New rail treaty will save South Africa over R20 billion

Speaking at AfricaRail 2018 in Sandton today, Howard Rosen, chairman of the Rail Working Group, told delegates that the Luxembourg Rail Protocol will save R20 bn. for South Africa. This assessment comes from an independent study by economics consultancy Oxera and commissioned by the Group, published today, that estimates the direct microeconomic benefits of the Luxembourg Rail Protocol.

“The Oxera study does not measure the wider benefits of the Protocol, such as the environmental, social and economic advantages for the community as a whole,” said Rosen, “nor the potential benefits for the South African economy from new African markets for South African locomotive and wagon manufacturers, financiers, operators and service providers”.

The Luxembourg Rail Protocol to the Cape Town Convention is a new global treaty that regulates the rights of creditors financing railway equipment and makes the repossession of privately financed railway rolling stock much easier on debtor default or insolvency, thus reducing risk for creditors. It will also improve and standardise legal and operational frameworks across borders and, for the first time, introduce a global system for uniquely identifying rolling stock which will facilitate lenders, lessors and manufacturers to track the location and status of the rolling stock in real time. It is expected to enter into force in 2019. South Africa has already ratified the Cape Town Convention and the equivalent protocol for aircraft.

AfricaRail keynote speaker Dr Vera Songwe, the Executive Secretary of the UN Economic Commission for Africa, endorsed the Protocol. It is, she said “important for the Africa’s Rail Renaissance and vital for the future of Africa economic integration; it is an opportunity we dare not let slip through our fingers.”

“We strongly support South African adoption of the Luxembourg Rail Protocol”, said Jamie Holley, CEO of Traxtion, one of the leading operators and lessors of rail equipment across Africa. “It will lead to private and public rail operators raising cheaper private finance for new investments in rolling stock railway equipment across Africa, and the Protocol opens the way for operating leasing of locomotives and wagons.”

In the opinion of Mesela Nhlapo, CEO of the Railroad Association, the Protocol is a must. “It opens up the way for South Africa and the rest of the Continent to deliver its own solutions to the problem of urgently needed but underfunded investment in
railways. Our policy makers have to understand that we need the Protocol, and we need it now," she added.

Ends.

Notes to editor:
Oxera advises companies, policymakers, regulators and lawyers on any economic issue connected with competition, finance or regulation. You can see more about Oxera at www.oxera.com.

The Rail Working Group 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 80 members worldwide comprising manufacturers, operators, financiers and advisers in the rail sector.

A copy of the Oxera report may be found here.

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