

World Bank Transport Forum 2006

Swaziland Railway Restructuring

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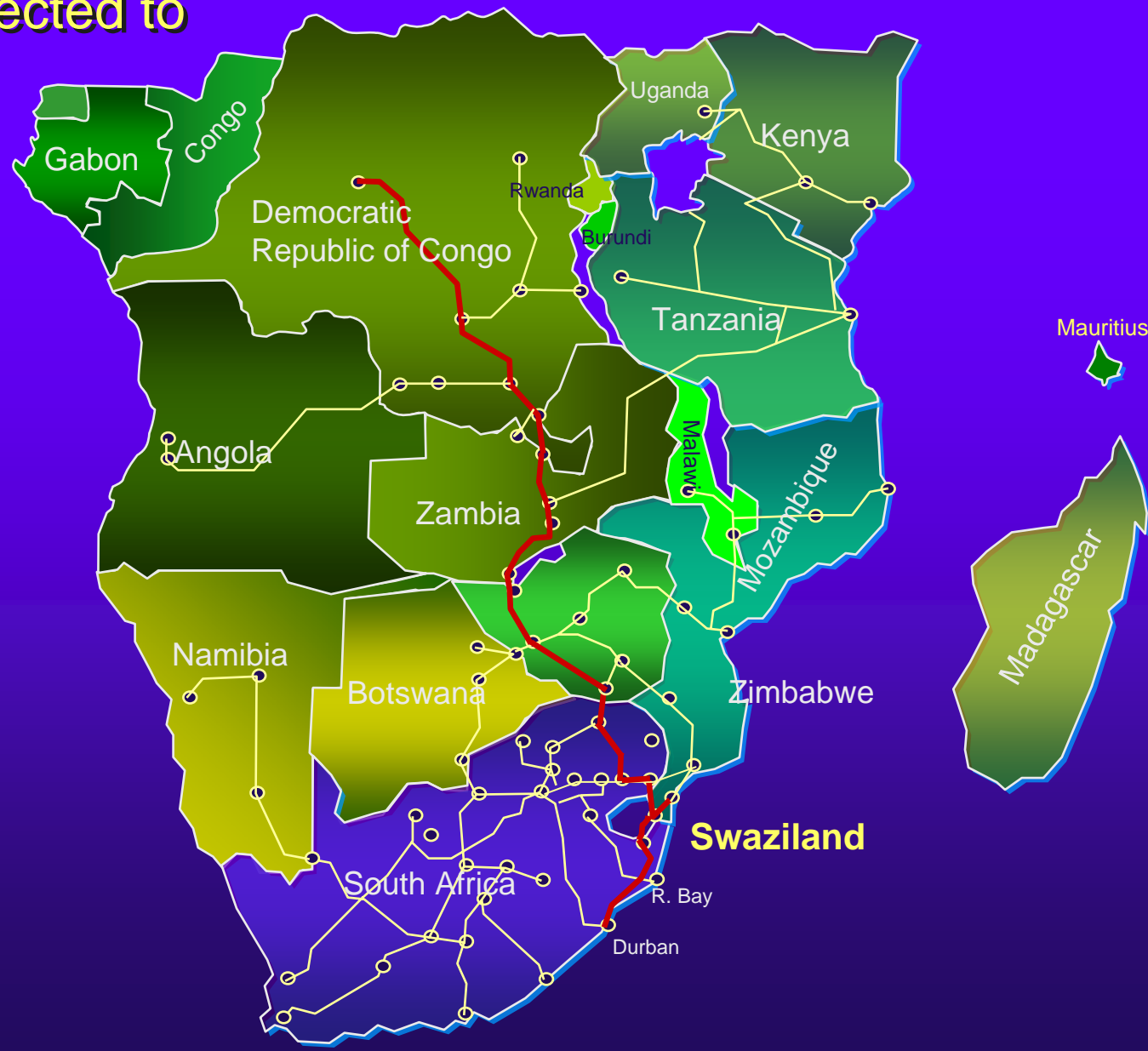
CEO Swaziland Railway

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Agenda

- 1. Presentation of SR**
2. SR Reforms
3. Railway Development Perspective
4. Current Reform Process
5. Lessons Learned

SR strategically connected to SADC railways

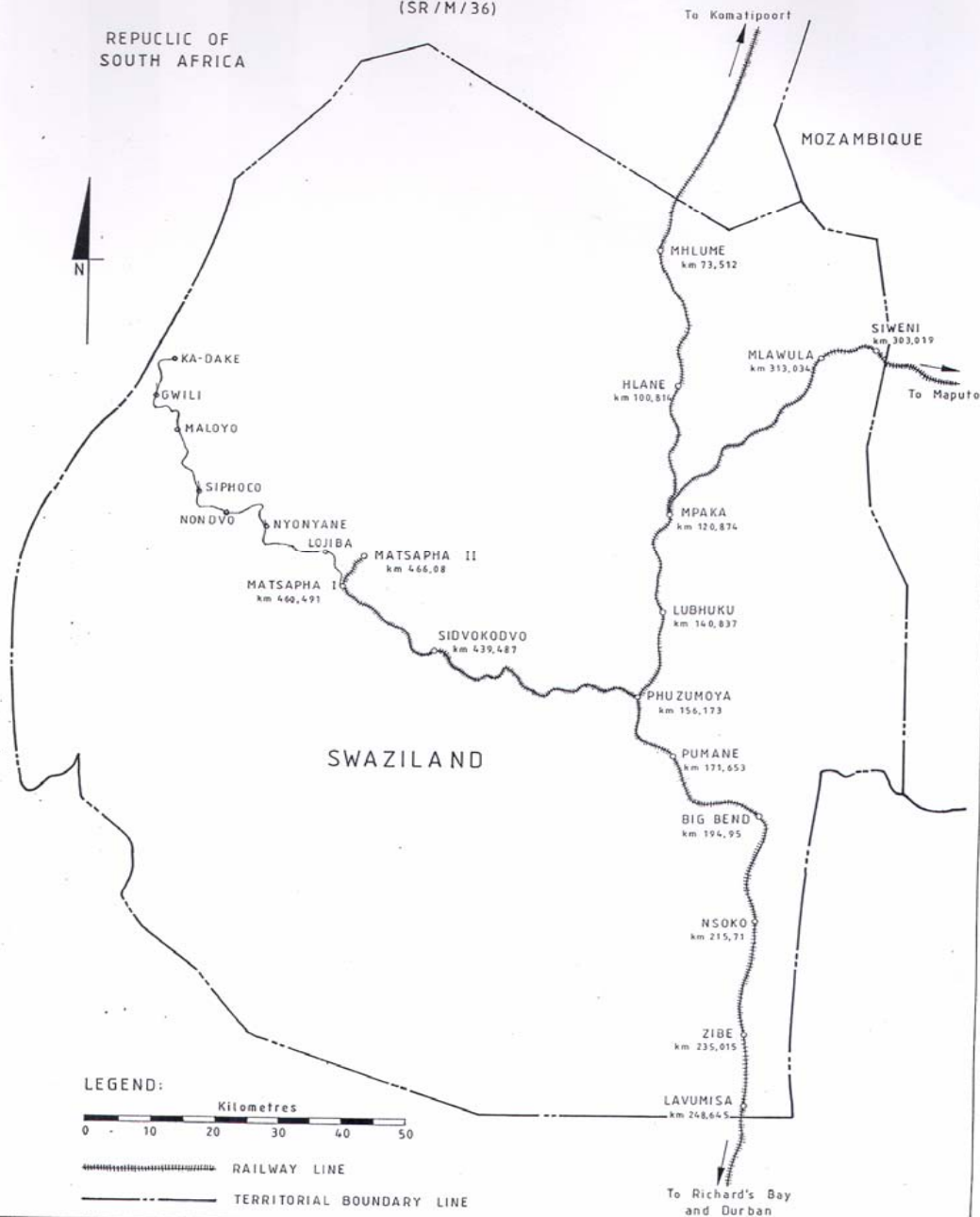


— N/S Corridor

SWAZILAND RAILWAY SYSTEM MAP (SR/M/36)

REPUCLIC OF
SOUTH AFRICA

MOZAMBIQUE



Swaziland Railway Profile

- ◆ Line capacity 10 m tonnes
- ◆ Route KMS (1067cm) 301 km
- ◆ NTKMS (000) 733,941 t/km
- ◆ Current # of employees 315
- ◆ Average tonnage / year 4 m tonnes
- ◆ Number of locomotives (leased) 5
- ◆ Air brake and vacuum trains
- ◆ Radio train order system (RTOS)

Traffic Streams

- ◆ Transit traffic: 75 % of total traffic. SR acts as “bridge carrier” from Northern regions (e.g. DRC, Zambia, Zimbabwe, RSA) to Richard’s Bay and Durban.
- ◆ Import/export traffic: 25% of total traffic. Originates or terminates within Swaziland and offline in RSA and Mozambique.
- ◆ 80% of the traffic is with Spoornet and 20%with CFM
- ◆ Container traffic from the Matsapha Dry Port to Durban
 - Sugar traffic exports through Maputo port
- ◆ Tourist trains: 5 trains per month

Relationship with neighboring Railways

- ◆ Spoornet RSA and CFM Mozambique
- ◆ Locomotive leasing and maintenance contracts
- ◆ Through working of trains
- ◆ Derailment equipment
- ◆ Radio Train Order System (RTOS)

SR Background Studies

- ◆ 1990: Programme of SR commercialization
- ◆ 1989-1992: USAID/ GoS financed technical assistance
- ◆ 1992 and 2003: rightsizing of resources
- ◆ 2001: SR Restructuring Study (CPCS Transcom)
 - 2003-2004: PPIAF funded Regulatory Study (Adam Smith Institute)
- ◆ 2005: PPIAF funded SR Privatisation Study (CPCS Transcom)

SR Internal Reforms

- ◆ SR initiated a rightsizing programme in 2003:
 - involved shedding of non-core activities and resulting in reducing staff from 627 to 284 employees (343 retrenched)
- ◆ SR offered generous severance packages
- ◆ Supported the formation of Ex- employee companies for outsourcing SR's functions..

SR's Severance Package

- ◆ Paid all statutory provisions i.e. leave pay, Severance, notice pay, and pension
- ◆ Added a sweetener of 14 days for each year of service over and above the statutory requirements.
- ◆ Negotiated a tax exemption for the packages with government
- ◆ Paid the packages of E32million out of SR reserves without getting assistance from Government or donor funding

Gains from Reforms

- ◆ Productivity improved by using outsourced companies
- ◆ Management adjusted from managing people to managing service level agreements
- ◆ Converted employees to employers (middle class)
- ◆ Significant reduction in payroll costs and benefits
- ◆ Industrial Strikes reduced to almost nil
- ◆ SR earned its highest profit in 40 years in 2004-05: E21.5 million

SR Concessioneing Study

- ◆ Public-Private Infrastructure Advisory Facility (PPIAF – World Bank) funded project
- ◆ Objectives:
 1. Determine rail reform strategy;
 2. Develop model legal documents; and
 3. Prepare Information Memorandum

SR Today

- ◆ Traffic levels have remained largely steady (4 m tons)
- ◆ SR employs commercial management principles
- ◆ Fixed infrastructure recently rehabilitated and well maintained
- ◆ SR has outsourced several railway activities: eg. rail and wagon maintenance
- ◆ Staff retrenchment Programme has been implemented
- ◆ 75% of traffic is captive by one client Spoornet
- ◆ Equipment availability is relatively low: lack of motive power denies SR its full potential

Swaziland's Railway Challenge

- ◆ Attract new investment
- ◆ Improve asset utilisation
- ◆ Change competitive dynamics: road competition
- ◆ Change customer requirements: intermodalism
- ◆ Manage under the challenges of HIV/AIDS
- ◆ Transport improvement to drive the economy
- ◆ Reduce logistics costs: high proportion of GDP (SADC close to 15%, twice the level of developed nations)

How can SR meet the challenges

- ◆ Complete privatization
- ◆ Some form of concessioning
 - Vertically Integrated unitary concession
 - Vertically separated
- ◆ Management contract

Reform options

- ◆ **line access arrangement**
 - Residual SR would act as the Rail Infrastructure Operator
 - Line access offered on a non-discriminatory basis to all Rail Service Providers (likely to be SR in the near term)
 - Lead way and preparedness for regional reform
- ◆ **SR-Spoornet JV**
- ◆ SpoorNet is SR's natural railway partner; would promote seamless rail corridor
 - Joint venture agreement
 - JV participation may be open to CFM and other private sector operators

Line Access arrangement

- ◆ Provide track access to any operator
- ◆ Establish track access charges
- ◆ Continue with Import and Export traffic operations
- ◆ Identify needs and operational efficiencies in the new set up

Lessons Learned

- ◆ A State-owned railway in Africa can perform well if it has a strong, commercially oriented management team and support from government for strategic investments
- ◆ Reforms prior to concessioning can generate positive financial and operational results
- ◆ Rightsizing of personnel can be successful if well planned and implemented
- ◆ Focus on core strategic advantages and develop good relationships with neighbouring railways
- ◆ Reforms can expand the range of railway development opportunities



Thank you for your attention

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