Oxera unveiled a study for the Rail Working Group today that shows that the Luxembourg Rail Protocol to the Cape Town Convention will save African rail operators billions of US dollars in private finance costs in the coming years. The Protocol is a new global treaty, expected to enter into force in 2021, that will make it much easier and cheaper to finance railway rolling stock.

The Protocol sets out detailed common international legal rights for funders financing railway equipment, including easing repossession of collateral on debtor default or insolvency, and introducing a public registry at which lender’s and lessor’s interests will be registered, thereby substantially reducing creditor risk and thus financing costs. It will also introduce the first ever global system to uniquely identify rolling stock, thereby improving and standardising legal and operational frameworks for cross-border operation of freight and passenger trains.

Annual new rolling stock procurement in Africa is expected to be close to $2 billion in the coming years, but the Protocol will also enable cheaper refinancing of existing fleets. This is because, according to the study, which covers the whole of Africa, it will significantly reduce operators’ weighted average cost of capital in many countries. In one state alone, South Africa, the two principal operators own rolling stock fleets valued at over $5 billion. With the Protocol in place, the present value of the financial savings on refinancings are estimated to be about $400 million.

The study does not measure the wider benefits of the Luxembourg Protocol, but notes that it should have a positive effect on the environment, as well as social and economic benefits for the community as a whole.

UN Economic Commission for Africa Executive Secretary, Dr Vera Songwe, commented that “by enabling and encouraging expanded private sector funding for railway rolling stock, the Luxembourg Rail Protocol will contribute towards the growth of a much larger and more dynamic rail sector in
Africa. Better still, once the protocol is adopted, it will certainly play a significant role in promoting sustainable growth and combating global climate change in line with the UN’s Sustainable Development Goals (SDGs)."

Launching the study today at the AfricaRail PPP webinar, Rail Working Group Chairman Howard Rosen said that “following the coronavirus crisis, almost all African states will be short of financial resources at a time when, more than ever, they need investment in the railways and support from the private sector will be critical.” Rail Working Group Director Africa, Mesela Nhlapo added “the Luxembourg Protocol, by underwriting private finance for railways, a key part of the sustainable economy, will play a vital role in African economic rehabilitation and development in the coming years.”.

Click here to read the full report

Ends.

Notes to editor:

Oxera advises companies, policymakers, regulators and lawyers on any economic issue connected with competition, finance or regulation. We have been doing this for more than three decades, gathering deep and wide-ranging knowledge as we expand into new sectors.

The Rail Working Group [www.railworkinggroup.org](http://www.railworkinggroup.org) is a Swiss-based not-for-profit association focused on the adoption and implementation of the Luxembourg Rail Protocol. It has over 90 members worldwide comprising manufacturers, operators, financiers and advisers in the rail sector.

The Economic Commission for Africa (ECA) was established in 1958 by the Economic and Social Council (ECOSOC) of the United Nations (UN) as one of the UN's five regional commissions. ECA's mandate is to promote the economic and social development of its member States, foster intra-regional integration, and promote international cooperation for Africa's development.

The Luxembourg Rail Protocol to the Cape Town Convention has already been adopted by the European Union as well as three states, including Gabon, and is under consideration by a number of African States. It is fully supported by the UN Economic Commission for Africa. At the Fifth PIDA Week, which took place last November in Cairo, ministers, government officials and delegates from intergovernmental organisations, the private sector and civil society, stated in their final communiqué that they: “[i]n the context of the High-Speed Rail Project, and in order to crowd-in private sector financing of rolling stock, encourage Member States to ratify the Luxembourg Rail Protocol.”
Contact:

Stevie Dixon
Senior Manager—Marketing and Business Development, Oxera
+44 1865 253 248  marketing.bd@oxera.com

Howard Rosen
Chairman, Rail Working Group
+41 79 340 2153  howard.rosen@railworkinggroup.org

Mercy Wambui
Communication and Media Relations Section, ECA
Tel: +251 11 5445098  Wambui@un.org