The Times

Railway back in African hands

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Railroad baron Henry Posner III has a favourite saying: "If they didn't pay for it, they have no idea what it's worth."

Now that may be changing as Mozambican investors buy the stake that Posner and his company, the Railroad Development Corporation (RDC), held in the Northern Development Corridor (CDN), the integrated port and railway business that connects Malawi's railway system and the port at Nacala.

In a statement released this week, RDC announced it had sold its interest in the Nacala Corridor to Mozambican investor group INSITEC and will be exiting from Africa "for now".

RDC did not say how much the deal was worth, but Posner said in the statement that the sale was a logical step. "We are selling our interests at a profit, reflecting acknowledgement by a third-party investor that there has been significant value created," he said.

The corridor consists of Malawi's railway, the Norte line, which runs across northern Mozambique from Nacala to Malawi, and the port itself.

Concessioning took place in stages, starting with the creation of Central East African Railways (CEAR) in 1999 in Malawi and continuing with the concessioning of the Nacala Port and Railway in 2005.

Since privatisation, traffic volumes have boomed on the corridor and transit times have been slashed.

It has not been an easy ride, however. The operation has been beset with difficulties ranging from floods, train wrecks and a lack of funding to sniping from government officials in both countries and a catastrophic bridge washaway in Malawi that closed the line to Lilongwe for many months.

Getting Malawi's rail system back in shape after years of moribund state control was relatively simple, but the viability of that system depended on smooth and reliable operations through Mozambique.

Most of the Norte line from Nacala to Cuamba was rehabilitated with French aid money after the end of the civil war in 1992, but the taps were closed following a dispute over funds and the last section of the railway, 77km from Cuamba to the Malawi border at Entre- Lagos, was never repaired.

State rail operator CFM — a 49% shareholder in CDN — was unable to keep the railway running efficiently and, by the time the 15-year concession agreement was signed in 2005, the railway's fleet of locomotives had shrunk from 11 serviceable engines to four.

To keep trains running — most notably when the World Food Programme had to use the line for famine relief to Malawi — CDN has at times had to hire locomotives at great expense from SA logistics and rail operator Sheltam Grindrod. New locomotives have subsequently been bought or secured from donors.

Now, says Posner, it is time to hand over the railway to local investors. "Having restructured and stabilised a patchwork of publicly owned assets, the foreign investors have at this point created most of the value that we were in a position to achieve."

RDC president and CEAR chairman Bob Pietrandrea said the company's profits from the deal will be retained in a war chest for future opportunities in Africa. "Economic opportunities on the continent, which have been perceived as 'challenging' to say the least, are likely to come from both increased interest in concessioning and the inevitable restructuring of some existing ones."