



PORT
TERMINALS
LOGISTICS

THE ROLE OF THE PRIVATE SECTOR IN RAIL DEVELOPMENT IN AFRICA

February 2024

www.grindrod.com

INTERMODAL AFRICA 2024 -
SWAKOPMUND



agenda

- Introduction
- Grindrod
- Rail vs Road
- Regional and global perspective
- Rail models
- Proposed concession & privatization
- Long term perspective of rail
- Way forward

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Our core business profile

120+

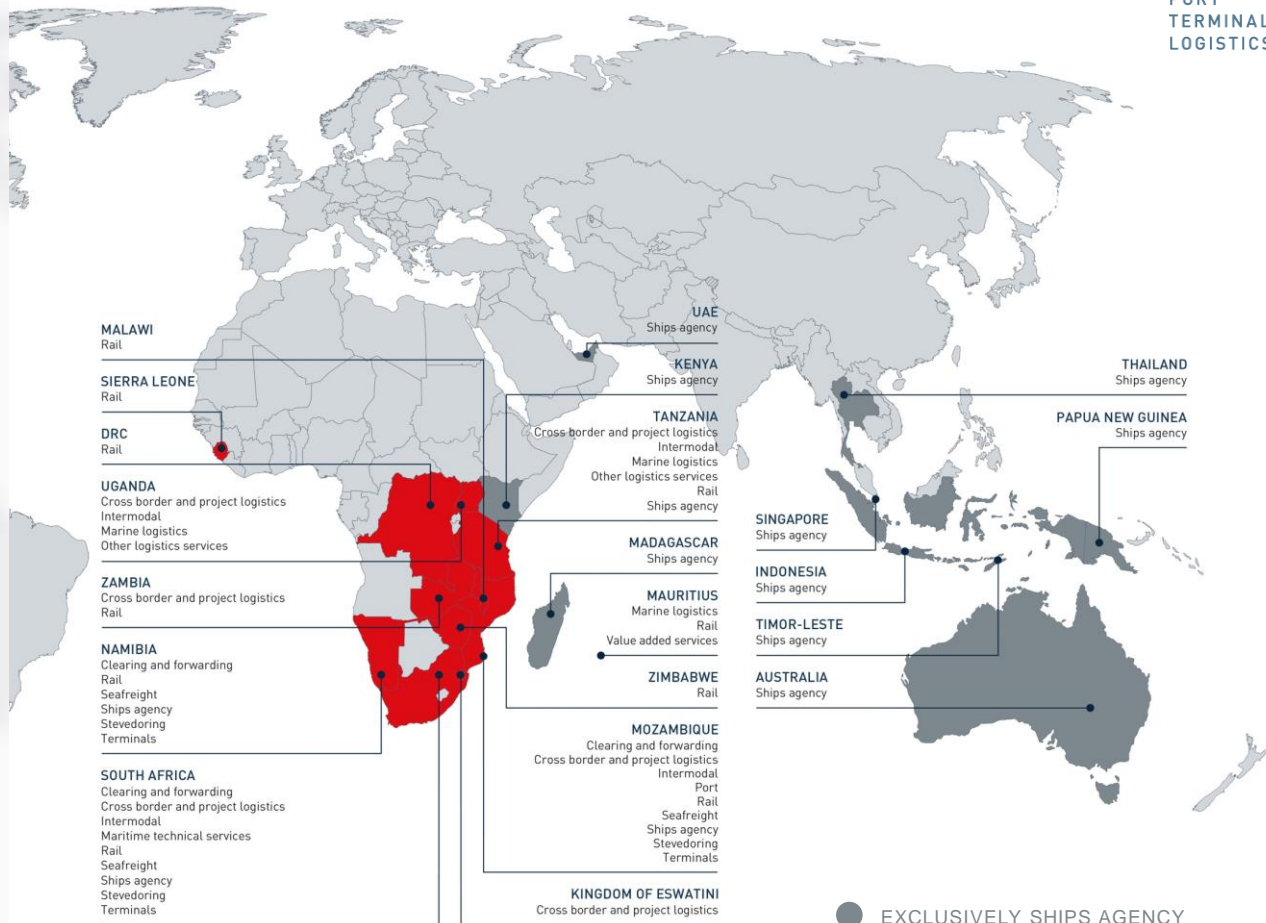
years of experience in Africa

4 000+

capable people delivering a wide range of services

21+

number of countries we are represented in

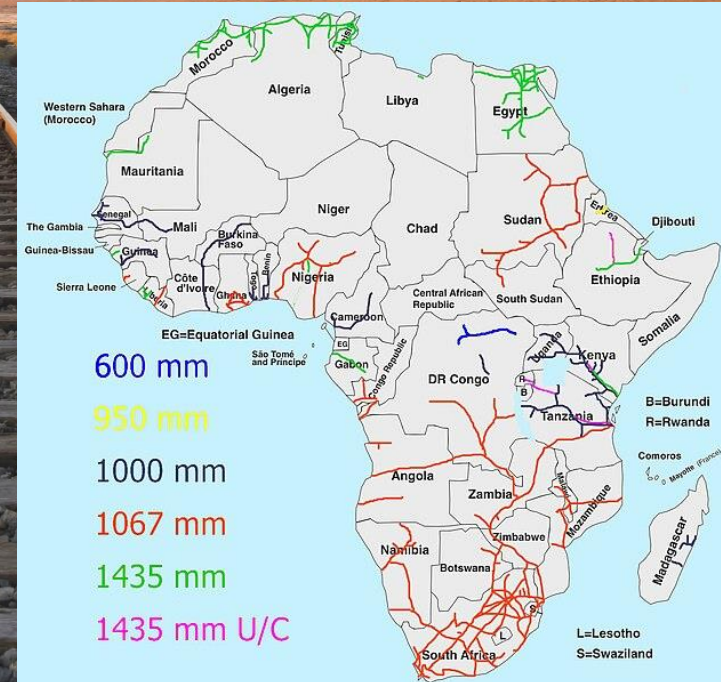
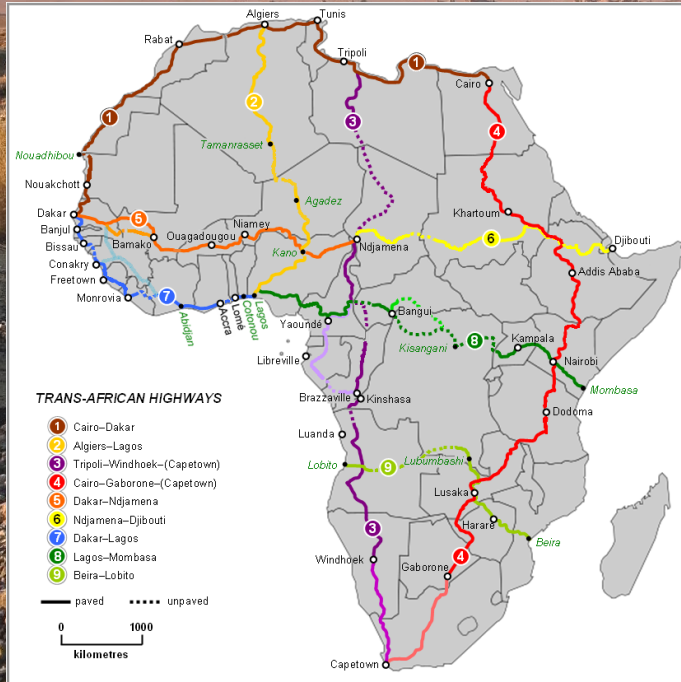


Our **PURPOSE** is to make a **positive difference**
in Africa's trade with the world, **touching lives** of
the communities in which we operate.



Road vs Rail

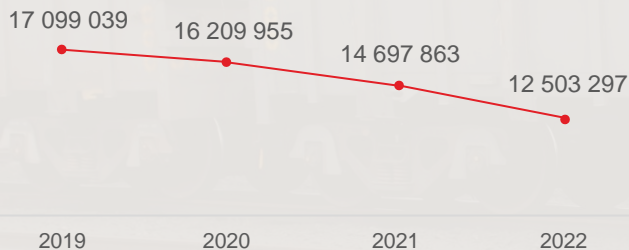
Over a 10-year period the combined annual program would cost about \$500 million for 10 years, after which investment would decline to the steady-state level of \$200 million.



Challenges faced by regional rail operators

- Lack of rolling stock >1 500 locos in SADC
- Backlog of infrastructure investment
- Competition for expertise
- Speed of decision making and implementation
- Lack of strategic planning

2019 - 2022 traffic comparison



100
TRAINS PER
MONTH LESS



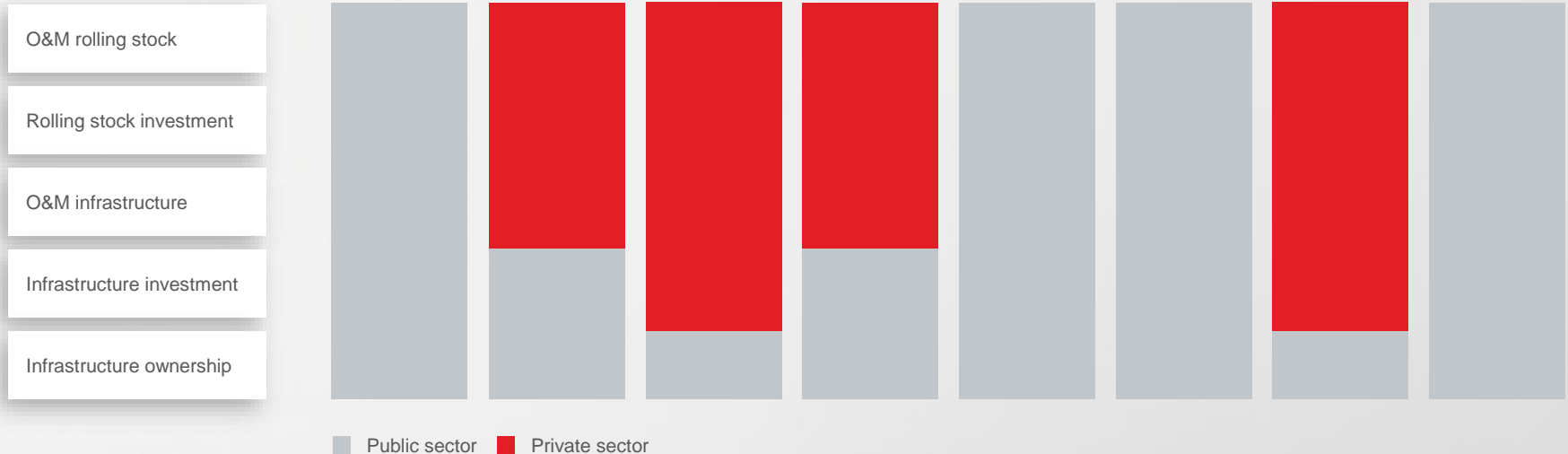
FACTORS CONTRIBUTING TO DECLINE IN RAIL TRANSPORT

- Growing competition from more advanced mode of transport
- Industry structures & development
- Management response to customer needs & market opportunities
- Outdated technology & ageing rolling stock
- A shift away from bulk commodities to high value commodities increased the need for time and quality in delivery

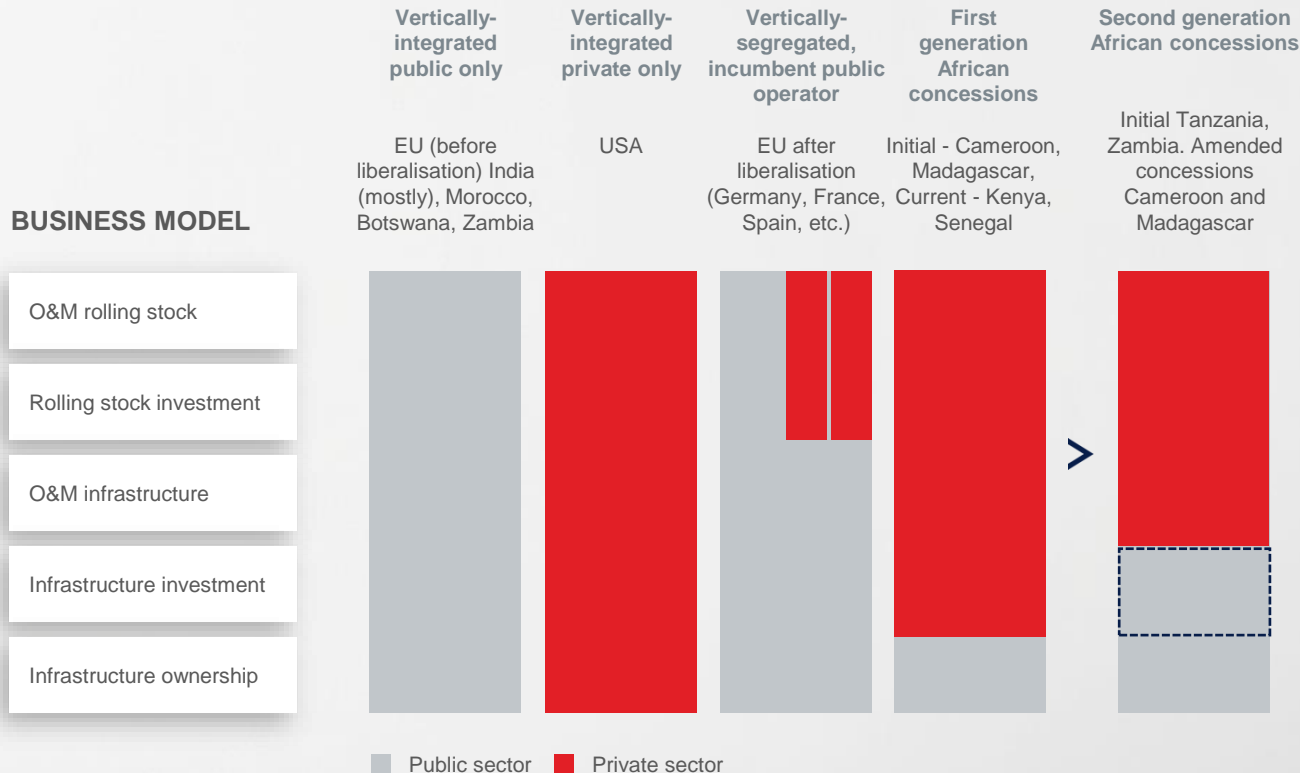


Railway business models in selected African countries

BUSINESS MODEL



Railway business models globally



Main drivers for African railways

Increase in transport demand due to economic growth



New demand for transport & better infrastructure

Increase in global supply chain competitiveness



Need for better integrated logistics services

Increase in number & size of metropolitan cities



Need to provide new urban mass transport systems

New mining developments producing high volumes



Need to build infrastructure to handle mining volumes

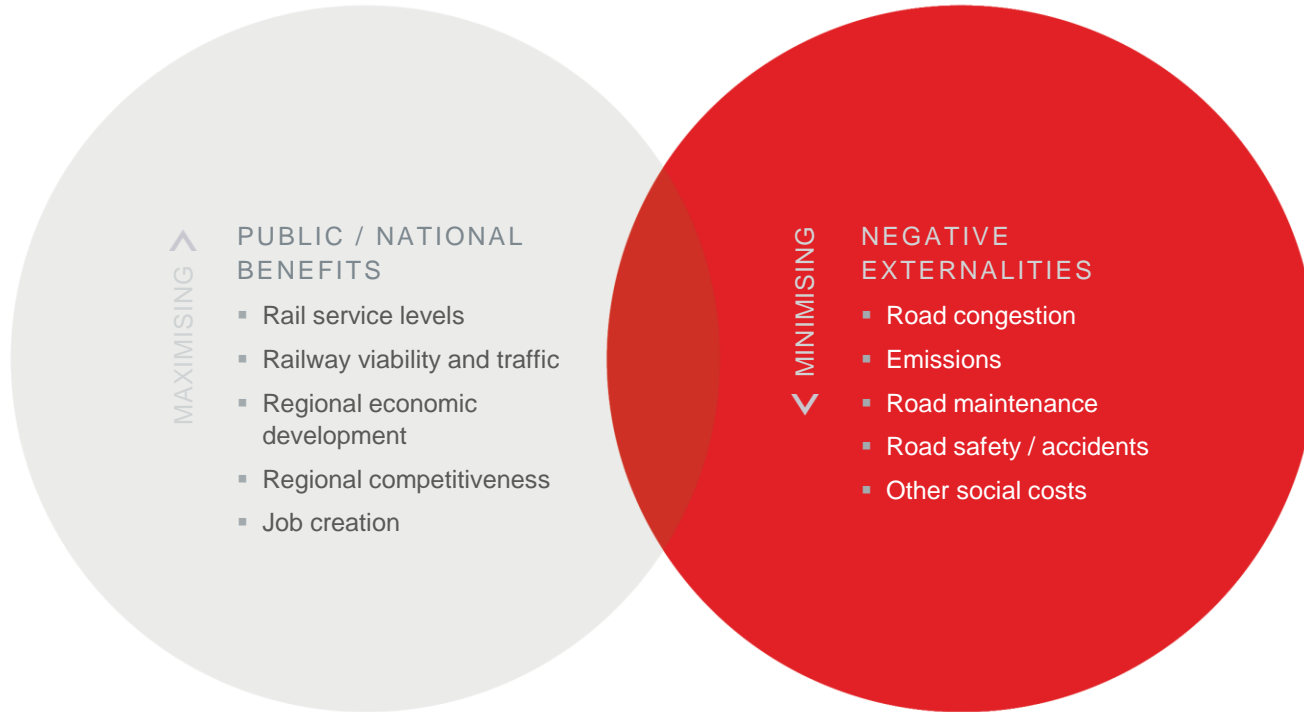
Existence of landlocked countries with poor connectivity with ports



Need to provide access to ports & reliability



Railway case for privatisation



LESSONS FROM CONCESSIONS IN AFRICA

- Governments prioritized road infrastructure while neglecting railways, despite awarding rail concession contracts. This points to policy inconsistency.
- Existing rail infrastructure is not adequate to support commercial exploitation and would
- require extensive upgrades and investment.
- Inefficient and ageing rolling stock.
- Human resources were not renewed, leading to a depletion of the skills base.
- Political conflicts and natural disasters damaged existing lines.

Several private sector rail concessions have been awarded in Africa and more than 70% of rail transport activities outside of South Africa



LESSONS FROM CONCESSIONS IN AFRICA

- Brownfield projects (i.e. existing networks) should be prioritized over greenfield projects or at
- Freight and urban/suburban passengers in major metropolises should be prioritized over medium and long-distance passenger services.
- Generally, medium- and long-distance passenger services do not have sufficient volumes to be financially viable.
- Freight and passenger operating businesses should be kept separate because of the differences in characteristics and level of engagement by the public sector.



Particulars of railways vs other infrastructure

Rigidity of infrastructure



Railway infrastructure bears significant technical difficulties that makes operation complex

Need for an operator



Railway infrastructure & operations must be supportive

Interoperability



Railway interoperability depends on technical capability

An alternative means of transport



Railways are mostly an optional mode of transport

Impact on infrastructure constraints on the overall constraints on the overall standards of service & performance



Railway performance depends on the complete line



Risk and responsibilities

	Technical assistance	Management contract at flat rate	Performance based management contract	Concession	Privatisation
Management of the operations	Public	Private	Private	Private	Private
Commercial risk	Public	Public	Shared	Private	Private
Operating risk	Public	Public	Shared	Private	Private
Investment risk	Public	Public	Public	Private	Private
Ownership of rolling stock	Public	Public	Public	Private	Private
Infrastructure ownership	Public	Public	Public	Public	Private

Latest investments in rail in SADC

- Lobito Corridor - >USD 480m
- Tazara – USD1 bn
- Tanzania, Burundi – SGR – USD 4bn

BULAWAYO BEITBRIDGE RAILWAYS

Beitbridge Bulawayo Railway (BBR) manages the railway concession between Beitbridge and Bulawayo.

The concession provides a key link on the North-South corridor.

BBR also holds a marketing agreement with the National Railways of Zimbabwe (NRZ) to operate trains between Bulawayo and Victoria Falls thereby supporting connectivity of landlocked markets such as Zambia, DRC and Zimbabwe to African ports.

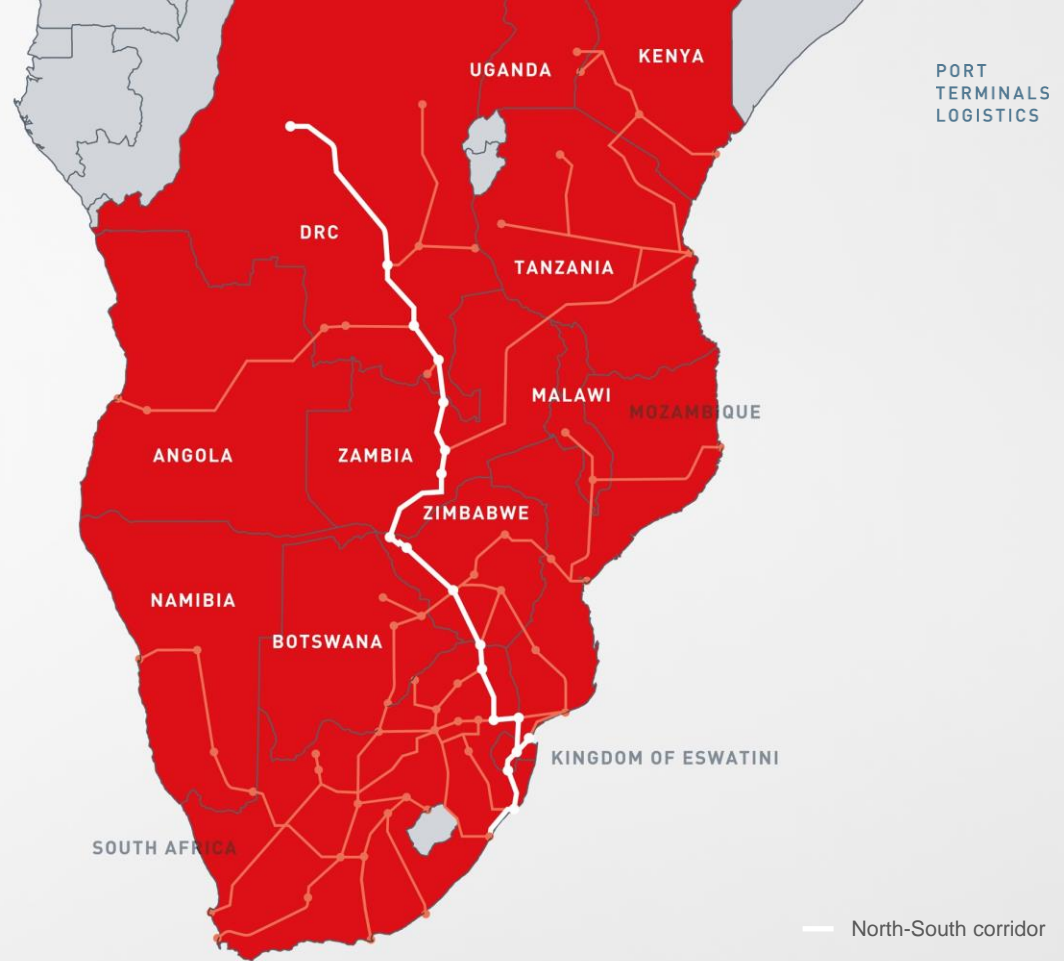


Cargo consists of sulphur, fuel, clinker, copper, wheat and containers.

BBR operates the 827 km line with numerous locomotives, and fit for purpose wagons.

Strategic position for NSC

- BBR
- Access to Zambia
- Access to DRC
- Linking South African rail network



Rolling stock



To be the rail operator of choice in the SADC region, linking customers to ports and operating a borderless rail freight service, Grindrod rail must:

Capture
**30% of
NSC freight**
in 3 years

**Run 3 trains per
day, which requires:**

98 locomotives

1,075 wagons

Investment required
USD 270 million



Financial aspects of railway concessions

Who is in charge of investment in railway assets



Schemes used for financing the asset investment in railway concessions

How does the railway concessionaires raise capital



Capital structure of railway concessionaires

Which strategy can be used to reduce the cost of capital



Contracts & risk management in railways concessions

Long term perspective on Rail

- Lifespan of railway 80-100 years
- Need to fit into long term transport plan
- Ensure upgrade allow for longer, safer and heavier trains
- Change in logistics requirements

Way forward

- Strategic plan – Operation efficiency
- Master Plan – Infrastructure (Long term view)
- Stakeholder engagement
- GRN commitment & Regulation to support rail development
- Need for private sector investment
- Role of development banks
- Strategic partnerships
- Focus on freight
- Customer focus
- Infrastructure vs Rolling stock
- Rail vs Road



thank you

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