

# Sokhna: Egypt’s 21st Century third generation port on the Red Sea

Named after the Arabic word for ‘hot’, Sokhna Port’s diverse portfolio of commodities and constant development means the port is living up to its name

**Ashraf Ghazy**, Senior Translator, GM Publications & Translations Dept., Damietta Port Authority, Damietta, Egypt

## Economic background

To meet growing demands of the domestic economy, and to replenish the projected requirements of Asian economies to move more and more goods to Western markets, an urgent need to enhance Egypt’s ports capacity and provide efficient and diversified services (particularly transshipments) came about.

The UNCTAD estimated that global seaborne cargo traffic will increase annually, since 80 percent of the world’s 6 billion tons of cargo was moved by maritime shipping. Trade relations with Asian countries, including Japan, account for 37 per cent of the total volume of seaborne global exports. Asia-Europe routes have recorded a 20 percent annual growth rate since the turn of the millennium, thanks to the flourishing trade between the two regions.

According to the IMF, the Middle East already has shown one of the world’s strongest trade growth rates, averaging 4.5 percent a year.

## History

Hailed as a backdoor to avoid funding constraints that are usually concomitant to infrastructure projects, the Government of Egypt believed that a BOT model was the most viable option for financing the new port at Sokhna to satisfy the requirements highlighted above. However, while infrastructure works were being carried out, the Egyptian Ministry of Transport announced

an international tender for the Port early in September 2009 to operate under a BOT system. International bidders were invited to operate and manage the facility and build necessary superstructure.

The Sokhna Port Development Company (SPDC), an operating company of the Amiral Group, won the renewable 25-year BOT concession agreement. To improve efficiency, add capacity, streamline procedures and reduce costs, Egypt passed legislation in January 1998 to allow the privatization of the maritime sector, affording private companies the chance to operate ports and perform as maritime agencies. Sokhna was to become the first fully privately operated and automated port in Egypt.

## Port modernization vanguard

SPDC was set up in 2000 with permissible investment of EGP 10 million. It won the port’s first basin terminals management concession for 25 years ending in August 26th, 2025.

SPDC principally aims to replace the traditional port model, which has been tied up to conventional stevedoring operations for many years, by the modernized model of diversified productive activities related to global logistic investments. Key outcomes include enhanced export, more work chances (over 1700 in 2006); sophisticated technology (in 2006 inspection and control systems turned out EGP 26 million, while customs generated EGP 7.1 billion), and value-added services.



Strategically located to serve one of the world’s busiest commercial shipping lanes, Sokhna Port is already capitalizing on Egypt’s location at the global crossroads of East and West

TABLE 1: BASIC STATISTICS OF SOKHNA PORT

Item	Numeric			
Total space (km <sup>2</sup> )	87.80			
Land Space (km <sup>2</sup> )	22.30			
Water Surface (km <sup>2</sup> )	65.50			
Maximum Port Width (km <sup>2</sup> )	5.50			
Entrance Channel (m)	Length	Width	Depth	Diameter
	3650	350	17-18	650
Capacity	Max.	Actual (2009)		
	Cargo (million tons)	8.5	4.9	
Containers (million TEUs)	0.4	0.4		
Passengers	–	0.5		
Berths	Container		Others	
	Number	1	7	
Length (m)	750		2350	
Depth (m)	17		17	
Warehousing & Storing (m <sup>2</sup> )	11140			

Nine years later, SPDC won the right in January 2008 to construct an extension to the existing CT, at a space of 640,000m<sup>2</sup> totaling 1,300 m in length. The company agreed to bear costs of dredging the turning basin, constructing further berths and providing utility labor.

One month later, in an official ceremony in February 2008, DP World bought 90 percent of SPDC controlling stakes against US\$670 million to manage and operate the first basin in Sokhna Port.

## Sokhna Port profile

The port is a state-of-the-art maritime facility, seamlessly integrating cutting-edge technology with the latest management and security skills. Built within the Suez Special Economic Zone (SSEZ), Sokhna is poised to develop into a major commercial and industrial hub in Egypt.

In 1999, the Egyptian government decided to establish this deepwater port on the Red Sea, 40km from the southern entrance of The Suez Canal and 140 km southeast of Cairo.

Represented by Ports of The Red Sea Authority, the Government took bank loans worth of EGP 1 billion to establish the Sokhna Port, at an annual premium of EGP 120 million.

Current port facilities comprise of:

- Container terminal
- General cargo/Ro-Ro terminal
- Bulk terminal
- Livestock terminal
- Logistics Center, featuring highly competitive logistic cost of manufactured products compared to other regional ports
- Internationally certified inspection laboratories
- Ship fuelling.

Technology in use at the Port consists of:

- Modern Post-Panamax ship-to-shore container gantry and stacking cranes
- Fully computerized Terminal Handling and Planning System

- Fully automated vessel, shipping, customs and port processes, integrated into Sokhna Port's state-of-the-art IT systems
- Sophisticated computer database system that contains complete up-to-date information on ships' bay plans, stacking positions, delivery and dispatch data
- Customs at Sokhna uses an Electronic Data Interchange (EDI) system to ensure speedy and uninterrupted ship and cargo processing.
- To effectively communicate with brokers and consignees, SMS allows prompt messaging of cargo arrival and inspection times together, with a quick documentation process.

## One-stop shop

Internationally accredited laboratories are located at the port. The laboratories act as one-stop-shop for verifying maximum cost efficiency and speed of handling, as well as safety and quality of imported and exported food products and primary produce. This procedure ensures speedy and efficient cargo clearance, as samples need not to be sent off-site for testing.

Additionally, this 'One-Stop-Shop' offers a good package of services including:

- Documents and files reception and routing
- One-step data entry and document scanning (for Customs & GOEIC)
- Customer-operated enquiry stations, 'kiosks'
- On-line transaction status display, 'plasma monitors'
- Two-way, online Port-customer communication via SMS
- One-on-one discussions via video conferencing
- Invoices and clearances delivery.

## Environment and safety

Every reasonable effort is made to ascertain that the Port area meets the highest regional and international regulations and standards for environmental protection. To this end, Sokhna Port has formed a special environmental unit within its management team to develop and monitor environmentally friendly port operations.



DP World-Sokhna is perfectly positioned to handle cargo flows of up to several million tons and 750,000 TEU containers per year into and out of Egypt and the wider Middle East region.

TABLE 2: CARGO TRAFFIC IN SOKHNA PORT, JANUARY-APRIL 2010, IN 1000 TONS EXCLUDING EMPTY CONTAINERS

Type of Commodity	Imports				Exports			
	Jan	Feb	March	Apr	Jan	Feb	March	Apr
General cargo	161	56	88	176	41	60	47	30
Dry bulk	–	–	–	44	–	–	–	–
Liquid bulk	–	–	–	–	–	–	–	–
Containers	182	146	182	173	141	170	229	247
Special cargo	–	–	6	–	–	–	–	–
Transit cargo	94	85	102	111	–	–	–	–
Sokhna totals	437.2	286.8	378.9	504.6	181.9	229.5	275.6	276.3
Egypt's grand total	7,181	6,359	7,293	6,972	4,015	3,969	4,442	3,844
Sokhna percentage	6	4.5	5.1	7.2	4.5	5.7	6.2	7.2

TABLE 3: CARGO TRAFFIC IN SOKHNA PORT 2007-2009 IN 1000 TONS, EXCLUDING EMPTY CONTAINERS

Type of Commodity	Imports			Exports		
	07	08	09	07	08	09
General cargo	98	246	586	188	192	589
Dry bulk	40	29	63	1286	238	79
Liquid bulk	18	18	–	–	–	–
Containers	1,439	1,752	1,556	997	1,239	1451
Special cargo	–	4	9	–	–	–
Transit cargo	826	653	553	15	145	34
Sokhna totals	2,421	2,701.4	2,766.9	2,486	1,814.9	2,151.7
Egypt's grand total	65,101	70,273	77,490	47,168	45,936	45,649
Sokhna percentage	3.7	3.8	3.5	5.2	3.9	4.7

Furthermore, all Port employees attend environmental awareness programmes, where they receive practical training and tips on how to respond effectively and promptly to emergencies. The Port Authority has also purchased the latest technological equipment and individual safety uniforms to guarantee maximum safety to its employees.

### A paradigm for economic development

Sokhna Port and Logistics Centre is a public-private business model. Strategically located to serve one of the world's busiest

commercial shipping lanes, the Port and Logistic Center have already begun to capitalize on Egypt's location at the global crossroads between the East and West, and the expected rebound of maritime trade in the foreseeable future.

In 2005, the Port attracted Foreign Direct Investment (FDI), worth over US\$2 billion, from countries such as Australia, Holland and Austria, thus becoming one of Egypt's key FDI earners. Forecasts indicate that Sokhna-generated FDI could reach \$15.7 billion in 2030. The Port is expected to offer more than 40,000 jobs and inject \$6.4 billion annually into the Egyptian economy.

TABLE 4: SHIP TRAFFIC IN SOKHNA PORT 2007-Q1, 2010

Type of Vessel	07	08	09	Q1 2010 January	February	March	April
General cargo	64	29	36	5	4	5	1
Dry bulk	49	27	21	3	1	1	5
Liquid bulk	1	–	17	2	2	2	1
Containers	220	262	349	32	25	28	26
Rolling	–	2	1	–	–	–	–
Passengers	–	18	35	5	4	5	10
Others	–	6	–	1	–	–	–
Sokhna totals	334	344	459	48	36	41	43
Egypt's grand total	19635	20299	20278	1576	1506	1733	1627
Sokhna percentage (%)	1.7	1.7	2.2	3.0	2.4	2.3	2.6

TABLE 5: CONTAINER TRAFFIC AT SOKHNA 2007-Q1 2010, IN TEUS (EXCLUDING EMPTY CONTAINERS.)

Type of Commodity	07	08	09	Jan 2010	Feb	March	Apr
Local TEUs	355420	405668	374501	44393	36816	46736	45752
Transit TEUs	78417	75949	53378	8012	7489	8701	8466
Sokhna totals	433837	481617	427879	52405	44305	55437	54218
Egypt's grand total	5076573	6082003	6176274	576513	519414	587439	514748
Sokhna percentage	8.5	7.9	6.9	9.09	8.5	9.4	10.5

## 2009/2010 Investment plan

According to the general master plan of the Port, an international tender was launched in September 2009 to invite bidders to submit their offers for building, operating and transferring a liquid bulk terminal on an area up to 250,000m<sup>2</sup>, with a 240-meter long and 17-meter deep berth, together with the construction of the second berth in the third dock of El Sokhna Port.

## DP World

DPW is a famed global port operator possessing massive investments in 47 percent of global ports. It runs 48 terminals worldwide, and 13 further marine establishments are underway in 31 countries. The company functions according to carefully planned priorities informed by regional shipping trends, demand volumes and available capacity in every port independently.

In 2007 DPW's aggregate TEU throughput reached 43 million (an 18 percent increase on 2006). With the close of June this year, DPW net revenues reached \$188 million, down from \$287 million for the same period the prior year. Cash liquidity is in the region of \$3 billion and the company keeps the tradition of injecting \$1 million annually, as monetary reserve.

Noteworthy, DPW-Sokhna capital is \$50 million, distributed in one million stakes with a nominal value of \$50 each. Additionally, and because of a streak of successful achievements throughout 2009, DPW was excluded from the restructuring scheme its mother company is embarking on.

## DPW Sokhna

DPW Sokhna is Egypt's first deep-sea port. It can accommodate large container vessels of over 8,000 TEUs, and bulk carriers of up to 150,000 DWT. DP World initiated its investments in the Egyptian market in February 2008, when it acquired a 90 percent controlling stake in SPDC for \$670



Facilities to accommodate large container vessels of over 8,000 TEUs and bulk carriers up to 150,000 DWT are available.

million. The remaining 10 percent shares remain with Amiral Holdings Limited.

According to the concession, DP World Sokhna should pump \$1.3 billion worth investments over three years to establish:

- 1,300m long berth with capacity of 2 million TEUs per year.
- Liquid bulk terminal, with 400,000m<sup>2</sup> storage capacity.
- General cargo terminal with an 800m long berth.

In June this year, DPW Sokhna decided to pump EGP 500 million to develop First Basin, dedicated to container handling. Fifty percent of the amount will come through self-financing and other 50 percent from a bank loan from International Commercial Bank (ICB). The development scheme, which entails the purchase of further handling equipment and yard extension, is scheduled to cover 12 months and aims to lift handling capacity from 650,000 TEUs to 1.1 million TEUs per annum. The Company is connected to the hinterland road network via one single large entrance area.

Throughout the Port area, a network of main roads has been constructed and all utilities, including water, electricity, telecommunications and IT networks are well established.

In the near future, DPW-Sokhna should be starting the second basin with handling capacity of 1.5 million TEUs. Tentatively, investments are around \$650 million. Together the two basins will bring the overall handling capacity of the terminal to 2.6 million TEUs annually.

Currently, the company is studying a final agreement with the Egyptian Ministry of Transport to operate the third basin, which will be dedicated to liquid bulk and petroleum products.

The company's investments are expected to hit \$2.2 billion over the coming three years.

In January to September 2009, DPW-Sokhna attained \$14.8 million in net revenues against \$17 million for the same period the previous year. All expansions are proceeding as planned.

## Soaring demand for Port services

DP World Sokhna experienced unexpected huge volumes in the last five months (January to May 2010), recording a 60 percent increase in import cargo and an 88 percent increase in export volumes, compared with the same period last year.

Most recently, congestion occurred at the container terminal and customers were disappointed as available space on board was unable to meet dispatch requirement. The company tackled the situation swiftly: the 130 percent uptick in operation capacity, reflecting a higher demand on port services, was powerful enough to prompt DPW Sokhna to bring in further equipment for container handling, stacking and inspecting, to offset the temporary delay in transit container release. This year, container handling rates increased by 25 percent compared to the previous year.

This June, Businessmen Societies filed complaints with Transport Minister that 41,000 containers are still waiting for release at Sokhna – because inward flow is higher than outward release potential.



The expected flows of containerized goods, the procedural advantages and the most advanced IT systems afford Sokhna a competitive edge.

However, on their part, Customs Authority officials stressed that non-conformity in some B/Ls was behind the delay, and necessitated a 100 percent inspection of containers, which was naturally time-consuming. The officials went on to say that it was agreed with DPW-Sokhna to carry out a pre-withdrawal of inward containers, based on the so-called 10 percent risk inspection scheme, in order to help consignees collect their containers quickly.

Railway officials also unveiled plans to provide a daily railway service between Sokhna and Alexandria to transport 60 containers instead of the 120 units currently carried out twice per week.

DPW anticipated a 20 percent drop in Sokhna work volumes in 2010 from 2009 figures. But in reality, the forecast proved untrue as activity geared up by 58 percent in January to February alone, complicating the situation further.

### Future prospects (2020)

In addition to expanding its facilities, DPW-Sokhna aims to attract further industries to the Port. By 2020, DP World-Sokhna plans to develop into an administrative and management nodal-center, acting as a hub for product transport chains.

Big hopes are pinned on Sokhna Port. By 2020, the Egyptian Government envisages an increase of 90 million tons in cargo

volumes; with some 4 million TEUs, more than 10 million tons of agri-bulk, nearly 10 million tons of other dry bulk cargoes, 30 million tons of liquid bulk cargoes and 1 million tons of general cargo passing through the port annually.

Handling these volumes, however, will necessitate over 8,000 ship calls a year, together with the construction of extra 12km of berths minimum. Alone, Port-related rail traffic is expected to reach 100 trains a day.

### Key projects

- The Egyptian-Chinese Company was supposed to develop an area of 20 million m<sup>2</sup> with joint Egyptian-Chinese investments.
- The Saudi Arabia Sugar Refinery is the first of its kind in the world. With production capacity of 750,000 tons per annum, the SAVOLA Group's new project, which started by end of 2008, basically targets COMESA and Red Sea Countries.
- Another equally significant project was the \$550 million magnesium smelter, a joint venture to turn out magnesium alloys for export and domestic use.

### Wind energy

Sokhna Area was the site for a brand new wind turbines and wind farm project. The Egyptian Elsewedy Wind Energy Group (SWEG), a division of Elsewedy Cables, in a joint venture with the German SIEG (Schaaf Industries Corporation), decided to start the project, which is just 8km away from Sokhna Port.

Latest world technology is in use and the cost is around Euro 120 million. The location will make it easy to export fifty per cent of production to Europe and Africa, while other fifty per cent will go to domestic marketplace. Annual production is 300 towers to be doubled in five years. Towers production commenced during Q3 2009.

The J.V. ultimately aims to turn out wind energy at 12 percent of overall electrical power by 2020. SWEG purchased 30 percent of Spanish company M Torres Olvega's wind farm for \$40 million (EGP 297 million) and is at present negotiating terms of agreement with a further German partner.

As the wheel of development is gaining momentum albeit amid global fluctuations, Sokhna Port looks set to score hotter performance than ever.

*While the information contained in the article is authenticated and based on real facts and reliable resources, they reflect purely personal perspective of the author based on his experience and study and by no means represents DPA attitude. In writing this article the author works independently from DPA.*

#### ABOUT THE AUTHOR

**Ashraf Ghazy** holds a Master Degree on International Transport & Logistics, from the International Transport & Logistics Institute, Arab Academy, Alexandria, Egypt. After 15 years in port-related activities, he is a senior translator, GM of the Publications and Translations Department, at the Damietta Port Authority. Besides his main job, he supervises Decision Support Systems (DSS) in The Port Authority and heads an internal quality auditing team to help Damietta Port Authority to qualify for ISO and OHSAS Certificates during forthcoming months.

#### ENQUIRIES

Ashraf Ghazy

- Senior Translator, General Manager, Publications and Translations Department
- Supervisor, Decision Support Department, Information Center
- Internal Auditor

Damietta Port Authority (DPA), POB 13 Damietta, 34511, Egypt

Tel: +20 057 – 290958 (work)

Mobile: 0161604877

Email: ghazybay@gmail.com

A1ghazy@rocketmail.com