

**CASE N°3 : MULTI PURPOSE RAILWAY THROUGH THE CITY OF CONAKRY  
FROM THE DEEP SEA PORT TO A FUTURE DRY PORT**

**I. Description of the project**

40 kilometers multipurpose railway (freight, containers and passengers) through the congested city of Conakry.

**II. Main considerations**

1. Critical socio-economic infrastructure for facilitating the transit of containers and goods and the commuting of the population in a very congested city
2. Three railways were operated through different rights of way and at different time
3. Currently only one mining railway is operating for alumina
4. Obligation to rehabilitate or reconstruct one of the three railways
5. Obligation to optimize the railway construction and operation for three different purposes (passenger services, fret and containers)
6. Obligation to develop the service for facilitating the development of a future dry port at the outskirts of Conakry city for exchanging with the mainland and for a future reconstruction of the transguinean railway
7. Develop a project which maximize the chances to attract private capital, private investors and private operators at the least cost for the current and future State budget

**III. Development of the studies**

- ✓ Conceptual study based on the possibility to promote a public service concession where the concessionaire recovers entirely or mostly from end users
- ✓ Conceptual and inclusive studies carried out by an integrated team of international consultants (technical, socio-economic, legal) based on terms of references requesting to propose various options
- ✓ Three options presented with different width for the track (metric versus UIC) and different frequency and services
- ✓ Decision to develop feasibility based on various technical characteristics and performance parameters among others :

**Technical conditions:**

- UIC Standard (1435 mm)
- Minimum frequency for passengers : one train per hour each way
- Number of stations for 8 to 10 plus intermediary stops
- One track but several crossing tracks

- Rolling stock, second hand equipment rehabilitated with agreed standards
- Safety issues: pedestrian crossing each 250 meters
- Fencing efficient and easy to maintain
- Level crossing to be always monitored physically by a railway guard

**Demand potential:**

- Request to the consultancy team: evaluate the consequences under which the passengers could prefer to use the new line instead of existing transport means: how much time saved? For how many? What about additional infrastructure at the station dragging more passengers? Capacity to pay: which tariffs under which conditions? Now and at ten year horizon?
- Same nature of studies for fret
- Same for containers

**Technical feasibility**

- Costs of rehabilitation of the line under different scenario
- Costs of the rolling stock under different scenario
- Costs of the operation under different scenario

**Economic and financial feasibility**

- Design of an economic and financial scenario for a possible concession scheme based on a 20 or 30 years concession agreement (includes different hypothesis in terms of tariffs, volumes, and scope of services)

**Results of the feasibility study (base scenario)**

- income stream
  - passengers 10%
  - fret 30%
  - containers 60%
- internal rate of return 8.3%
- sensibility test based on 5 parameters results:
  - investment more or less 30%
  - containers +/- 30%
  - fret +/- 30%
  - passengers +/- 30%
  - rolling stocks and maintenance +/- 30%
  - energy +/- 50%
- change of internal rate of return of limited percentage points with the exception of investment and containers

**IV. Conclusion on the possibility to develop the project under a global public service concession scheme**

- ✓ Project not economically and financially viable on pure commercial terms
- ✓ No chance to attract reliable investor operator
- ✓ What are the reasonable chances to attract serious investor operator for a public service concessions?
  - Internal rate of return is raised to 15%
  - the concession contract is based on good standard developed by the practice and the equitable public contract law as applicable
  - the provisions of the guinean BOT law of June 1<sup>st</sup>, 1998 are fully applicable with all related guarantees in relation to the numerous investment and other guarantees provided by the law
- ✓ Practical consequences in financial terms:
  - size of the financial gap:
    - € 7.9 millions of users fees per year on the duration of the concession or
    - an additional € 42.8 millions i.e. +/- 45% of initial investment is granted as a subsidy
- ✓ The way forward?
  - Prima facie the size of the gap does not outweigh the benefit of a public service concession project
  - Several possibilities for limiting the gap:
    - limiting or modifying the scope of the services (but political decision)
    - Granting the concessionaire the possibility to make commercial development on the public land previously dedicated to the train station
    - After due evaluation of the socio economic externalities on (i) the well being of population, on (ii) the related economic development, and (iii) on its impact on additional tax income deriving from such positive externalities, assessing whether the additional tax income could meet the installments of a repayment of a long term concessional loan to the States being transformed in investment subsidy for the benefit of the concessionaire company.

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