

Billions must be spent on railways in Africa

Africa will need to spend more than US\$50bn in the next decade on building 4,000km of additional rail infrastructure to unlock the mineral resource potential on the continent.



David Humphrey, global sector head of power and infrastructure at Standard Bank, says: "As mining activities in key regions expand, mining output is starting to exceed existing rail capacity, despite efforts to upgrade and maintain these rail links.

"Inadequate rail networks are limiting the economic potential of some of these commodity hot spots on the continent. There is a lot of enthusiasm about new coal, iron ore and manganese discoveries in West Africa and Mozambique but these deposits can be exploited because of the infrastructure constraints," he adds.

The bulk commodity mining sector in West Africa and Mozambique in particular, which holds significant reserves of iron ore, manganese and coal, is expected to drive further investment in railways in these areas in the next decade.

However, governments face the challenge of overcoming infrastructure problems that are vital for the more complex projects.

"The amount of iron ore discovered in West Africa is enormous and could attract US\$25bn of infrastructure investment in the next decade," he says.

In Mozambique, rail and port infrastructure will likely attract investments of more than US\$20bn in the next ten years. With high-quality coal reserves of more than 35bn tons, the area's proximity to large markets like India and the Far East will require investment in high-volume rail links to exploit the economic potential of this resource," Humphrey says.

The continent's mineral resources are under-explored and largely under-exploited. A key factor for all mining companies is the route to market and ensuring that the resources can get to the market in an economically viable way. Port and market access are one of the first considerations when investing in Africa.

Humphrey says commodity-mining companies require the development of appropriate investment infrastructure models to unlock the lucrative resource potential. He points out that that enabling regulatory and policy frameworks need to be developed according to the various country requirements to attract appropriate investment.

"Mining companies want to get the product out quickly and countries with these resources want economic development. Hence the financing package and the infrastructure for the required roads, rail and ports remains the primary challenge," he adds.

Source: TML Magazines via I-Net Bridge

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