



The African Perspective

(PPPs)."

- Programme for Infrastructure Development in Africa (PIDA)
 estimates that Africa will need to invest up to US\$93 bn
 annually until 2020 for both capital investment and
 maintenance current level at about \$45 bn
- "Infrastructure that is sufficient and works properly is crucial for Africa's economic integration. The private sector will need to play an increasingly important role.
 Governments will do well to create conditions where private-sector engagement is encouraged, probably through public-private partnerships
 - WEF Africa Competitiveness Report 2013





- The African Perspective
 - African countries invested 15 25% of GDP in transport infrastructure over the period 2005–12, on average, while India and China invested about 32% and 42% of GDP, respectively, in the same period
 - UNCTAD 2011
 - Global Market for rolling Stock > \$61 bn p.a.
 Africa/Middle East \$4.8 bn
 - Berger report 2014





- The African Perspective
 - "Even the United States, a huge landmass with relatively low population density, has one kilometre of track for every 43 square kilometres of land. By contrast, Nigeria, home to one-fifth of the population of sub-Saharan Africa and one of its most densely populated countries, has but one kilometre of rail for every 262 square kilometres."
 - Professor Paul Collier 2011
 - Between 2005 and 2011 usable rail tracks down from 58,000 km to 50,000 km!







- Rail is a strategic sector
- Key component in a development agenda
- Growing demand for freight and passenger (interurban and metro) rail – but who pays?
- Government constraints
- Can the private sector carry the burdens?
- What does the Luxembourg Protocol do?



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- A new strategic tool for the public and private sector
- Providing a new pragmatic global regulatory framework which will
 - ✓ facilitate more and cheaper private sector investment in the railways
 - ✓ lower barriers to entry to private operators
 - ✓ stimulate a more competitive and dynamic industry



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The Protocol creates

- ✓ a new type of global security interest for railway rolling stock, internationally recognised with established priorities
- ✓ Registerable and searchable in a public registry, 24/7
- ✓ new uniform system for unique and permanent identification of assets (URVIS)







The Protocol applies:

- ✓ to all rolling stock (broadly defined)
- ✓ To security under leases, loans and conditional sales
- ✓ By reference to debtor/lessee location







The Protocol:

- ✓ Creates a new legal framework, even for financing of domestic rail transactions
- ✓ Eliminates complex documentation and structures
- ✓ Reduces risks and costs of financing rolling stock
- ✓ Resolves cross border security and conflict of laws issues
- ✓ Facilitates operating and finance leasing and other private sector finance





Conclusion

- Africa needs more railways and more (modern) rolling stock
- Insufficient government resources to finance the necessary procurement
- Private sector lenders are the only solution but the key to private sector finance at an acceptable price is security
- A "complication occurs because the rolling stock keeps crossing borders. Unless there is a co-ordinated approach to legal recourse, the engines and cars cannot be used as collateral for loans, which will make the financing cost unnecessarily high" - Paul Collier
- The Luxembourg Rail Protocol is the answer

