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www.railworkinggroup.org

c/o Howard Rosen Solicitors, Baarerstrasse 98, PO Box 2258, 6302 Zug, Switzerland
Tel: +41 (0)41 760 28 88; Fax: +41 (0)41 760 29 09; email:howard.rosen@railworkinggroup.org

19th Annual AfricaRail Conference

Sandton, South Africa 28th – 29th June 2016

Opening Remarks

by Conference Chairman, Howard Rosen

Dear distinguished delegates and guests and fellow speakers,

The privilege falls to me to welcome you to the 19th Annual AfricaRail Conference here in Sandton. It will be my pleasure to host you throughout what I believe will be a fascinating and highly stimulating conference. We have an immensely rich programme with diverse and accomplished speakers who will bring to you unique insights into various aspects of the rail industry and where it is going.

These are exciting times in the rail community. Last week, the first intermodal train from the Chinese port of Lianyungang to Herne in Germany's Ruhr region completed the 11,300km journey across Kazakhstan, Russia, Belarus, and Poland in 17 days. Rail development in the Middle East is moving forward at a fast pace. Europe's rail renaissance continues and, with the adoption of the 4th railway package, is gathering momentum. In my home



country, Switzerland, the Gotthard Rail Tunnel is about to open. In India, China and many other parts of Asia there is a high level of investment in both freight and passenger rail transportation.

And Africa? Africa is at a watershed moment. Which way will the points be set? Will the rail industry in Africa be shunted into the sidings or will it be moved onto the fast track as, literally, the locomotive of economic development in Africa?

This conference is a glimpse into the future, a chance for us to understand how technology, enterprise and government commitments to economic growth can bring extraordinary economic, social and environmental benefits the community as a whole. But the future may also be rather different. For sure there has been a substantial rolling stock investment programme in South Africa and in this region, the plans are well advanced for a massive expansion of the Gautrain project. Yes, infrastructure is being built and gradually new rolling stock is being developed and manufactured on the continent. GE and Alstom are seriously investing in South Africa rail. But the overall picture is challenging. Excluding South Africa, the transportation of freight by rail in sub-saharan Africa is only 3.5% of the freight carried by rail in Europe. Across Africa mistake after mistake has been made in designing the public and private structures used to operate the railways and, above all else, nothing like sufficient resources to be able to finance the investment which is urgently needed. And then some argue that the resources as they are have been badly utilised. The *Economist* article of earlier this month pointed out that refurbishment of existing



rail lines may be much more effective and efficient than the building of new lines – even though the move to standard gauge is to be welcomed.

We have three superb speakers this morning looking into the future with us and then the break-out sessions will focus on various operational, asset management and finance aspects in more detail. But without money, hardly anything is possible. A recent PIDA (Programme for Infrastructure Development in Africa) report identified an annual funding gap of \$50 billion for infrastructure investment. Deficient infrastructure is estimated to be costing Africa 2% of GDP every year. What is now clear is that the public sector cannot carry that burden alone. And we cannot continue to restrict new rail projects by reference to government fiscal constraints, rather than long term social and economic returns, when the investment is clearly needed. We'll be looking at alternative partnership and private sector funding models in this conference. Indeed there is a legitimate question to be asked as to why the public sector should be carrying the cost of procuring rolling stock at all. The Luxembourg rail protocol, once adopted by African states, will be part of the solution, making it easier for the private sector to lend against and lease rolling stock across the continent where at the moment this is impossible. Hopefully this will also, by lowering the barriers to entry, create a much more dynamic and competitive rail sector but this cannot be assured. It depends on clear government commitments on allowing the industry to develop on a commercial basis and compete on a level playing field with the transporters of people and freight on the roads. But what is clear is that private finance options, both for equipment and infrastructure need more legislative support.



It is good to dream. It is good to plan how we convert those dreams into reality. This conference will show us what can be achieved in the rail sector in the coming years. As an industry we must leave government in no doubt as to what policy decisions must be made to support our vision of a successful rail industry in Africa. We can not; we dare not take this for granted.

I wish you a successful conference ahead.