

*March 1999*

## *Recent Project Completion*

### *Malayan State Railway Telecommunications Training Program*

CPCS Asia Sdn. Bhd. has recently completed a three year project in Malaysia which was funded by the Government of Malaysia (GoM). The GoM has recently completed the implementation of an extensive railway transit project which has substantially improved the traffic and air pollution problems in the capital city, Kuala Lumpur. The scope of the project included the upgrading of the existing system to provide a double track, electrified commuter system which in turn necessitated the installation of a new signals and cellular train telecommunications system.

The new technologies which were implemented necessitated a complete technical upgrading program for the Malaysian Railway maintenance technicians who had very limited experience with electronics and computer based technology. CPCS was awarded a contract provide the technical upgrade training to the engineers, technicians and managers. The project manager, Jim Barclay, who has also implemented this type of project in Indonesia and Kenya stated that this was his most challenging project but also the most rewarding. Most of the trainees were long time employees of the railway who had left school many years ago. As a result, they had a weak educational background when they started the 14 month training program and it was necessary to start the training at a very basic level. However, what they lacked in educational background and electronics experience they made up for in determination and hard work. After they recovered from the shock of the first few days in a computer based training environment they thoroughly enjoyed the learning experience and achieved an excellent understanding of the material.

The program started with the basics of electricity through telecommunications technology to optical fiber transmission systems and cellular radio systems. What made this project the most rewarding for the instructors, apart from the enthusiasm and hard work by the trainees, was that at the end of the program the trainees invited the instructors to a traditional Malaysian dinner and expressed thanks for "All that you have taught us". <sup>(91060)</sup>

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*March 1999*

## *Project Update*

### *Sénégal-Mali*

The project has gotten off to a promising start since the CPCS Transcom team arrived in the field in September 1998. CPCS's role is to select the consortium which will lead the new rail company (called the SETI). Its mandate will be to manage and market the international traffic on the Dakar-Bamako railway line. This corridor is an essential lifeline for landlocked Mali and it has been steadily losing market share to the more reliable albeit more costly route by road from Abidjan to Bamako. Our traffic projections foresee a promising future for the Dakar-Bamako line as the level of Malian imports and exports keeps on growing at an impressive rate.

CPCS opened our field office in October 1998 and began work on the preselection process as well as the tender documents, including the "convention d'exploitation", the heart of this project. Our mandate is to select the candidate that offers the best capabilities to turn the international rail line into a profitable, reliable and well-managed enterprise. There are obviously large investments required for the rail line to meet its full potential, as such the World Bank, the Agence Francaise de Developpement (AFD) and the Canadian International Development Agency (CIDA) have committed monies to upgrade the track and the various installations. There is also a "plan social" in the works to prepare for the restructuring of the personnel of both national railways.

At the beginning of November 1998 the preselection announcements were published in the international and local press. The deadline for submitting an expression of interest was pushed forward to the beginning of January 1999 to allow the various investors more time to form their consortia, the so-called "marriage" of national and foreign investors. Our marketing efforts produced three consortia. The first group of bidders is led by Canarail in association with Genessee Rail One and SNCFI. The second consortium is composed of SECAF, SDV/SAGA, Maersk Sénégal, Comazar, DE-Consult and Transurb Consult. The third group is composed of RDC and two institutional investors. A fourth group may be formed by Rites India.

By the beginning of May the tender documents will be distributed to each consortia so that they may prepare their technical offers. Candidates which make it through to the technical offer phase will be asked to submit a financial offer, the terms of which are explained in the tender document. The authorities want to have the "convention d'exploitation" signed by the end of the 1999 so that the SETI can begin operations starting at the beginning of year 2000.

The attached article from Inter Rail Cooperation can be viewed in full through our website <[www.cpcstrans.com](http://www.cpcstrans.com)>. Click on Investment Opportunities/Senegal-Mali. (97012)

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*March 1999*

## *Project Update*

### *New Railway in Brazil*

It has long been a dream in Brazil to connect the southern developed area of the country to the less developed north east. Some years ago, an all weather road was constructed to parallel the Tocantins River and carry traffic from Belem on the Amazon River southward to the markets of Rio de Janeiro and Sao Paulo and the industrial heartland. However, the distance is long and the costs of transport on the road system are high, so the alternative of building a North South Railway along the same general right of way has long had political support - particularly from the States through which such a railway would pass. The distance is considerable - close to 2000 kms. And in the current climate of reduced government budgets and fiscal accountability, it is unlikely that a fully funded Government backed railway will ever receive full support.

CPCS Transcom Ltd. was contracted by the Government of Brazil to work with the government owned concessionaire - VALEC - to carry out a detailed examination of the market for the railway, the impact of competing modes and the technical and financial viability of the NS railway corridor. The analysis focused on the financial viability since the objective was to examine the likelihood of private sector financing of the construction and operation of the new line. Since the line would connect with two existing railways - one in the north and the other in the south, it would provide not just a means of supporting development of the corridor itself, but perhaps more importantly, it would offer a bridge for traffic between the north and south which now is using the much more expensive road system.

CPCS Transcom Ltd. developed a dynamic programming model to examine the options for construction staging, and for a full examination of the implications of competition from other modes. The results of that analysis show that the railway is a viable financial proposition, if the government is willing to offer seed funding of about \$200 to \$250 million US. The overall project is likely to cost in the range of \$1.5 billion US.

The analysis has also raised important questions about the institutional linkages between the railways in Brazil. Clearly many of the benefits of the new line will accrue to shippers only if they have continuous access across the linked railways to a final destination. But in Brazil today, those inter-company agreements are very limited and do not ensure quality of transport or timeliness. There is an ongoing need therefore to work with VALEC to secure effective agreements with the adjacent railways for interline traffic.

The project is now being further developed with the help of a team from ABN Amro Bank to develop a cash flow model, and financing plan to provide VALEC with the basic tools to attract international investors to one of the last major railway construction projects in the world. More information is available on <[www.cpcstrans.com](http://www.cpcstrans.com)>. (97063)

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*March 1999*

## *Project Update*

### *Waterway Transport in Vietnam*

As the formerly centrally planned economies open to the forces of the market, many of the structural and operational features which in a planned society made a lot of sense, need to change dramatically. Vietnam is now facing that need. The Government has stated that the economy will be opened to competition; that market forces will start to determine the direction and type of investment needed and the pace of that investment, and that Government Departments and Agencies, will increasingly be removed from operations and left with policy, planning, structural management and monitoring.

CPCS Transcom Ltd. in partnership with KPMG/ARA Consultants have been contracted by the Canadian International Development Agency to assist the Vietnam Inland Waterways Administration (VIWA) to undertake the organisational and structural changes brought about by the changing government and business environment in Vietnam. The Ministry of Transport has recently signed twelve international marine conventions under the United Nations. These commit VIWA on behalf of the Government of Vietnam to administer its part of the Vietnam waterways according to international standards in a variety of areas.

This requirement in turn means that a wide range of changes are needed inside VIWA. The changes include consolidation of the legislative base for inland water transport in Vietnam, severing all operational activity into new State Enterprises with autonomous management, restructuring the organisational base within VIWA and developing a number of new management and information systems to assist in improving the management of the inland waterways system.

CPCS Transcom Ltd. with KPMG/ARA Consultants have fielded a team to work closely with VIWA to affect these changes over the next four years. The team is based in Hanoi with permanent staff who provide continuity and direct day to day support to VIWA. But the scope of work is flexible and as VIWA's needs continue to develop, specialist teams will assist specific groups within VIWA to undertake specific tasks. In addition, a variety of training and institutional development study tours fellowships will be scheduled in Canada and in other countries over the coming four years.

The objective of the technical assistance is to help VIWA become a modern organisation with the tools and the knowledge to more effectively and efficiently manage and develop the inland river transport system of Vietnam. (98007)

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March 1999

## *Recent Project Completion*

### *Analysis of Compliance Tools and the Potential Development of a Canadian Transportation Tribunal*

CPCS recently completed a study of compliance tools and the organization of Canada's regulatory system for safety in transportation.

We found that the resource allocation varies widely among the modes. In some cases resources and effort are sufficient only for monitoring, as opposed to regulating safety. In most cases data collection and analysis is inadequate and it is difficult to judge the effectiveness of tools such as oral counseling. In contrast the safety system in the air mode, although very expensive, is highly successful and almost universally praised.

We recommended that the most successful innovations in the air mode namely the use of administrative sanctions backed by an independent Civil Aviation Tribunal (CAT) also be applied to the other modes. We recommended that Transport Canada establish a Canadian Transportation Tribunal modeled on the CAT to provide an independent review of safety actions across all modes of transport.

We would like to express our gratitude to all of the Transport Canada and Civil Aviation Tribunal officials who made themselves available for interview and put together documentation for our review. We would also like to thank the numerous industry people who were generous with their time and openly shared their view, sometimes on short notice. (98055)

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*March 1999*

## *Recent Project Win*

### *Zambia Railways Private Sector Participation Study*

We are proud to announce that CPCS Transcom has been selected by the Zambia Privatization Agency (ZPA) to provide financial advisory services for the privatization of Zambia Railways. The assignment is funded by the World Bank and we began work at the beginning of March '99.

This is CPCS's eighth win a a row on World Bank railway privatization consultancies. CPCS is currently assisting the governments of Congo Brazzaville, Kenya, Jordan, Madagascar, Mali, Malawi, Senegal, Uganda and Zambia to privatize their rail systems.

Zambia Railways was part of the Rhodesia railway system and was segregated as a separate system in 1967. In 1984, it was constituted as a limited company, Zambia Railways Limited (ZRL) under ZIMCO. With the dissolution of ZIMCO, the Directorate of State Owned Enterprises in the Ministry of Finance holds all shares of the company.

The Government of Republic of Zambia (GRZ) has been concerned about the deteriorating performance of ZRL and consequent adverse effects on the economy in general as the Zambian industry is forced to use uneconomic means of transport. Rapid deterioration in the condition of road net work forced to carry increased volume of heavy haul traffic due to poor performance of railways has been an additional cause for concern. It is estimated by GRZ that the shift from rail to road traffic cost the Zambian economy between US \$ 100 to 150 million per year in increased road deterioration and fuel cost. Since the Zambian rail network plays a pivotal role in the international traffic in the region, shift of freight traffic from rail to road in Zambia would also have similar adverse economic impact on the neighbouring countries.

In July 1998, the Cabinet directed that "Zambia Railways and Mulobezi Railway be trached to the Zambia Privatization Agency (ZPA) for commercialization and to exploration of the possibility of entering into concessions for some operations". ZPA appointed CPCS Transcom Ltd. in February 1999 as consultants for carrying out "Zambia Railway Private Sector Participation Study". We will make a recommendation to the Cabinet on a specific preferred privatization option.

The assignment was organized into two phases of activity. Phase 1, involving the analysis of options was to be completed by the end of April, 1999. This plan has been modified following a decision taken by ZPA during the course of the inception mission, to concession ZR on an urgent basis according to timetable that would see an international bidding process commence in May, subject to Cabinet approval. The assignment is being managed by Peter Hadwen. Those who are interested in more information on this project are welcome to visit our web site at <[www.cpcstrans.com](http://www.cpcstrans.com)> where we will post added information as it becomes available. (98070)

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March 1999

## *Introducing CPCS Transcom's Board of Directors*



From its inception CPCS Transcom has opted for a strong Board of Directors with a majority of non-staff. The role of the Board is to provide an oversight of company activities and assistance in setting long term goals and determining strategy.

**Greg Wood** is the Chairman of CPCS Transcom. Formerly the President of Lea International Ltd., he was responsible for approximately \$10 million per year of international consulting contracts in the transportation field. He was also the President of CIGGT, the Canadian Institute for Guided Ground Transport and was a founding Partner of Hickling Corporation. He plays a key role in business development and growth of the company.

**Peter Kieran** is the President and one of the founders of CPCS Transcom. As President, he is responsible for direction and supervision of all aspects of the operations of the business with key responsibility for the achievement of annual revenue and profit targets. Previously, Peter was the Assistant General Manager of the Tanzania Railway Corporation as well as a Partner in Hickling Corporation. Peter holds an Honours degree in Engineering and an MBA from Harvard University.

**Dr. Verne Chant** combines an excellent educational background in engineering and economics with over 25 years of consulting and management experience. His consulting experience includes work in Canada, the United States, Europe, Asia and Africa, with application in transportation, energy and communications, and in technology assessment and development in both the public and private sectors. Dr. Chant holds a PhD in Engineering-Economic Systems from Stanford University.

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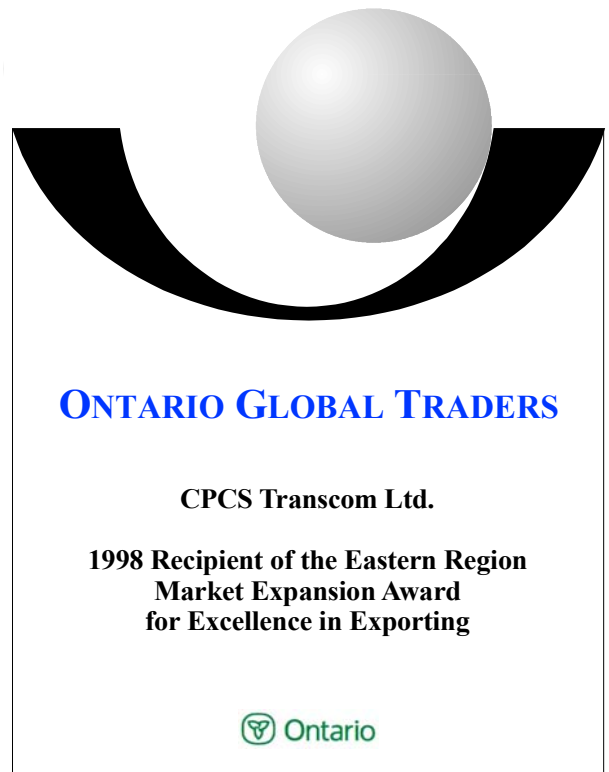
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*March 1999*

## *Ontario Global Traders Award '98*

On March 2, 1999, at a special award ceremony in Ottawa, CPCS Transcom Ltd. received the Ontario Global Traders Market Expansion Award for Excellence in Global Exporting. Peter Kieran, President of CPCS Transcom, was on hand to accept the award.

Al Pallidini, the Minister for Economic Development, Trade and Tourism, stated that the Ontario Global Traders Award was designed "to celebrate outstanding exporting achievement by small and medium-sized enterprises". It was created by the Government of Ontario and its sponsors in recognition of the important contribution exporters make to the Ontario economy.



Sponsors of the award include the Bank of Montreal, Profit Magazine, Deloitte and Touche, Export Development Corporation, Canadian Airlines and the Institute of Chartered Accountants of Ontario.

CPCS Transcom would like to thank clients and colleagues alike for support that has been central to CTL's continuing success as recognized through this award.

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