

**Egypt****Issue and background**

The majority of express companies operating in Egypt do so by virtue of a "License Agreement" to provide internal and external express mail services", signed on 18 August 2004. Under this license that is valid for three years with automatic extension, companies pay the Egyptian National Post ("ENPO"), which is both a postal regulator and operator, 10% on revenue generated from exported international consignments under 20kg.

However, since the end of 2007, ENPO had been working on a draft of a new license agreement for express companies (**Contract A**), which it had drafted unilaterally, disrespecting the terms of the existing contracts with express companies. In April 2009 ENPO sent the companies a letter demanding that they sign the contract within three working days, or otherwise risk losing their license. This contract was unacceptable for the following main reasons:

1. **Excessive and unjustified licensing fees:** ENPO intend to push for fees on inbound shipments
2. **Unjustified interference of the ENPO in a number of matters, such as:** pricing, opening of new branches and quality control on services
3. **Clear confusion between Universal Postal Services and Added Value Services (such as express)**
4. **No separation between regulator and operator**
5. **Disrespecting the terms of the existing contract**

With the help of external diplomatic pressure, express companies managed to push-back Contract A. Minister of Information and Communication Technologies, Dr. Tarek Kamel, gave companies until September 2009 to find a settlement with ENPO. In June and July 2009 the companies held intensive dialogue with ENPO and MCIT which led to a new contract version (**Contract B**). This contract, which did not go into details regarding economic figures, was the result of many rounds of discussion and negotiation.

Legal status

ENPO (and MCIT) consider (on the basis of the Postal Law) that all activities pertaining to any item defined in the Egyptian Law as a postal item are reserved to the ENPO and that any company wishing to carry out such activities should therefore secure a license from the ENPO. The standpoint of the express industry is that it does not perform universal postal services but value-added services and should therefore not fall under the jurisdiction and regulatory authority of the ENPO.

Recent developments

The companies did not receive any response to contract B. Instead, MCIT-ENPO presented them with a counterproposal (**Contract C**). MCIT-ENPO's counter-proposal contains a series of important deviations which are very harmful for the express industry. The sole purpose for this shift is, in the opinion of the express industry, to increase the revenue stream to the government without clearly assessing the negative impacts on the industry and its customers.

Contract C: main elements**1. ENPO fees:**

- 10% of 100% of the local revenue of domestic shipments
- 10% of 80% of the total outbound revenue billed in Egypt
- 10% of 20% of the total inbound revenue collected in Egypt
- 6 EGP for any inbound shipment not billed in Egypt
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2. Unjustified interference of the ENPO in a number of matters, such as: as pricing, number of offices and branches, members of the Board of Directors, quality control of services provided to clients and time frames for deliveries.

3. Contract period: 5 years renewable by request from the companies before end of the contract (at least 6 months notice)

4. Many other divergences exist between the "joint" contract and MCIT-ENPO proposed contract

In a series of meetings with the Minister's advisor, Mr El Goweiny, the express industry has now presented its concerns about the differences between contracts B and C, seeking to understand the rationale for the changes from contract B. The Minister's advisor explained that the changes were apparently "dictated" based on 'legal advice' and input from the Minister of justice's legal team to bring them in line with other existing laws. The unsatisfactory nature of these changes has now been communicated to the express industry who can clearly state now that most of these changes are of a "non-legal" nature, contrary to what was communicated originally. The express industry will now communicate its position officially to Mr El Goweiny.

Next steps:

The EEA invites all appropriate parties, and in particular the EC, to send letters to the Egyptian MCIT Minister/Ministry, copying the Minister/Ministry for Trade and Industry, in which they express their concern about this negative turn in the discussions but welcome the anticipated return to more constructive dialogue with industry.

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