

# Lessons From Bringing the Private Sector Into Railway Operations in Latin America and Africa

**“Governments cannot pick winners, but losers can pick governments”**

European Transport Conference

Cambridge, U.K

September 11, 2001

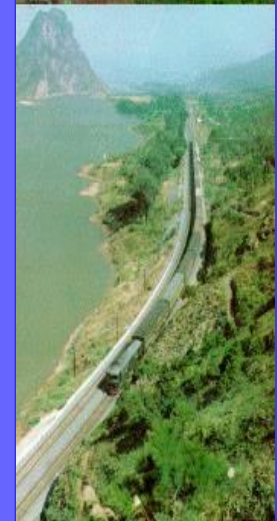
Louis S. Thompson

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The World Bank



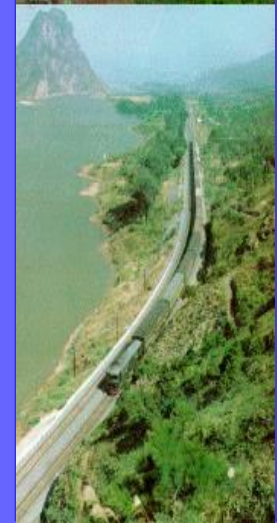
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# The Railway Concessioning Process

- Why?
- The Railways: 44 Rwys, 16 countries done, 7 Rwys in 7 Countries in Process
- Usually managed by specialized agency
- Either exclusive concession, sometimes with competitive trackage rights, or sale of shares in company holding trackage rights
- BOTH Freight and Passenger (30 – 50 yrs positive for frt, 10 –20 yrs negative for pax)
- Sealed bids, or auction, or negotiation
- Selecting the winner: points vs \$







Concessioned

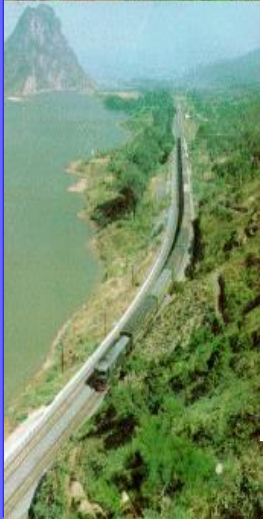
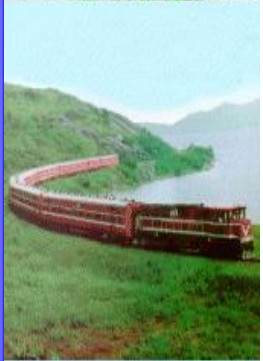


Being concessioned



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# Figure Five



# Results

- Freight: over \$4.3 billion realized, \$1.3 billion annual subsidies avoided.
- Passenger: \$145 million paid **to** Government versus prior losses of \$400 million annually
- Buyers: usually consortia – local investors, international operating expertise. **Little** “recolonialization”
- Labor – 50 to 90 percent **reduction** in labor force, generous redundancy packages
- Regulation and oversight: usually ignored until too late



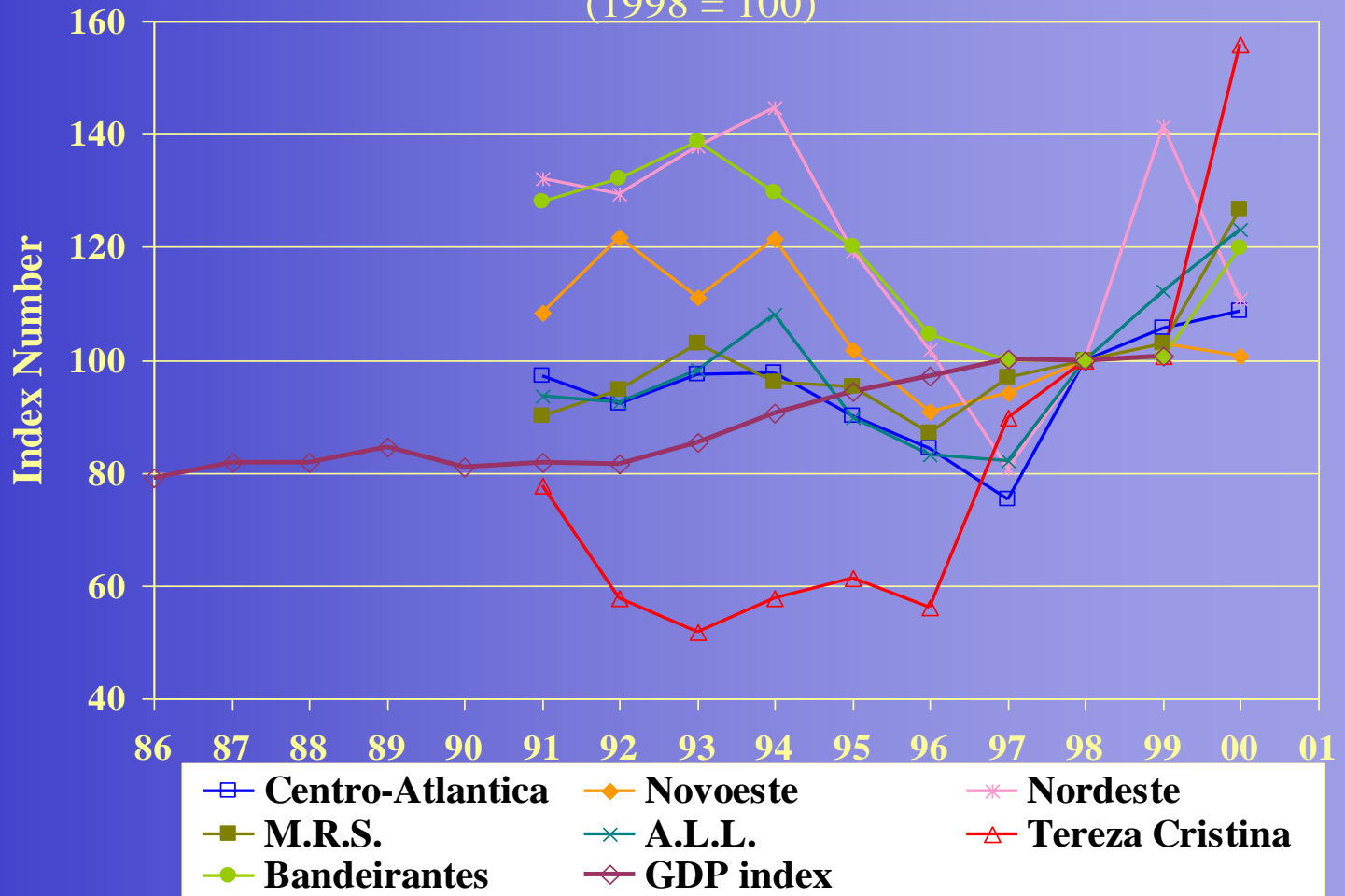
# Performance Outcomes

- Demand: generally positive – 20 to 50 percent growth in 5 years versus shrinkage for freight. Passenger even better. Both are subject to general economic forces
- Labor productivity – double to quadruple
- Tariffs: 10 to 50 percent reduction – enormous savings for the countries involved.
- Overall Assessment: On balance, quite positive



# BRAZIL - Output (ntkm) and GDP

(1998 = 100)





# ARGENTINA - Output (ntkm) and GDP

(1998 = 100)

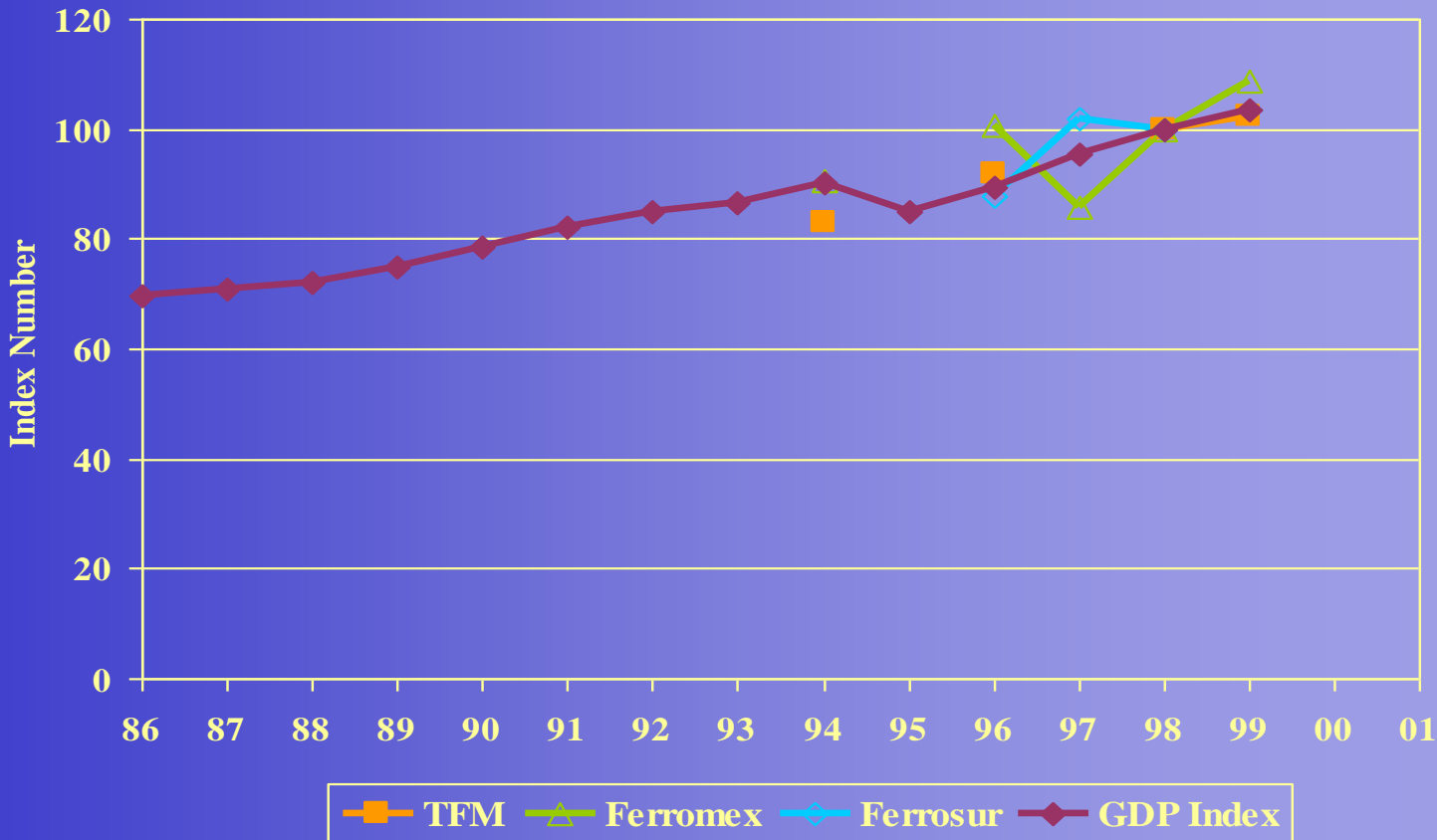


■ **Broad Gauge**     
 ■ **Standard Gauge**     
 ◆ **GDP index**

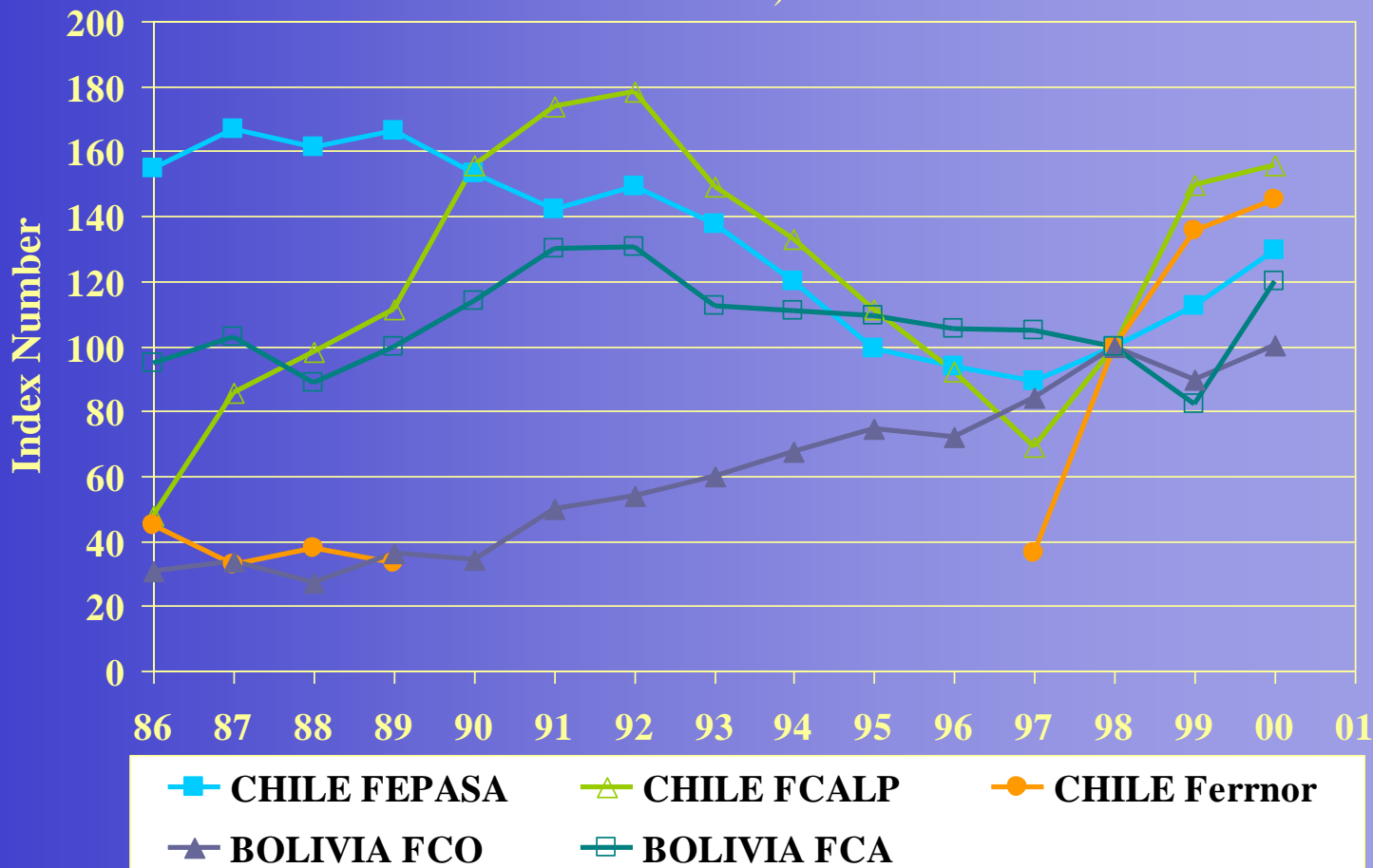


# MEXICO - Output (ntkm) and GDP

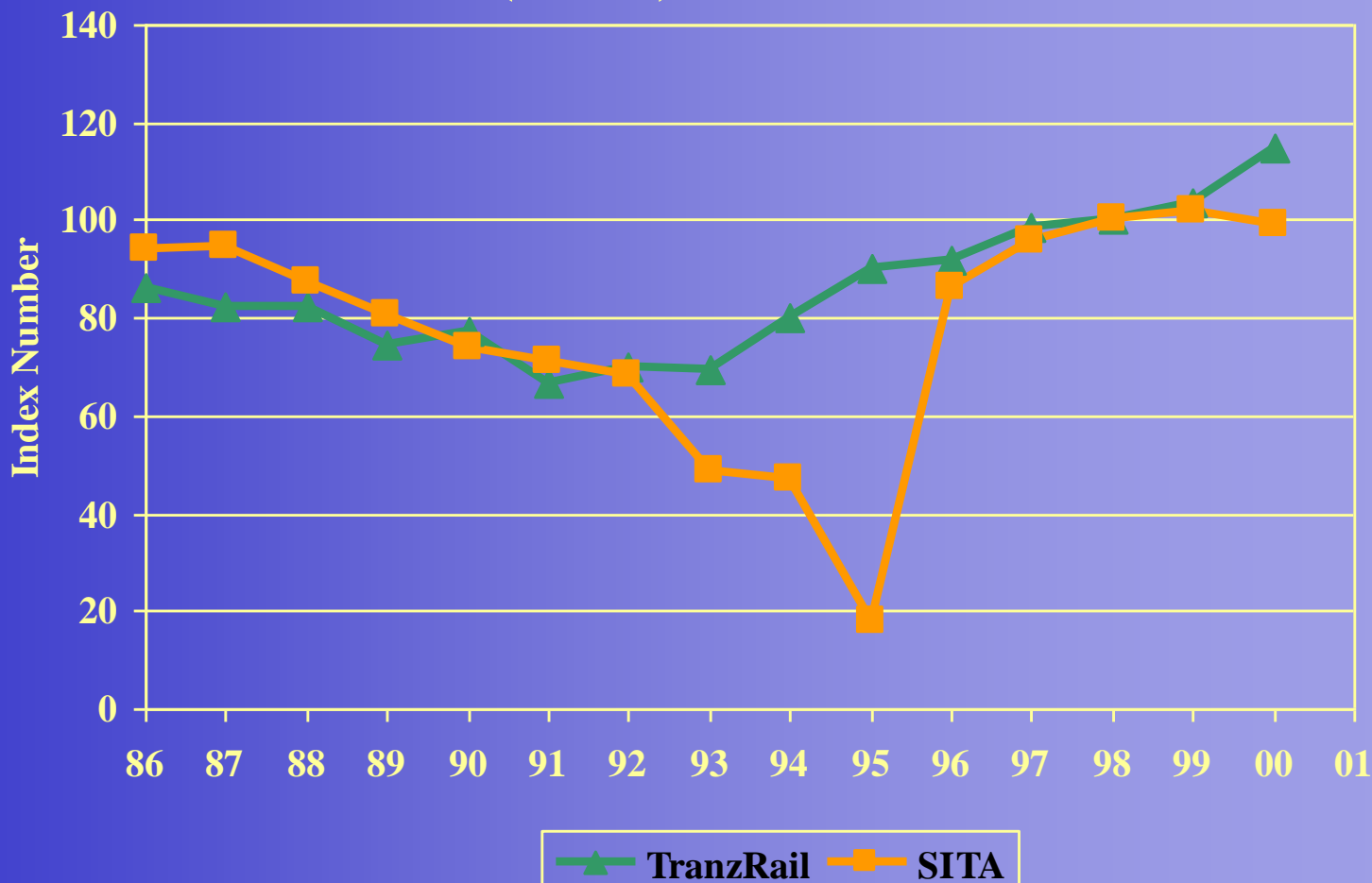
(1998 = 100)



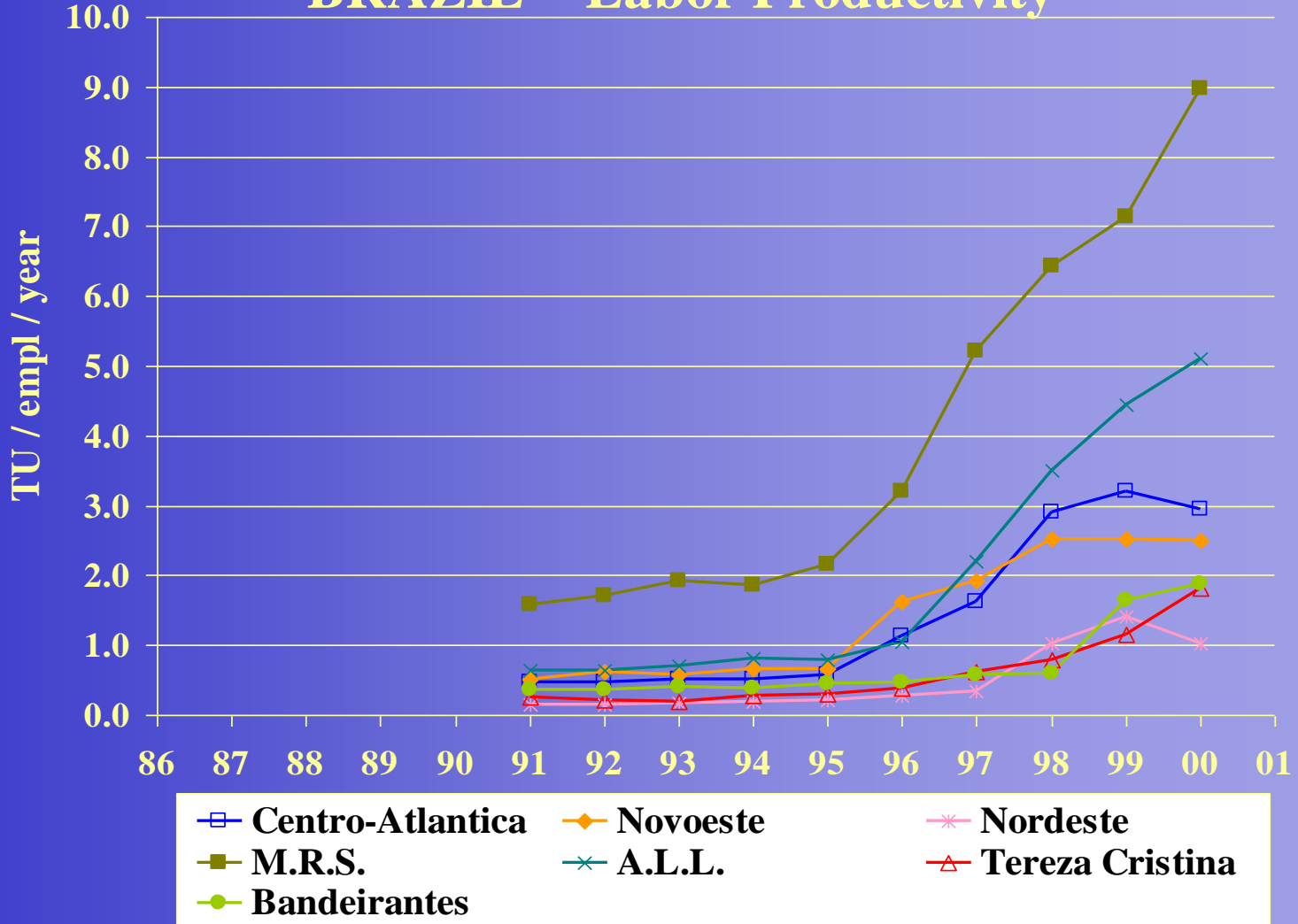
## Other LATIN AMERICA - Output (ntkm) (1998 = 100)



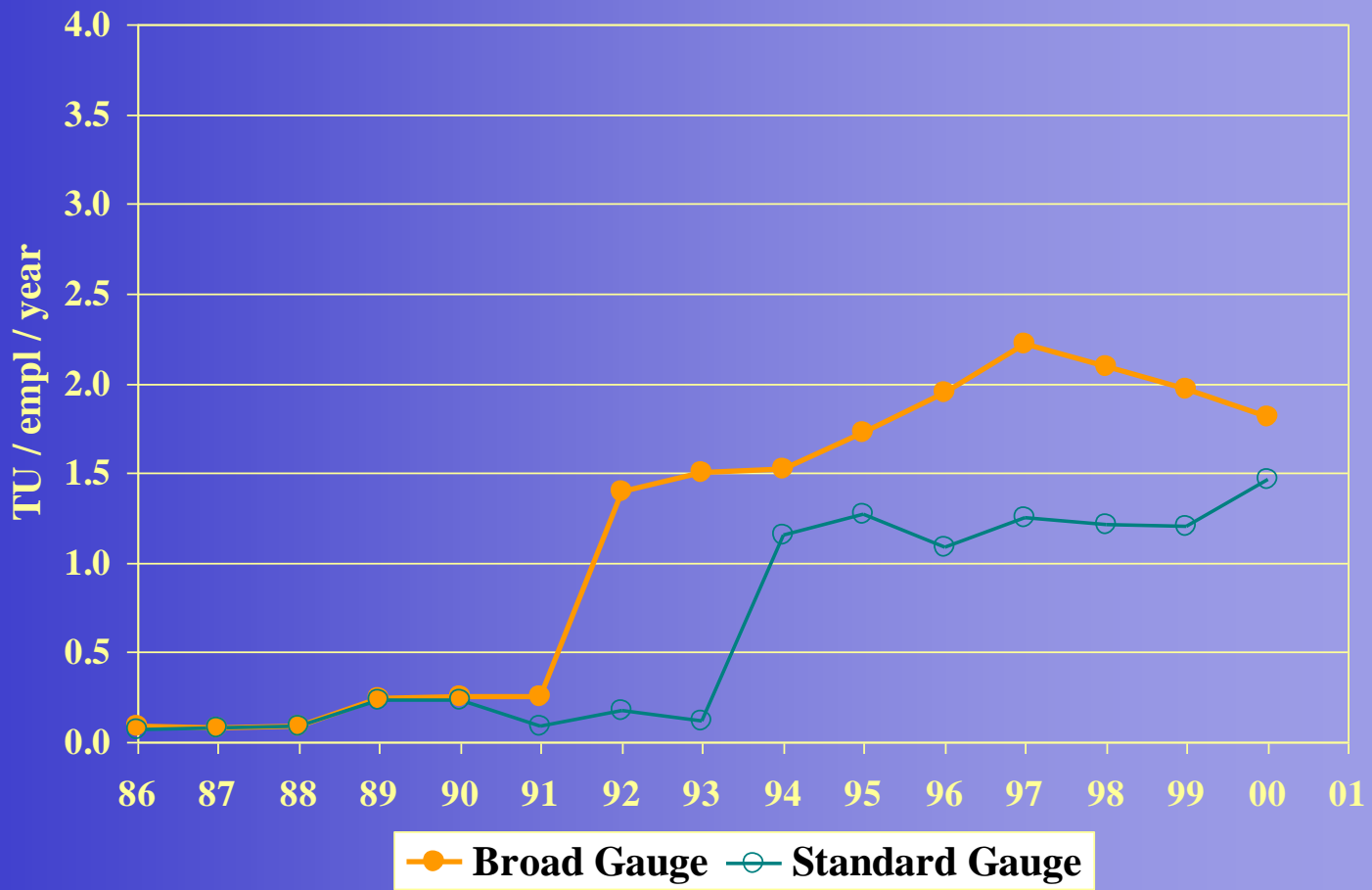
## New Zealand and Cote d' Ivoire: Output (ntkm) (1998 = 100)



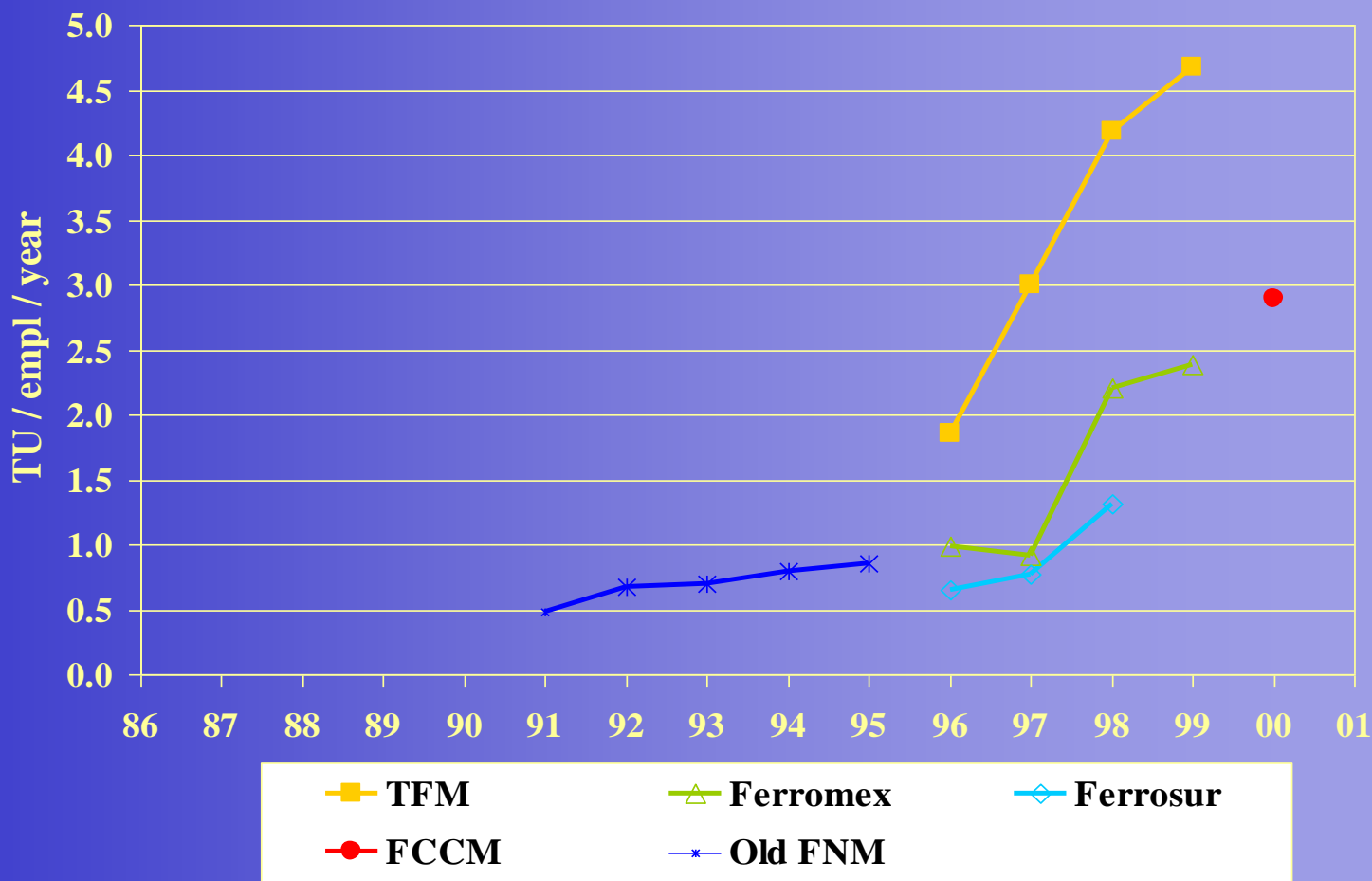
# BRAZIL - Labor Productivity



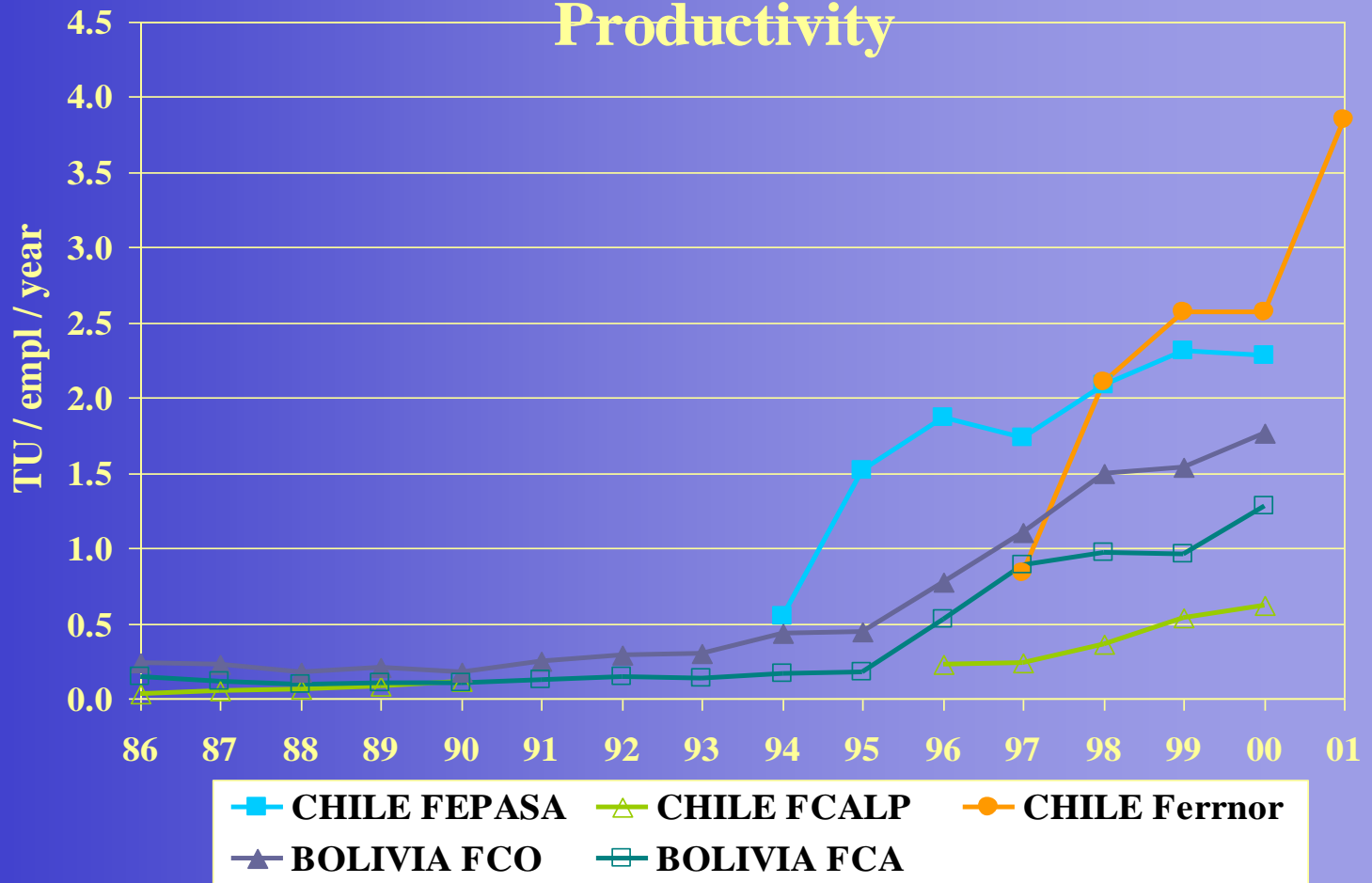
# ARGENTINA - Labor Productivity



# MEXICO - Labor Productivity

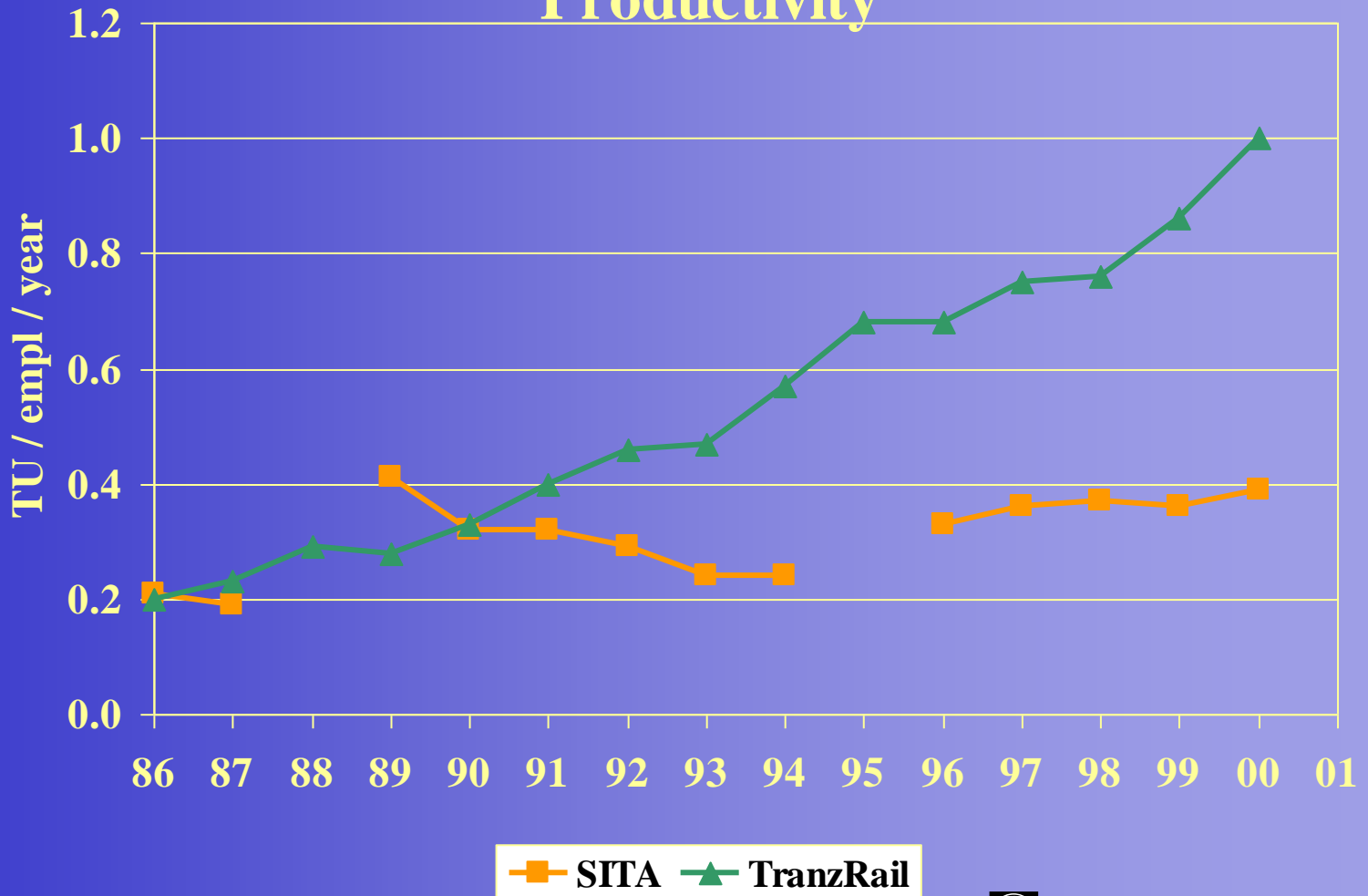


# Other LATIN AMERICA - Labor Productivity





# Cote d'Ivoire and New Zealand- Labor Productivity



# Lessons

- Set Realistic Objectives
- Do SOMETHING: Mistakes can be fixed but **Inaction is Forever**
- Try to get the contracts right – but leave room and flexibility for changes
- Do not neglect the concession oversight function – especially for renegotiation
- Get the social protection right, and at the beginning
- Keep risks in the right place

