a capacity of 20,000 tons per year to better serve the northern region of Egypt. Both terminals are connecting their operations through a surface transportation in addition to the domestic flights. In February 2006 another cargo terminal at Luxor International Airport was established sharing 50 %with

The Egyptian Company for airports with a capacity of 20,000 tons per year to better serve the southern region of Egypt. Egyptair Cargo fleet is composed of four medium range wide body aircrafts, two A300B4F and two A300-600F, which serve more than 70 scheduled international destinations in the major cities in USA, Canada, Europe, Africa, Gulf area and Far East. Egyptair cargo now boasts a team of more than 1400 employees serving more than 40international airlines and more 80 cargo agents, and is expected to double its storage capacity within the next two years.

## 2. National Navigation Company

National Navigation Company was established in 1981 to implement the strategy adopted by the Egyptian government to develop the Egyptian commercial fleet by allowing companies and individuals to own commercial vessels without a maximum payload. The company is considered the largest shipping Egyptian company specialized in shipping dry cargo among the world's largest ports. It is also responsible for conducting regular liner lines for vessels owned or chartered for shipping general cargo among ports in Northern and Western Europe, the Adriatic, the Black Sea, and the Mediterranean Sea. This is in addition to regular passenger transport among ports of Suez, Safaga, Jeddah and Yanbu.

## 3. Cairo International Airport

Located at the crossroads of Africa, the Middle East, Europe and the Persian Gulf, Cairo International Airport is located to become the gateway to Africa, the Middle East as a regional hub for millions of visitors to Egypt. The Ministry of Civil Aviation along with the Egyptian Holding Company for Airports & Air Navigation and the Cairo Airport Company have embarked on a long-term development plan to upgrade and modernize its facilities, increase its capacities and set a new standard of service in the region. Cairo Airport's mission is to become a passenger and cargo hub for the Middle East and North Africa region. The plan is to achieve the top levels of service by rising to global competitive standards and gradually applying air transport liberalization policies. Part of the airport's strategy includes working closely with Egypt Air and its partner star alliance airlines. The openings of the 211,000 meter squared terminal 3 doubled the capacity of the current facilities to 22 million annual passengers.

## What Maher Milad Iskander (MMI) law firm Can Do For You

With over 25 years of experience Maher Milad Iskander & Co. can assist in the following areas:

- Preparing and reviewing all kinds of contracts like transportation contracts, logistics agreements, equipment leases, independent contractor agreements, shipping documents, rate tariffs and carrier interchange agreements. And also, participating in negotiations, providing pre-contract advices and drafting of all kinds of contracts.
- Incorporating companies; laying down programs with management of companies to prevent probable crimes such as bribery, corruption and embezzlement, monitoring operations carried out by companies' legal departments and preparing reports and recommendations to render such managements effective.
- Providing consultation to companies and Clients and represent them before the courts of first instance, courts of appeal and the Court of Cassation based on the wide experience of our firm in laws and procedures.
- Providing assistance in tax inspections and representing the client in several tax procedures before the Tax Administration and Courts.
- Represent carriers and shippers in disputes involving national and foreign transportation laws
- Merger and Acquisition operations; selling and purchasing assets.
- Providing advice on development, planning and construction of transport and logistics projects, including methods of financing.
- Informing our Clients with the updates of the national and international Laws relating to the Transport and Logistics industry.

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