

TOWARDS DELIVERING A MODERN RAILWAY SYSTEM IN NIGERIA

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ABSTRACT

The present state of the Nigeria's railway system is symptomatic of an unhealthy economy, and ridicules its lofty quest of becoming one of the best 20 economies by the year 2020 as 'mere national phantasm'. This can be better appreciated with the knowledge that the best 20 economies which include USA, China, Japan, Germany, South-Korea, Brazil, South-Africa, Belgium, and others ,one of which Nigeria hopes to replace do not have operationally comatose or technologically obsolete rail way systems . This paper attempts at looking into the history of Nigeria's railway system and x-raying its present conditions, expounding on the challenges such as inadequate finance,corruption,legal impediments, and political instability that have stymied its progress ,and essentially suggesting way forward, which among others include the modification of the Nigerian Railway 2008 bill presently before the National Assembly in order to unbundle the Nigeria Railway Corporation's monopoly in developing and regulating the rail system.

Keywords: Railway system, Vision 2020, legislature,Finance,Corruption.

INTRODUCTION

The administration of Chief Olusegun Obasanjo conceived Vision 2020, which envisages the leapfrogging of Nigeria from economic backwaters to being among the 20 economies in the year 2020. According to the National Technical Working Group on Urban and Rural Development Report of the Vision 2020, certain factors such as high level of life expectancy, low presence of slums, high GDPs, large industries, expansive markets, and sophisticated infrastructures, are peculiar to countries such as USA, Japan, China, Germany, Canada, Brazil, and others that are presently rated as the best 20 economies in the world.

These 20 economies also attach great importance to the environmental planning and development of social infrastructure. Some of the countries with developing economies that Nigeria will be competing with are China, Hong Kong, Malaysia, Chile, Brazil, etc. Like Nigeria, they are endowed with a network of large cities, but unlike Nigeria have ensured that their cities are made engine of growth, not only in their hosting of employment generating industries, but also in the provision of transportation infrastructure, which is key to facilitating a viable and seamless activity systems interaction that ensures the maximization of economic benefits and reduction of health and mental stress within a regional setting.

Transportation infrastructure is critical for economic growth, but the current situation of all its modes in the country leaves much to desire. Over the years, in the face of Nigeria's population growth, demand for freight and passengers transport have also grown about two times faster than the GDP, but unfortunately the transport infrastructure capacity remains practically stagnant. Nigeria, with a population density of 150 persons per square meters presently has an approximately total of about 200,000 kilometers of poorly maintained surface roads, of which less than 20% are well paved. Despite Nigeria's endowment with nearly 8,600km of waterways, inland waterways transport system still remains at the ebb. Nigeria with a population of 167 million (NPC, 2011) presently has 10 airlines, less than 10 million air passengers annually, and less than 10 actually functioning airports (Nasir, 2011).

The existing 3550km of narrow gauge railway system is equally comatose despite several intervention measures by successive governments in recent times. As observed by Omirin (2010), railway transport has a significant characteristic of having capacity for bulk movement of goods over long distance more cheaply than any other forms of land transport. Stressing the importance of railway to national development, Adesanya (2002) opined that it contributes immensely to employment opportunity, promotion of trade and commerce,

efficient distribution of freight and movement of people as well as facilitating of urban development and rural development. The 3,550km of our narrow- gauge rail system now appears more like an infrastructural contraption or at best a transportation hardware antiquity.

This paper, however, is an attempt to x-ray the existing state of the railway system in Nigeria, discuss the challenges inherent, and essentially suggest way forward to such challenges in establishing a modern rail transport system for Nigeria as a *sin qua non* to the actualization of Vision 2020.

HISTORY AND PRESENT CONDITION OF THE NIGERIAN RAILWAY SYSTEM

The construction of railway line in Nigeria dates back to the colonial era, and spanned over a period of sixty-seven years, made up of three phases (Tripod, 2011). The first phase extends from 1898-1927. This started with the first railway line construction in 1898, and its routing to Ibadan and Jebba in 1901 and 1909 respectively. This same phase witnessed the railway line linkage from Port-Harcourt, through Enugu to Jos, and the Baro line connection with Minna in 1912. The Jebba line was also stretched to Kaduna junction in 1911, Zaria in the same year, while it was extended to Kano in 1912 (Oyesile, et al). The second phase after a lull of thirty years was between 1957 to 1964, and witnessed the construction of Kafanchan-Maduguri rail line (Tripod, 2011). The last phase -the post 1964 era, has not witnessed much development, save for the 277km standard gauge rail line project under construction between Itakpe through Ajaokuta to Warri, which is now over 80% completed, and recently the completed rehabilitation of the Lagos-Jebba rail tracks, the ongoing Jebba-Kano route which were initiated by President Musa Yar'adua as 'non- commensurate' alternative to the aborted but most ambitious rail way modernization project that was initiated by president Olusegun- Obasanjo in 2006.

President Olusegun- Obasanjo signed an \$8 billion contract with China Civil Engineering Construction Corporation (CCECC) for the design, construction and maintenance of about 1315 kilometers of new standard gauge rail way track that will link Lagos and Kano. The contractor was paid about \$250 million as part payment for the contract in 2007, while the project life time was put at four years. The succeeding government, however, suspended the rehabilitation project on the grounds of the illegality inherent in funding it with money from the excess crude account (Ayorinde, 2011). It is noteworthy to mention that CCECC was the same company that allegedly connived with corrupt government officials to make a mess of the \$500 million

contract the Abacha government signed for the rehabilitation of the rail network and supply of 50 locomotives ,150 coaches,400 wagons, and 20 rail buses. The allegedly supplied substandard locomotives and wagon, which packed up few years after use and the dilapidated nature of our rail line, are evidence of the mess that was made of the contract.

State governments, especially in highly populated state like Lagos and Kaduna state where traffic problems are endemic have also exerted great efforts in partnering with the Federal Government in the development and maintenance of rail lines. The Kaduna state government initiated a partnership with Nigerian Railway Corporation (NRC) to introduce mass transit trains from Kaduna to Zaria. In Lagos state, the Lagos Metropolitan Area Transportation Authority(LAMATA), in 2008, entered into an arrangement with the NRC to introduce a rail mass transit scheme branded as the Agbado-Marina Red line scheme. Lagos state government is currently constructing the okokomaiko- Marina blue line scheme,which will run 27.5km from Marina to Okokomaiko with 13 stations from end to end.

The Nigeria Railway Corporation (NRC), which was constituted on 3rd October 1921, and established as an autonomous public corporation by the Nigeria Railway Corporation Act of 1955, as amended in 1990, has absolute monopoly in the rail sector within the country. The NRC, at the peak of its operations in 1970s had over 45,000 workers in its employment but has less than 6000 today. The passenger carrying capacity of NRC has equally nosedived from 37,000 in the 1980s to less than 6000 today (Victor, 2011). At a time when countries like South-Korea which Nigeria intends to compete with economically, are building 200km per hour electric trains, the NRC is still grappling with obsolete technology& bad tracks.

However ,in a bid to establish a legal basis for concessioning of the rail way system in order to facilitate public-private partnership in the development of the rail sector, and to update safety regulation and operational legal frame work for rail operations, Nigeria Railway Bill was put forward to the senate in 2008 as a replacement for the 57 year old Act establishing the Nigeria rail system in Nigeria(Emmanuel ,2011).

CHALLENGES OF THE RAIL SYSTEM IN NIGERIA

The problems faced by the rail system in Nigeria are numerous and essentially emanate from both political and economic management of the country over the years. This paper shall encapsulate these numerous challenges under four main themes, viz :

- (1) political instability/policy inconsistency
- (2) finance
- (3) legal impediment
- (4) corruption.

POLITICAL INSTABILITY/POLICY INCONSISTENCY.

The hallmark of Nigeria's polity before the establishment of the 3rd republic in May 29 1999 was political instability. From independence, we have had several regime changes that were forcefully brought about by military junta group for various reasons that were justified by corruption, public mood, ethnic/political vendetta, perceived regime's high handedness, and essentially the hegemonic tendencies of the military. Because of the various reasons that are often cited as justification for military coups, each military leader tends to have his development agenda, which most times truncate previous programs of the predecessor. This inconsistency of policies also impinges negatively on the development of Nigeria's railway sector. For instance, the lofty metro line project in Lagos, which the Jakande led government of Lagos conceived, was suspended in 1983 when the military junta headed of Gen. Muhammadu Buhari took over power.

Ironically, even within the stable democratic structure that we have established since 1999, which interestingly has been under the rudder of the same political party, inconsistency still underlies the operation of government policy. As far as Nigeria's railway system is concerned, the case presented below captures this policy inconsistency more evidently: The former President Olusegun- Obasanjo's PDP led government in 2006 signed an \$ 8billion contract with CCECC. The contract entails the design, construction and maintenance of about 1315kilometers of new standard gauge rail way track that will link Lagos and Kano. The contract was to be funded with proceeds from the excess crude-oil account, and a \$ 500million concessionary loan from the Chinese government. This project, however, became controversial and eventually suspended when the late President Umaru Yar'adua assumed power on the grounds that the contract did not follow due process, as it was not approved by the National Assembly. The Yar'adua's administration repealed the contract, and instead opted for the standard gauge project and the rehabilitation of the Lagos-Jebba rail track, Jebba-Kano route, and the purchase of the 25 new locomotives recently commissioned by President Goodluck Jonathan, but which hardly meets up with the modernization vision intended in the cancelled project.

CORRUPTION

There is no gain saying the fact that past Nigeria leaders from Muhammadu Buhari, Ibrahim Babangida and the late Sani Abacha, had at various times considered the resuscitation of the rail system an important agenda. Different expatriates from India, Romania and China had been employed either as consultants or contractors to help in the rehabilitation of the Nigeria railways by these leaders, but corruption which has eaten deeply into our national fabric sap such effort of the expected delivery. For instance, the Abacha administration signed a \$500million contract with China Civil Engineering Construction Corporation (CCECC), for the rehabilitation of our rail line system, supply of 50 locomotives, 150 coaches, 410 wagons, and 20 rail buses, and provision of technical training for the NRC staff.

The company eventually supplied substandard locomotives and wagons, which packed up few years after use and the state of our rail lines, thereafter is an evidence that offers credence to the allegations, that the Chinese company actually connived with corrupt government officials in draining resources away. As captured in Ayorinde (2011), Robert Ejanavi, former Auditor-general of the federation told the senate committee on transport that about 124 billion was pumped into completely unyielding rail way contracts between 1999 and 2007.

FINANCE

There is no way the quest for the modernization of any rail system can be isolated from robust financing. Until recently that the spreading waves of capitalism had brought the options of privatization- private finance initiatives and public-private partnerships to the fore, despite obvious legal encumbrances, the development of the Nigerian rail system, from the colonial era has been a function of exclusive funding of the government. Of course, the cost and burden of railway financing on the government of a relatively poor, but massively corrupt economy, over the years, had plunged Nigeria's railway system into its present state of rottenness.

That Nigeria's past leaders at different times had shown desire to transform the rail system to a modern is undeniable, but the paucity of financial resources most times define the nature of fruitless contracts that they are usually committed to. The Nigerian government, over the past 2 decades, during which we have experienced the most significant lull in the development of our rail system, had awarded contracts to foreign firms, not on the basis of their expertise and

pedigree in modern rail system development, but because of the relative cheapness in the terms of contract which such firms put forward.

For instance it is startling that the same CCECC that allegedly connived with Nigerian civil servants in frittering away the \$ 500 million released by the FG for the rehabilitation of our rail system during late Gen Abacha's administration, was the same company that President Olusegun Obasanjo gave a \$ 8 billion contract for the modernization of our rail system, and the same company handling the currently ongoing light rail project in Lagos state. The reality is that, the Chinese government which is renowned for protectionism would have equally allowed the CCECC to be involved in the recent Beijing-Tianjing inter-city rail that was given to an European construction company, if CCECC was that efficient as far as the planning, design, and engineering of a modern railway system befitting of a nation scheming to become one of the best 20 economies in the world is concerned.

LEGAL IMPEDIMENTS

The Nigerian railway corporation act of 1955, which established NRC's monopoly in the rail sector is the main legal bane to opening up of the rail industry, in the face of obvious government's limitations to successfully operating the rail sector. However, the Nigeria Railway Act that is presently in the national assembly is aimed at encouraging private sector participation in the nation's rail system, but it is doubtful whether it will achieve much in terms of private investment, as the only amendment envisaged is in regards of granting of track access to private operators through concessions, the other components of the bill preserve the monopoly of the NRC, as it will still be responsible for rail development and regulation.

The proposed Nigeria Railway Law, which still saddles NRC with the responsibilities of rail regulation; granting concessions to private companies; and developing and retaining rail infrastructure, is fundamentally at variance with the principles strongly espoused by the Bureau of Public Enterprise in removing the inherent conflict of interest in the railway act of 1955, and its mandate. The BPE's proposal was to separate the railway function into three separate entities, National Rail Development Authority, Rail Regulator, and Concessionaire (operations) (Osiyemi, 2010).

WAYFORWARD FOR NIGERIA'S RAIL SECTOR

First and foremost, the legal frame work that will deliver a socially economical and viable rail system is highly essential. As captured in previous sections, the proposed rail way act presently in the National Assembly will not guarantee a rail system that the private sector would deem viable, because the proposed legislation still remains a shadow of the old one. Under the proposed legislation, a vertical integration concession model', which still empowers NRC to be the rail regulator, service operator concessionary authority as well as rail infrastructure development is most likely going to defeat the essence of the law which is to attract the private investors. In a competitive environment, it is unethical for a service provider to regulate itself. For instance, how do we expect NRC to certify its locomotives as unsafe and certify that of its competitors as safe, even if the contrary was the case? The solution in this regard is to propose a Railway Modernization Act that will further vitiate the monopoly of NRC but tilt more in the direction of a model that will allow for attraction of private interests.

This model as equally espoused by osiyemi (2010) will be such that the NRC will continue to operate rail services, retain ownership of all track and maintains tracks on which it runs its services, while private sector operators, will also be responsible for maintaining tracts in their concession areas. However, the government through another agency or department should be responsible for negotiating concession contracts. Equally, this agency or department which preferably should be under the ministry of transport should be saddled with the onus of regulating the safety of railways.

Moreover, despite the popularity of the new paradigm in favour of private finance and public private partnerships in infrastructure financing, the peculiar nature of the rail sector makes government to be indispensable, as sophisticated transport system is highly intertwined with social equity issues. Globally, the cost of rail infrastructure is indeed high, and the profitability in running railways in successful cases is only to the extent of covering operating costs. Other costs such as infrastructure development cost, cost of loans, and maintenance cost are hardly met. Yet prices don't have to be too high in order not to exclude the low income groups, which mass rail transportation option is essentially meant for. Here are some published examples of countries that are able and unable to cover all their operating cost from farebox, revenue, inspite of government's removal of the renewal and financing cost of the rail way.

Railway	Ratio of revenue to operating cost
(1)Kuala Lumpur Putra system.	40%
(2)RATP Paris	50%
(3)Sao Paulo Metro-Brazil	70%

(4)BNSF,Aurora (Chicago, 11 USA)	75%
(5)Kuala Lumpur Star Elevated,Malaysia.	90%
(6)London under ground	125%
(7)Seoul Metro-Korea.	140%
(8)Mass Rapid Transit Singapore	150%
(9)Santiago-Chile	160%
(10)Manila line/-Philippines	170%
(11)Manchester Metrolink-UK	190%
(12)Mass Transit Rail way Hong Kong	220%

Source: Railway Technical (2011)

Hence, the lessons inherent in the fore going is that a passenger rail service that is left to the whims and caprices of market forces will at best result to a middle class oriented service. The majority of the 70% Nigerians that are believed to be living below 2 dollars per day who are most in need of railway transportation will be isolated. Hence, it is in the best interest of government not to treat the transport sector like the petroleum sector, where subsidies are argued to be negative, on the grounds that it is only enriching a faceless cabal that imports gasoline, as subsidies in the rail sector does not only trickle down solely to the masses patronizing the rail system, but will allow fare levels that are affordable enough to the passengers and will ensure that operators do not run at loss. However, as a way of ensuring efficiency, the subsidy funds can be linked to service level agreements and benchmarks that operators are expected to meet.

Lastly, the problems of corruption and policy consistency are functions of how political actors are able to exercise their will power in deepening institutional powers, respecting the rule of law, and ensuring transparency in the awarding of contracts.

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