



**The future for  
railway finance in Asia**

**How the Luxembourg Rail Protocol  
will transform the rail sector**

**Industry Workshop  
Kuala Lumpur,  
14th January 2016**





# The future for railway finance in Asia

## How the Luxembourg Rail Protocol will transform the rail sector Introduction and Overview





# Introduction

- Welcome from the Rail Working Group
- Formed in 1996 at the request of UNIDROIT
- Not for Profit global industry group based in Switzerland
- Linking up the various stakeholders in the industry
- Dedicated to the adoption of the Luxembourg Protocol



*Howard Rosen Solicitors*





# Introduction

- Railways are a key element in a sustainable development programme with key economic, environmental and social benefits to the community, but
- OECD estimates annual infrastructure gap of \$1 trillion
- Asia Development Bank expects that developing Asian economies need to invest \$8 trillion in the decade through 2020 or some 80 times the planned \$100 billion capital of the New Asian Infrastructure Investment Bank which has been launched recently by China





## Introduction

- Global Market for rolling stock in 2013: \$48 bn p.a.
  - Berger report 2014
- Asia Pacific in 2013
  - \$3.8 bn total annual sales
  - Second largest market after Western Europe
  - More than 50% of coaches in operation – 115,000
- CAGR worldwide 2017 – 19: 2.2% p.a. and forecast at 5% for Asia Pacific



# Introduction

- WEF Global Competitiveness report 2014:
  - ❖ Malaysia railroad infrastructure 12th out of 144
  - ❖ “Malaysia ranks 11th for the quality of its transport infrastructure, a remarkable feat in this part of the world, where insufficient infrastructure and poor connectivity are major obstacles to development for many countries.”



## Introduction

- Malaysia has 1,800 km track, mainly metre gauge interurban rail 200,000 PAX per day
- KL LRT projected to 230,000 PAX per day once the Ampang Line extension is completed
- New CRRC factory at Batu Gajah
- Shuttle now running across Thai border
- Rapid Transit System link planned between Johor Bahru and Singapore
- HS Rail KL to Singapore in place early next decade, expected to carry 24 million passengers annually, probably financed by PPP.



## Overview

- So rail is a strategic sector
- Growing demand for freight and passenger (inter-urban and metro) rail – but who pays?
- Still procurement mainly state funded
- Growing government budgetary constraints
- Can the private sector carry the burdens going forward?
- A key element looking forward will be the Luxembourg Protocol



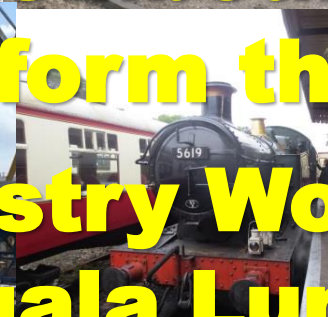




## Overview

- ASEAN railways and their current public and private finance model
- Rail finance today
- What does the Luxembourg Protocol do?
- What are the benefits?
- Looking at the Protocol in more detail and how the new international registry will work
- Creditor repossession on default or insolvency
- The road to ratification
- Practical issues





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