

## AFRICA'S RAIL REVIVAL

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The African rail network is currently attracting levels of investment unmatched at any time since the basic network was laid between 1850 and 1920 by European colonial powers in order to facilitate trade and resource extraction. While the colonial presence left Africa with a rail infrastructure that would not otherwise have existed, the continent nonetheless inherited a system that lacks geographic and physical coordination. These shortcomings were greatly accentuated by the widespread disrepair and dereliction into which the network descended following independence.

At present, the total rail network--made up of a little over 89,000 kilometers (km) on a continent with a surface area of about 30 million square km--gives sub-Saharan Africa a rail system with a mean density of 2.9 km per 1,000 square km; one of the lowest in the world. Some culprits of the weak system include:

--**Limited inter-operability.** With a few notable exceptions, the network is constructed largely on national lines. It invariably links ports to the hinterland and has little regional inter-connectivity, which is made worse by rival standard gauge (1.435 meter) and meter gauge (1.067 meter) track networks (though with the arrival of gauge-adjustable axles, this challenge is no longer insurmountable).

--**Under-investment.** At the same time, historic under-investment in government-owned rail infrastructure--both fixed and rolling assets--had led to a wholesale deterioration in rail-service efficiency and reliability. By the 1980s, most African railways were in a state of acute crisis with declining traffic and revenues, lack of market orientation, gross over-staffing, lack of technical and financial discipline and heavy financial losses.

Prospects of a rail revival began to emerge in the mid-1990s with the first experimental public-private rail concessions (i.e. public-private partnerships) designed to entice private-sector operators back to the rail sector. The concession technique, which had been successfully applied in Latin America, showed much early promise. A decade later, Africa's experience with concessioning remains limited, although it is now rapidly gathering pace, largely with freight rather than passenger services.

Investor interest in concessioning has also been increased by surging and sustained commodity price rises, the global race to acquire and develop the continent's mineral resources--often found in remote locations--and a desire by African governments to divest themselves of loss-making enterprises. In turn, this has led to a proliferation of schemes to rehabilitate old and construct new infrastructure, with varying degrees of success:

--Concessioning has been implemented either through outright privatization or through a strategic equity investment, in which the government sells up to 51% of the concession to a private investor and its partners.

--There is a growing tendency, especially among those countries endowed with substantial natural resources, to look to concessionary loans collateralized against resource extraction--as favored by China and India--to boost rail capacity.

### **Two projects launched in the mid-1990s showed the promise of African rail:**

**Abidjan-Ouagadougou railway.** The current wave of railway concessions began in 1994, with a 1,260-km, single-track line between Ivory Coast and Burkina Faso. Sitarail, a private-sector consortium led by the Bolloré group, which operates a

significant freight network in Africa, leased the assets from the two governments, which retained responsibility for investment. After a painful reorganization and retrenchment program, in which virtually all loss-making passenger services were abandoned, the railway began to turn around.

**South Africa-Zimbabwe-Zambia. The 3,119-km railway between Durban and Beitbridge (in South Africa), Beitbridge, Bulawayo and Victoria Falls (in Zimbabwe) and Victoria Falls and Ndola (in Zambia) represents one of the most successful freight concessions in Africa to date, although it has taken nearly a decade to integrate the three national rail networks through which the system runs. South Africa's Nedbank Capital, which has a stake in the consortium financing the Durban-Ndola railway, has witnessed a significant return on its investment. The freight railway now takes five days to complete a full journey, compared to six weeks before the three rail links were connected.**

Link:

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