

# A luta continua!



ABOVE: Nacala port is the principal gateway for traffic to and from the region

LEFT: Trains meeting at Liwonde on the CEAR main line between Nkaya and Nayuci

All photos: Railroad Development Corp

Despite financing delays and setbacks caused by cyclones and famine, a multinational concessionaire is starting to make progress with the renovation and operation of the Nacala Corridor linking Mozambique and Malawi

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**T**HIS YEAR marks a critical point in the long-running programme to revitalize the Nacala Corridor linking Zambia and Malawi to the Indian Ocean port of Nacala in Mozambique. After nearly seven years of negotiations, funding has been put in place for renovating the line, streamlining the management and putting the operation back onto a commercial footing, able to support the economic and industrial revitalisation of the local community.

The Nacala Corridor has proved unusually complex for its size but nevertheless it provides a valuable case study of how projects in developing countries can evolve from plans to reality. Hence the title of this article – a slogan coined by the first President of Mozambique after independence, Samora Machel, which translates as ‘the struggle continues’!

RDC’s investment philosophy is based on a diversity of experiences in many economic, political and cultural environments. Foremost is the discipline that three factors are essential for a successful railway business. In descending order of priority, these are: governments which are serious about involving the private sector, strong local partners, and rational competition among bidders.

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For a variety of reasons Africa is a very difficult environment in which to find opportunities meeting these parameters. To date, the Nacala Corridor has been our only investment on the continent.

The corridor consists of four components:

- The Port of Nacala, owned by Mozambique’s parastatal railway and port authority CFM.
- The Northern Railway network in Mozambique, completed in the 1970s, and also owned by CFM. This has a main line of 611 km which runs from the port of Nacala to the Malawi border at Nayuci with a 262 km branch line from Cuamba to Lichinga. The disused 41 km Monapo – Lumbo branch near the coast is excluded from the concession.
- Central East African Railways, which operates the 797 km network of the former Malawi Railways. This runs from the Mozambique border at Nayuci to Nkaya, where it splits into two routes running north to the Zambian border at

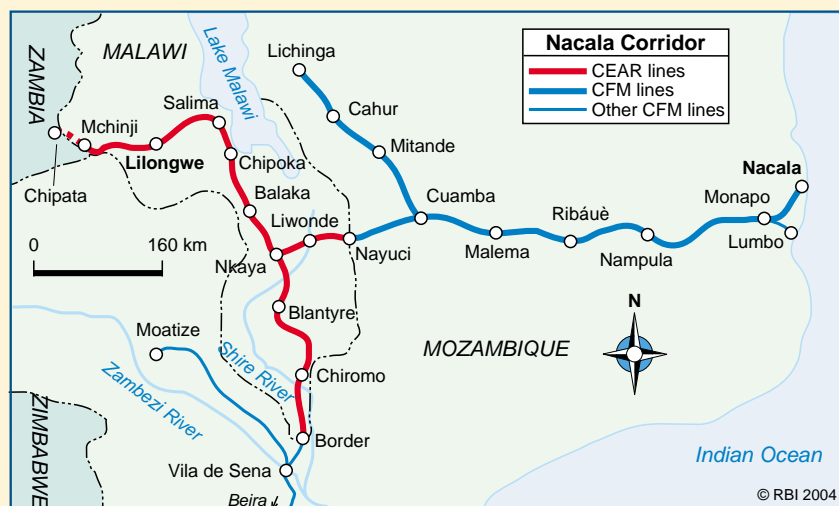
Mchinji via the capital at Lilongwe and south towards Mozambique’s Beira Corridor via Blantyre. This latter line is unserviceable south of Makhanga due to washaways, destruction of the line and damage to the Zambezi River bridge that occurred during Mozambique’s civil war.

- An uncompleted 26 km extension from Mchinji in Malawi to Chipata in Zambia. The alignment has been graded, and a new station has been built at Chipata, but only 3 km of track was ever laid, at the ‘far end’ of the extension!

The 1 067 mm gauge network is single-track throughout, and largely unsignalled in both countries. Train operations are managed by radio in Mozambique and by an electro-mechanical token system in Malawi.

## Concessioning proposal

RDC’s involvement with the Nacala Corridor began in the mid-1990s. In 1997 the government of Mozambique announced that it was looking for a private-sector solution for the development of the Nacala Corridor, covering both the port and the railway, together serving as the only





**ABOVE:** A refurbished diesel loco shunts at Kanengo yard in the Malawi capital Lilongwe



**RIGHT:** Track has not yet been laid on the completed formation of the 26 km cross-border link between Mchinji and Chipata

connection to Malawi Railways.

We were contacted by Edlow Resources Ltd, an international company with previous investment in Mozambique's mining sector. Our skills were felt to be complementary – theirs being regional business experience and ours being in railway operations. Together we responded to the government's approach,

*End of the line; CEAR's route to Beira is currently broken by this washout by the Shire River at Chiromo and by war damage to the Zambezi River bridge at Vila de Sena*



ches, which resulted in the formation of Corredor de Desenvolvimento do Norte.

CDN is structured as a joint venture between CFM and a private-sector partner, Sociedade de Desenvolvimento do Corredor de Nacala. SDCN in turn is owned by a consortium of private-sector entities: ERL, Mozambique freight forwarder and port operator Manica, various Mozambican private investors and RDC.

SDCN began negotiations with the government of Mozambique in 1997. However, these negotiations proved more difficult than anticipated, and obtaining finance was even more difficult.

**Malawi moves ahead**

Despite the slow progress in Mozambique, the process had the effect of stimulating Malawi to award an operating concession for Malawi Railways, in the interest of taking a more proactive role in the development of the Nacala Corridor. Malawi Railways was concessioned with effect from December 1 1999. The new operator, CEAR, has the same shareholders as CDN.

We are very proud of CEAR's leadership role as the first rail privatisation in Africa not involving a parastatal operator. All the other successful concessionaires on the continent have been backed by the state railways of France and South Africa in some form or other.

CEAR has made some substantial achievements in its first few years, including the in-house rehabilitation of locomotives to a high level of reliability, and the modification of varied wagon types to reflect individual customers' needs. But with half of the corridor remaining in state ownership, CEAR has been somewhat left on its own,

competing with one hand tied behind its back, like every railway commercially dependent on other operators.

Although CEAR is the only rail operator in Malawi, it faces substantial competition from lorries moving traffic to and from the port of Beira in Mozambique, and from road and rail

corridors leading south to Durban and north to Dar-es-Salaam. Additionally, CEAR suffered major damage from Cyclone Delfina in January 2003 that has left the Lilongwe section isolated for more than a year. All of this is reflected in CEAR's disappointing traffic levels to date (Table I).

Traffic on the corridor is predominantly exports sent via the port of Nacala. These consist of sugar, tobacco, pigeon

**La lutte continue**

En dépit de retards de financement et de contretemps causés par des cyclones et la famine, un concessionnaire multinational commence à réaliser quelques progrès dans le domaine de la rénovation et de l'exploitation de la ligne du corridor de Nacala reliant le Mozambique au Malawi. Le trafic a augmenté depuis que les Central East African Railways ont repris le réseau du Malawi en 1999, mais les progrès futurs dépendent des apports de financement pour les réparations à effectuer à la ligne au Mozambique et de la mise en place d'une équipe d'exploitation unie

**Der Kampf geht weiter**

Trotz Finanzierungsproblemen und durch Zyklone und Hungersnöte bedingte Verzögerungen beginnt ein multinationaler Konzessionär Fortschritte zu machen bei der Renovierung und Inbetriebnahme des Nacala Corridors, welcher Mozambique mit Malawi verbindet. Der Verkehr hat zugenommen seit die Central East African Railways das Malawische Netz 1999 übernommen haben, aber weitere Fortschritte hängen stark von der Finanzierung für die Reparaturen der Strecke in Mozambique ab sowie dem Einsetzen einer konsolidierten Betriebsleitung

**La lucha continua**

A pesar de las demoras financieras y los contratiempos provocados por ciclones y hambrunas, un concesionario multinacional comienza a realizar progresos con la renovación y operación del Corredor Nacala que une a Mozambique y Malawi. El tráfico ha aumentado desde que los Central East African Railways se hicieron cargo de la red nacional de Malawi en 1999, pero poder llevar a cabo mayores progresos depende de la posibilidad de lograr mayor financiación para la reparación de la línea en Mozambique y de poder consolidar un equipo de operaciones

**Table I. CEAR traffic in Malawi**

Year	Import tonnes	Export tonnes	Local tonnes	Total tonnes	Tonne-km million
<b>Malawi Railways</b>					
1995	77 500	35 200	226 400	339 100	63.1
1996	87 800	32 700	131 600	252 100	43.3
1997	100 600	37 600	145 100	283 300	46.8
1998	115 700	27 800	167 100	310 600	46.6
1999	108 700	38 600	196 900	344 200	53.5
<b>Central East African Railways</b>					
2000	155 100	101 000	249 700	505 800	79.6
2001	139 700	135 600	172 000	447 300	99.8
2002	186 000	93 700	183 500	463 200	95.0
2003	150 000	83 300	39 700	273 000	81.2





peas, and tea. Import traffic to Malawi consists of fertiliser, fuel, food products such as vegetable oil and grain, plus containerised consumer goods.

CEAR also handles significant domestic traffic within Malawi, in the form of tobacco moving from collection points west of Lilongwe to that city for processing and subsequent export. However the domestic rail traffic related to Malawi's cement industry has recently undergone a significant decline, as a result of the closure of the quarry supplying clinker to the cement plant at Blantyre. Clinker is now being supplied from Zimbabwe by road.

Interestingly, the governments of both Malawi and Mozambique are supporters of passenger services. In the case of Malawi, a subsidised service operates three times a week in both directions from Blantyre, to Makhanga in the south and to the Mozambique border at Nayuci. Because of the lack of suitable roads these trains enjoy substantial parcels traffic in addition to their passenger ridership.

In Mozambique, a tri-weekly service has historically operated between Nampula and Nacala in addition to a daily train between Nampula and Cuamba. However, the shortage of locomotives in recent years has resulted in the suspension of the service to Nacala and a reduction in frequency of the Cuamba service from daily to tri-weekly.

The 24 locomotives used by CEAR in Malawi are mostly Alco-engined MX615 diesels which were rebuilt in the mid-1990s and are maintained in a state of good reliability at the Limbe workshops near Blantyre. The Mozambique section is primarily operated with

11 CFM-owned GE U20-Cs dating from the 1970s. Two Alstom-built locos donated in the early 1990s have been destroyed in accidents, and a third has remained at the Nampula workshop virtually since it was delivered. All trains use vacuum brakes rather than air.

**Make or break time**

For all of these reasons, 2003 was a make or break year for CEAR. Either financing would be obtained for the vital link through Mozambique, or the programme would unravel. Fortunately for all concerned, financing was obtained from the Overseas Private Investment Corp, a fund established by the US government to promote private-sector investment in developing countries.

Under a deal signed in June 2003 (RG 8.03 p474), OPIC is providing US\$29.6m to fund refurbishment of the critical 77 km section in Mozambique between Cuamba and Entre Lagos over a two-year period. In addition, USAID and the UK Department for International Development have contributed to the reconstruction of the Rivi Rivi River bridge at Balaka in Malawi, which will reconnect the currently isolated section of line to Lilongwe. The bridge is scheduled for completion soon, allowing through

*LEFT: A mixed train to Makhanga arrives at Limbe, just south of Blantyre*

*ABOVE: Thanks to the poor condition of local roads, CEAR still handles substantial volumes of small consignments within Malawi*

services to resume later this year.

And so we find ourselves in the first half of 2004, finally in a position to implement the plans originally drawn up in the mid-1990s. These are not particularly innovative; they involve the basic rehabilitation and modernisation of infrastructure, communications and rolling stock, in conjunction with a unified commercial strategy and a streamlined organisation.

Perhaps what is remarkable is the tenacity of all concerned in sticking with the plan. This has been the consistent thread that has not only held the consortium together but also has provided the credibility required for the financing. It is reflected in not only the OPIC funding but also additional investments by aid agencies that have come as part of recent famine-relief efforts in the region. We can go so far as to say that, had CEAR not been concessioned, the effects of the famine would have been far worse.

The road has been much more difficult than anticipated for all concerned, but at this point we can say with conviction that because of the commitment of so many stakeholders we are now a more or less 'normal' company. We will succeed or fail on the commercial results of the years of work to date, and in doing so we join our colleagues in other privatised railways around the world. ■



*ABOVE: CEAR's Chief Mechanical Officer Bob Nkana (left) and the workshop team at Limbe overhauled this 1993-built CMI diesel shunter and modified the hydraulic drive to improve availability and reduce operating costs*

*RIGHT: Enthusiastic staff at CFM's Nampula workshops face a major challenge keeping the line's small loco fleet operational.*

*LEFT: Two of the three Alstom diesel locos donated to CFM in the 1990s have already been written off in accidents*

