In conversation with... Aboubaker Omar Hadi

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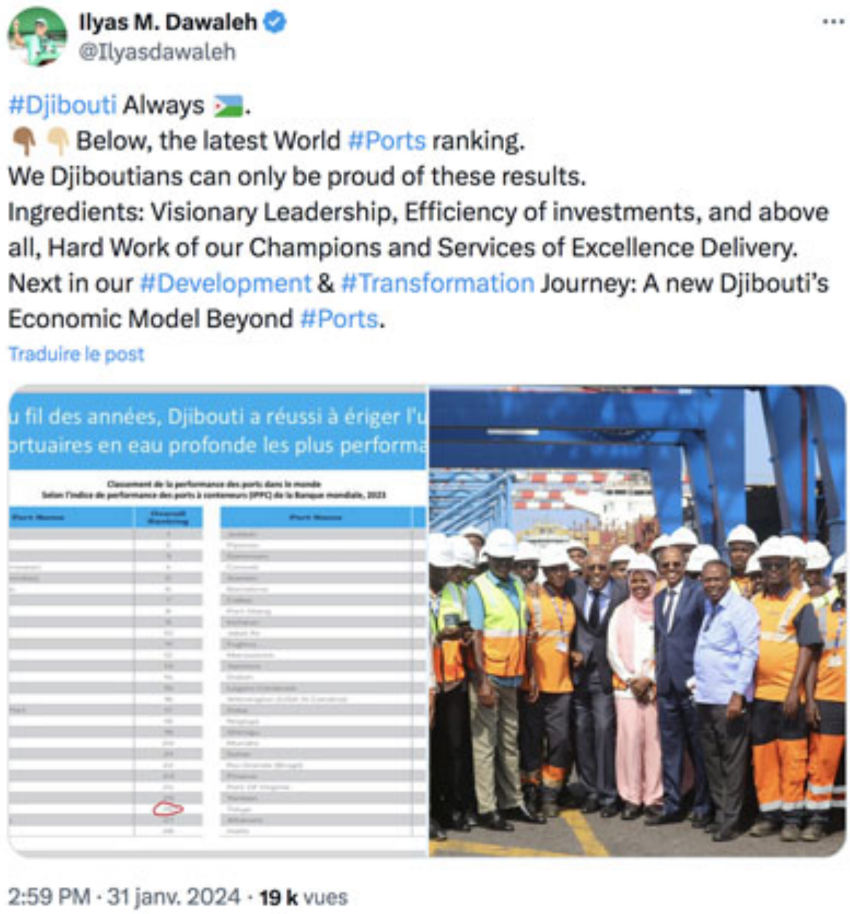
The Chairman of the Ports and Free Zones Authority, Aboubaker Omar Hadi, has granted us two interviews. When we went to these meetings at the end of last year, we were curious to find out who was behind those glasses and that well-shaped head, but also to exchange views on port issues and our country's regional ambitions in this sector.

When he welcomes us into his corner office, perched on the penultimate floor of a 15-storey tower partly occupied by some of the many companies he manages, the first thing that catches the visitor's eye is the impressive view. An immense space stretches out before our eyes, as far as the eye can see, right down to the seafront below. One immediately grasps the scope of the logistical ambition for which Aboubaker Omar Hadi is responsible. He has the same strategy as Dubai, his model: he is building a global, profitable structure that cannot be ignored, at the crossroads of three continents, in the heart of the strategic Bab el-Mandeb Strait. He moves from one idea to the next as he sees fit. A compilation of amusing and touching real-life experiences from these interviews, in which this great strategist, a fan of puns, avoids no subject.
A little indiscretion: as a lover of camel meat, he invites his main colleagues to a working lunch every Thursday, to have a convivial chat about the difficulties encountered, the progress expected, the projects on hold - in short, to strengthen group cohesion and gauge the investment and commitment of each person in the responsibilities entrusted to them. A management technique that deserves to be reproduced, given the cordiality of the constructive exchanges we were able to witness.

Djibouti's port tariffs

On the subject of the controversy over the cost to Ethiopian freight of passing through the Republic of Djibouti, launched by Ethiopian Prime Minister Abiy Ahmed last October. Aboubaker Omar Hadi explains the real situation: our rates are not high. He listens attentively to the comments of the Ethiopian and international media, which repeat the same figures without verification. He explains in detail why he contests this tartuffery served up to the international press, and regrets that they do not check with the Djibouti port authorities whether the tariffs and amounts advertised are correct.
"All the comments I have read or heard are obviously based on erroneous elements. No fact-checking has been carried out by the journalists, almost all of whom have been content to repeat the rhetoric about high tariffs penalizing Ethiopia's economic development. The press estimated the amount collected by our country for Ethiopian freight logistics at between 1.5 and 2 billion US dollars. I want to be very clear about this! I hold our accounting books open

to anyone who wants to compare untimely declarations with facts that are quantified, transparent and audited annually by international firms. Our CIF price (cost, insurance, freight) is 2.5%. Our pricing is in line with the standards of major international ports, and even at regional level, our rates for port services are the most competitive by far. The math is very simple: Ethiopia imports/exports some $17 billion annually, and our ports charge $450 million for their services. I can't charge less, I'm not going to work for free."



Where does the difference between these estimates of Ethiopian freight costs come from?

"Rather than argue logically on the basis of established truths, some people prefer to scapegoat public opinion. From my point of view, the confusion stems from the fact that the costs invoiced by Djibouti's port services and those invoiced by Ethiopian logistics operators are apparently confused.

Ethiopian forwarding agents working from Ethiopia work with agents commissioned by Djibouti customs, who must pay, on behalf of their client, a sum of US$325 or US$646 for each container they remove from the port of Djibouti, depending on whether it is twenty or forty feet long... These customs brokers, in addition to drawing up the documentation required for the goods to leave the ports, and ultimately issuing T1 movement documents to their customers' carriers so that they can transport the goods by road or rail, act as the bank for the Ethiopian economy. The Ethiopian forwarder, on the other hand, only has to take delivery of the goods at the logistics hub of the Ethiopian state-owned company Shipping Lines (ESL) in Modjo, 64 kilometers from Addis Ababa. He doesn't have to bear the port charges immediately, nor does he have to pay in advance for the services of the Djibouti customs commissioners, who charge US$50 or US$70 depending on the size of the container. However, they do not hesitate to charge the final Ethiopian customer, in addition to the abovementioned sums, around three or four times the amount invoiced by the Djibouti customs commissioner. However, the latter has to wait several months before receiving his payment. Unlike Djibouti, Ethiopia has no statutory fee structure to limit the remuneration of customs brokers. In my opinion, the great discrepancy in the price of transit services is to be found in the books of Ethiopian forwarding agents".

Road freight, an Ethiopian monopoly

Who benefits from Ethiopian freight transport by truck, for both import and export?

"It's a market 97% controlled by Ethiopian companies. It's a fact we all know, and no one will be surprised by this statement. Out of a fleet of almost 11,000 trucks on the Djibouti-Ethiopia corridor, barely 300 vehicles belong to Djiboutians. So, less than 3% of this activity benefits Djiboutian operators. We're talking about a $1.02 billion market! How do we arrive at this estimate, you may ask? It's a fairly simple calculation: the carrier charges $60 per tonne of merchandise loaded for Ethiopia, and as the export/import freight volume is 17 million tonnes per year, we arrive at this figure of just over one billion US dollars. You can add up all the costs you like, but the total income for the Djiboutian side does not exceed US$ 450 million. The other amounts quoted in the press are injected directly into the Ethiopian economy, and this is all the more true as, for reasons of foreign exchange, the expenses linked to the activity, i.e. fuel, tires, parts for repairs, are made by the carriers on the Ethiopian market."

Faced with these clarifications, we can't help asking a question: what are the Ethiopian government's objectives with this accumulation of untruths about our logistics hub? Doesn't this campaign harm our country's image?

Cautious, Aboubaker Omar Hadi sidesteps the question and passes on the hot potato: "It's not for me to have an opinion, or even an interpretation to offer. I'm a logistician, for political questions, you have to see the people who are more relevant to the issue, for example [Foreign Minister] Mahmoud Ali Youssouf." His retreating reaction does not fail to elicit a small smile, having in mind, the pass of arms around a tweet, banal and seemingly carrying a message of peace, published by Aboubaker Omar Hadi from his personal account, on the domestic politics of a country in the region. It is common knowledge that, following this controversy, he now only tweets on subjects that directly and solely concern his remit.

With regard to the railroads, why did our country initiate a restructuring of its railway debt with its lender, China's EXIM Bank? Does this mean that our country was wrong to embark on such a major investment? The operating results aren't keeping up, so isn't it flawed?

"I'm going to be very frank with you, and confess to an aberration. As part of a joint venture with the Ethiopian government, we have built a 756-kilometer railroad - 82 km of which is on our territory - to link our ports to the Ethiopian dispatching terminal at Modjo, at a total cost of $3.4 billion. This electrified line facilitates the transit of Ethiopian imports. The line has been operational since its commissioning on January 1, 2018, and is carrying a growing share of Ethiopia's freight. There is, however, one drawback, the impossibility, for the time being, of double stack containers. Our financial project was designed to transport goods using special container wagons capable of carrying a 22.5-tonne load on each axle. In other words, a total load of 90 tonnes per wagon, enabling two containers to be transported one on top of the other. We're not there yet. Unfortunately, this means that our infrastructure is under-utilized, because we're carrying on two trains what we should have been carrying on one. The reason for this malfunction is the height of the power cable, which is laid eight meters above the rail along the entire route... For the double stack container, the power cable had to be laid ten meters above the rail. When I realized this, my arms fell off. It was at a meeting of all the parties involved, just before the end of the project, at the Galileh border crossing. It would not have been possible to raise the train's power cables ten meters because of the crossing, at a single point, of the rail with a catenary of the high-voltage overhead line of the interconnection with Ethiopia... I was appalled when I learned this: we invest substantial sums to increase the network's capacity with cutting-edge technologies and quality infrastructures, with the ambition of serving the entire region, and in the end we end up with freight transport by rail slightly more expensive than road transport. An absurdity, when all over the world rail is less expensive than road. Now, there's no choice but to invest in capacity to reduce operating costs. To do this, we need to raise power cables to ten meters, and raise the height of the high-voltage interconnection cable."

"I have an anecdote that speaks for itself when it comes to understanding the challenges of the double stack container. During an official mission to the United States by the Head of State, we visited the Port of Baltimore. Its director explained to us that, in order to combat competition from other East Coast ports - Philadelphia, Atlanta, New York - he had been obliged to modernize his infrastructure and adapt to the growth of multimodal transport and the services offered by his competitors, by switching to double stack container rail. To double the transport capacity of the rail infrastructure, it had to invest in a new rail tunnel [...]. Connecting the line to the new, larger-gauge tunnel cost $800 million... It's fortunate that our structure doesn't face this type of difficulty."

As for the total cost of this additional investment, Aboubaker Omar Hadi reacts with a discreet raise of his eyebrows, only to tell us that... "Nothing has been done. Nothing has been done to obtain an estimate". And yet we thought we had understood the urgency of the matter if we were to take advantage of the rail link with Ethiopia: "You'll have to contact our partner Ethiopian Railway Corporation to answer this question, as Djibouti is only a minority shareholder in the joint venture between the two states. Similarly, I don't understand why we haven't moved faster to mobilize resources to increase the fleet of transport vehicles. We could run ten or even twelve double-stack container trains every day, as well as fuel freight. There's a stalemate, an unexplained reluctance on the part of the majority shareholder to move forward to resolve these difficulties, which would give a real boost to our joint company". What could possibly be blocking the launch of the study, an essential step in mobilizing resources to optimize rail traffic? Could it be that a powerful lobby of Ethiopian road operators is holding back the development of freight transport by rail? Aboubaker Omar Hadi wouldn't go that far. He simply indicated that he was unaware of the reasons for this long delay in reacting to improve the existing situation and make the joint venture more efficient.

With regard to Ethiopia's stated desire to create new supply circuits, and possible fears for Djibouti's future as a logistics hub, he was confident.
"It is legitimate for Ethiopia to seek diversified outlets for its products. Our trade statistics for 2023 show that Ethiopia's import volume is six times greater than Djibouti's, despite the striking contrast in population size: Ethiopia has a population of 120 million, compared with Djibouti's one million.
Only 37% of goods transiting Djibouti's ports are related to Ethiopian imports and exports, compared with 17% for the Djiboutian market. These data clearly demonstrate that Djibouti's ports not only serve Ethiopian traffic, but also function as a transshipment and redistribution hub for the entire region, from Sudan to South Africa. The tariff structure is publicly available in our tariff book, highlighting a significant cost disparity whereby Djibouti customers bear ten times the cost of Ethiopian customers for port cargo dues. Essentially, this means that our ports are in effect subsidizing Ethiopian import and export activities. This is one of the reasons why I remain very calm about the competitiveness of our ports. Ethiopia is free to go where it feels it is best served. For our part, we remain convinced that the customer is 'king', and that in the end, he will opt for port services that meet his requirements in terms of quality, delivery times and price."

If that wasn't enough to reassure us, it's worth noting that in our country, for several years now, there has been a constant reflection on the challenges of strategic anticipation and how not to let ourselves be taken by surprise. This is being done by diversifying port services and activities, and product ranges, such as the PK23 special economic zone, Djibouti shipping company, the transformation of the old port into a high-end business and residential center, the strengthening of the sea-air cargo model, the recent acquisition of a ship repair facility - a sort of floating garage - and the intensive development of our own energy and aquifer resources for reasons of resilience and sovereignty. Similarly, the future Damerjog zone, with its oil terminal with a capacity of fifteen million barrels a year in its first phase, and whose objective is not necessarily local supply, or even the region, but to sell petrol to all those who want to buy it, whether in Africa or offshore, since Djibouti is already well positioned in this vast market of petrol stations for ships on the high seas.

These issues of economic diversification are encouraged by the IMF and the World Bank. This is why Djibouti is studying the different options with all due rigor, taking into account geopolitical uncertainties and the optimal management of its infrastructures.
Djibouti will continue to invest in its transformation, affirms Aboubaker Omar Hadi, "By building greener investments, by relying on AI to develop an economy, to stimulate innovation and thus reduce freight costs. This is one of the reasons why the new gantries have been installed. This installation is fundamental to keeping costs down, meeting deadlines and making the very architecture of our logistics hub viable by adapting to the size of the new ships".

Aboubaker Omar Hadi endeavored to keep his distance from politics during these instructive and impassioned exchanges. However, in the face of prevailing untruths, it's worth pointing out a few obvious facts. His demonstration is enough to sweep away the criticisms levelled by some. Our country has already risen to challenges deemed impossible in the past. Its ability to successfully diversify its economy through new wealth- and job-creating projects within a reasonable timeframe should not be underestimated.

Mahdi A.

Human Village will continue publishing its exchanges with the Chairman of the Ports and Free Zones Authority, Aboubaker Omar Hadi, in two further articles to be published shortly.