



The Luxembourg Rail Protocol

Moving Africa Forward



United Nations
Economic Commission for Africa

THE 2001 CAPE TOWN CONVENTION
ON INTERNATIONAL INTERESTS IN MOBILE EQUIPMENT



RAIL WORKING GROUP

Africa needs more railways

Africa has ambitious goals for greater intra-regional and international trade, and faster economic growth for its rapidly rising population. Better connectivity and improved logistics are essential, and rail transport is the key: trains are the only cost-effective, safe, and environmentally sustainable way to move large volumes of freight and passengers within and between cities, regions and countries.

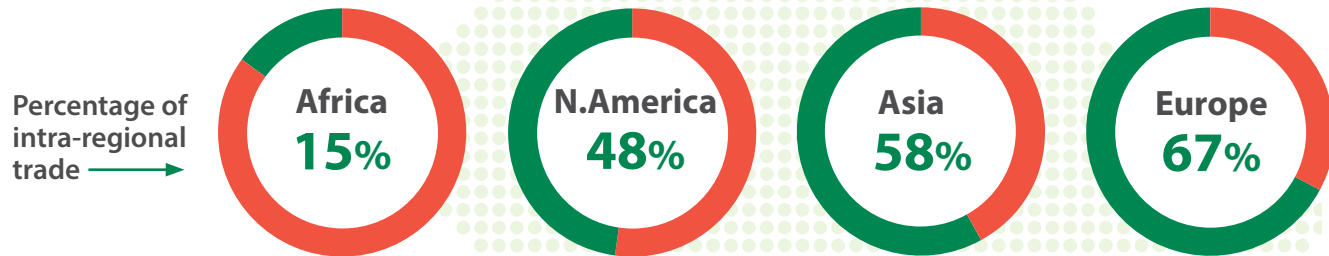
To deliver the goods, Africa's railways need investment. Although infrastructure requires state involvement, railway rolling stock, like cars and trucks, does not have to be state financed or underwritten. This is where private sector financing can relieve governments of a major financial burden.

But without strong state-backed guarantees, private sector secured lenders and lessors are reluctant to provide finance, or it becomes prohibitively expensive, especially if financed assets cross borders. Creditors need a legal framework to be able to enforce their rights and security in the financed assets, and to repossess these, wherever they are, on non-payment or debtor insolvency. Other problems: there is no unique global identification system for rolling stock, nor public registry to record security interests.

This is all about to change.

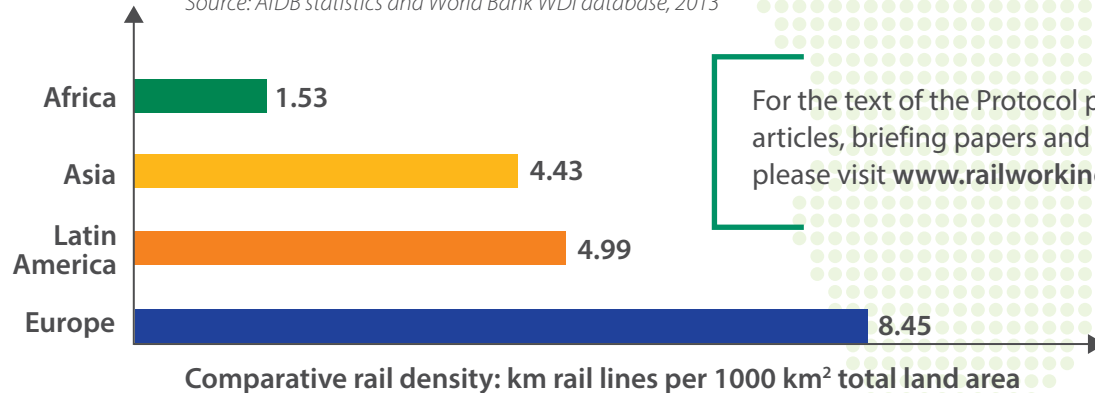
Africa has a low level of intra-regional trade ...

Source: UN Economic Commission for Africa



... and too little rail infrastructure

Source: AfDB statistics and World Bank WDI database, 2013



For the text of the Protocol plus helpful articles, briefing papers and presentations, please visit www.railworkinggroup.org

The Luxembourg Rail Protocol delivers the solution

The Luxembourg Rail Protocol to the Cape Town Convention on International Interests in Mobile Equipment is a new international treaty due to enter into force shortly. It creates a worldwide legal framework to recognise and regulate the security interests of lenders secured by, and lessors of, rolling stock.

The Rail Protocol applies to all railway vehicles on tracks or guideways, from high-speed trains to locomotives, wagons, metro trains and trams. It gives governments a solid legal framework to attract private sector investors (e.g. banks, leasing companies, private equity firms and pension funds) by creating a common African legal structure to secure private creditors that finance railway equipment. On the default or insolvency of a debtor, creditors can be confident that they can repossess financed assets, subject to public interest safeguards.

The Rail Protocol's unique rail vehicle identification system (URVIS) will be critical for registering creditor security interests in rail equipment. It will also make it easier to track the location of rolling stock in real time, support customised maintenance programmes, and let governments monitor the cross-border operation and interoperability of railway equipment. For the first time also, there will be an international public registry based in Luxembourg and accessible online 24/7, where financiers can register their interests in the financed equipment and check for potential rival claims.

Benefits for all stakeholders

The Luxembourg Rail Protocol will help Africa move faster towards realising its goals of a continental free trade area with more intra-African trade, environmentally sustainable economic growth, and regional integration.

By reducing risk for private rail equipment financiers, the Protocol will:

- Attract more private sector lenders and lessors, and allow cheaper export credits, resulting in lower-cost finance for operators.
- Open up private financing for operators previously denied this due to their poor credit rating and/or the lack of a legal infrastructure.
- Create choice and flexibility for public and private operators on the cost and type of funding, and enable governments to deleverage state operators' rolling stock portfolios by refinancing with private capital.
- Attract domestic and foreign capital investment, which will promote urgently needed rail network expansion and help to develop African rolling stock manufacturing.
- Facilitate short-term operating leases of rolling stock both from financiers into railway operators, and between operators, ensuring more efficient use of rolling stock between countries across Africa.

The result will be lower barriers to entry into the industry for private sector operators, more efficient and competitive existing operators, a more dynamic rail industry, and new public transport solutions to support Africa's growing urbanisation. Governments will be able to focus their resources on financing infrastructure, not rolling stock.

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The Rail Working Group is a non-profit international association comprised of members from all sectors of the railway industry worldwide. The RWG works actively with governments, international agencies, industry bodies and its two sponsoring organisations, OTIF and UNIDROIT, on the implementation of the Luxembourg Protocol to the Cape Town Convention on International Interests in Mobile Equipment, which supports private sector financing of railway rolling stock.

The United Nations Economic Commission for Africa's mandate is to promote the economic and social development of its 54 member states, foster intra-regional integration, and encourage international cooperation for Africa's development.



www.railworkinggroup.org