



An association under Swiss law

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Transport Infrastructure East Africa 2013

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Chairman's opening remarks

Your Excellency, dear delegates.

I am honoured to be your chairman and guide today. I am most grateful to our excellent speakers for giving up their time to be here and to the organisers for making sure this conference works well. Thanks to the sponsors for their invaluable support and thank you dear attendees for being here (for the conference would be nothing without you).

“The problem of Africa” said Sir Frederick Lugard, the first colonial Governor-General of Nigeria, almost a century ago “can be summed up in one word – transport!” More recently, Julius Nyerere, former President of this great country, noted sadly that, “while the great powers are trying to get to the moon, we are trying to get to the village.”

Transport is now a key strategic concern in Africa triggered by impressive dynamics. Experts project a 2.3% p.a. increase in population across Africa 2010

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– 2015, and the 2.8% p.a. labour force growth over that period will trigger disproportionately higher economic growth rates, compared to other world regions, as Africa begins to take advantage of its demographic dividend. In 2010 Africa had 51 cities with more than a million residents and two (Cairo and Lagos) with more than 10 million. By 2040 it is expected to have more than 100 cities of more than a million residents and at least seven topping 10 million. The 2012 State of East Africa report shows a healthy average annual growth rate of 6% across the East African community.

Infrastructure is the continent's greatest challenge. As South African President Jacob Zuma wrote recently, "Africa is faced with a huge challenge of infrastructure deficit, which limits regional integration initiatives. Integration influences the rate of development on the continent, and is therefore essential as a building block towards a prosperous Africa. ... Without sound and well maintained infrastructure, national economic development will remain severely constrained."

Moreover, in the transportation sector, investment in ports, roads and railways are connected. Without good land transportation links, ports will not succeed. In turn ports can be the stimulus for the building of new transportation links – for example the rail link in Mozambique to Nacala. The Program for Infrastructure Development in Africa estimates that the transportation sector will need investment of USD 25.4 billion through to 2020. The only thing we can be sure of is that it's too little.

On the rail side, things are beginning to happen. The African Development Bank announced last year a support of USD 500 million for a railway master plan for the East African community, which will not just result in upgrading of railway lines, but also rail links for the first time into Burundi and Rwanda. The recent market study by SCI Verkehr predicts an annual increase of 4 % in freight traffic from now until 2017 and an average increase of 3.2 % per annum for mainline passenger traffic. The recent Roland Berger rail market study predicted a 6.9% p.a. increase in Africa and the Middle East of rolling stock procurement between 2012 and 2017. In countries such as Nigeria, there are significant investments being made now, both in interurban rail services as well as urban/metro railways.

"It's time" writes David Briginshaw in the latest issue of International Rail Journal "to take Africa more seriously". Undoubtedly, the impetus for this is not just coming from population growth and growing political stability across Africa, but also a more concerted and coordinated approach by governments to



use the railways as a key driver in economic growth as well as, at the same time, railways being seen as an essential mechanism for the delivery of minerals and raw materials.

The challenge for governments will be to be able to reconcile these two objectives in the context of a development agenda. There are practical issues to be confronted: when to invest in roads and when in the railways (and how to create an integrated strategy). To what extent will intermodal transport be taken into account as these investments are planned and implemented? To which gauge should rail infrastructure be built? Security and safety and pricing protocols. But the greatest problem will be not just finding the resources for many ambitious but needed transportation projects, but also to draw on these resources in a sustainable way.

The openness of governments to new concepts in finance and operations in the rail sector, including various types of leasing arrangements of rolling stock, concessioning and PPP projects, is welcome. But some finance can be delicate. Developed countries acting both collectively and individually are providing aid and subsidised credit for transportation projects. According to the OECD, Tanzania received almost \$2.5 billion in official development assistance in 2011, and Uganda close to \$1.6 billion. In each case well over a tenth of this aid was allocated to economic infrastructure and services. But, it has to be said, there are at times strings attached. Are these constraints acceptable on an ongoing basis?

Specifically, a vibrant local building and operational expertise and entrepreneurship as well as strong local finance sources must be in the interests of African policy makers and public and private sector stakeholders. Specifically, foreign cash inflows should come by way of commercial investment rather than hand-outs which can be turned off at short notice and often come with a political and operational cost. If the effects of Western aid or subsidised loans are to make local finance providers uncompetitive, in turn discouraging entrepreneurs from developing local funding alternatives, this could present short term benefits but medium term problems.

To quote President Nyrere once again, “it is” he said “... stupid, for us to imagine that we shall rid ourselves of our poverty through financial assistance rather than through our own financial resources.” Africa’s true success will be building and financing vital transportation links without outside support which can undermine the development of a sustainable local transport – and transport finance sector. That’s one reason why the forthcoming Luxembourg Protocol, by



making investment in rolling stock more secure and attracting private investment, whilst lowering the barriers to entry and increasing the (positive) competitive pressures in the industry, will be of particular importance to Africa.

We have a truly distinguished group of speakers to address you at this conference today. We are privileged to have with us the Hon. Dr. Harrison Mwakyembe, the Tanzanian Minister of Transport, who will address you very shortly, but we will also be hearing from officials from a whole range of governments and industry experts across this part of Africa, looking at how road and rail services will change in the coming years and addressing some key practical issues. I am sure that we will not receive answers to every question and, in fact, we may even have more questions by the end of the day. But I can promise you stimulating presentations and discussions and a fascinating day ahead.

Howard Rosen

THE 2001 CAPE TOWN CONVENTION
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