

UNION RAILWAY



Speech to MEED Abu Dhabi Rail Conference 28th September 2010

Introduction

Good morning ladies and gentlemen. It is a great pleasure to be here and to give the opening address at this prestigious conference. It is also, coincidentally the beginning of my second year in Abu Dhabi – yesterday I celebrated one year of living and working in this incredible City and Country so it is something of a personal milestone too.

I want to begin with a short story if I may. Imagine we are back in 1993. A young manager at London Underground who has been involved in establishing some of the very first PPP projects ever developed in the rail sector is asked by the Managing Director of London Underground to review a report examining the financing of a major new build project. Well, the young manager was the person you see before you and the project was Crossrail, which at the time was already a few years old as an idea and something LUL was very heavily involved with. I did my review but nearly 20 years on, the project is still not built and there are some suggesting that the inevitable cuts that will be announced in the UK Government's Spending Review on October 20th this year could well impact Crossrail yet again.

Now we jump to Abu Dhabi. 20 years to not actually build something would be incomprehensible here. Indeed, it is only 12 months ago that Union Railway's then Chairman, HE Hussain Al Nowais, explained that the studies for Union Railway were well advanced and the project was about to move into its next phase, preparing for real delivery. A number of people at the time were perhaps sceptical that a rail project of this magnitude could really be mobilized in the time frames proposed. Well, today I'm pleased to tell you that the project is being mobilized at a tremendous rate, a great deal has been achieved in that 12 months and the future is very exciting indeed.

However, before I get to that, it is worth remembering what Union Railway is all about. Our role is to build the rail network that will connect all the Emirates together, a freight and passenger railway network which, when built, will extend for some 1500 km and will connect all the major industrial and population centers in the UAE offering rail services within Emirates and between Emirates. It will also connect the UAE with Saudi Arabia and Oman and in doing so, the UAE network will form part of the GCC rail network that has now been agreed between the members of the GCC.

Strategy and Business Plan

Early this year we spent some time considering our overall strategic plan and business model. Whilst Union Railway is a company and we will develop and think as a company, with an entrepreneurial approach and a commercial and professional outlook, the fact is that railways in the Gulf region, like most railways in the world, cannot function as standalone commercial entities. That is why strategic, social and economic factors also come into play.

- The railway will deliver significant ***strategic*** benefits such as providing a secure transportation link between the UAE and its GCC neighbours and beyond.
- It will deliver ***social and environmental*** benefits. One train can remove some 300 lorries from the road thus improving safety and congestion. A fully loaded train can produce as little as 15% - 20% of the CO2 emissions that the Lorries required to move the same tonnage would emit.
- And it will deliver ***economic*** benefits. Cargoes such as Intermodal, bulk and break bulk can often be carried on rail at rates which are more efficient than would be the case by road. The example of one train removing 300 trucks is evidence of this. Rail is best where single loads of the same, homogenous product are carried with simple, efficient and automated systems of loading and unloading. Repetitive cycles day in day out, 365 days per year. Rail is perfect for this, although we're not claiming lorries will disappear because they will not. They will however be able to focus on the short haul distribution journeys that make the most economic sense.

So our strategy and business model is simple. We will attract business onto rail by:

- Delivering a safe, reliable and sustainable mode of transport
- Catering to the specific needs of our customers by developing joint solutions to improve end to end supply chains
- Reducing the overall complexity of logistics and transportation in the UAE

And for passengers we will create an UAE wide network of rail links, again providing a safe, reliable and comfortable alternative to the car.

The Network Plan

It is worth spending a little more time looking at this network in more detail. The map behind you is now fairly well known I think. The plan is for a railway connecting with Saudi Arabia at the border at Al Ghweifat running along the coast past Ruwais, Mirfa and Tarif to the outskirts of Abu Dhabi. Here a junction will take the line to Al Ain, more of which in a moment and the main line will head north towards Dubai. In doing so it will pass near to the airport and the new Industrial Zone and Port Khalifa at Taweelah before passing Jebel Ali. The Line will continue into Sharjah and then branch again with one line serving Ras Al Khaimah and Port Saqr, the other crossing the mountains into Fujairah.

The line that branched off to Al Ain will continue into Oman and head to the Port of Sohar on the Indian Ocean before heading down along the coast to Muscat and beyond. There will be branches serving the port of Ruwais and of course the line which will head south from Tarif through to Liwa and Shah.

An important set of lines will serve Port Khalifa and Jebel Ali. In fact, it is worth noting that once built, Union Railway will serve two of the most strategically located ports in the Gulf and the alignments into those ports have been agreed with the Port Authorities in question. Both ADPC and Dubai Ports have confirmed their desire to be rail connected and indeed land has been now allocated at both Ports to accommodate major rail facilities in the future. The era of truly integrated multi modal logistics is coming to the UAE.

On the map you will also see a Blue line running along the coast between Abu Dhabi, Dubai and Sharjah. This is the possible Gulf Coast passenger line which is being studied now. This would be a collaborative project involving Union Railway, DOT and UPC here in Abu Dhabi, the RTA in Dubai and many other important stakeholders. It is something which will require considerable further work whereas for now, our priority is to create a combined freight and passenger network with freight the priority traffic flow to accommodate.

Building the team

The first thing one must do before embarking upon a project such as this is build a team of people to plan it, construct it and operate it and this has been one of our first successes. Union Railway is now a team of 60 people drawn from [23] nationalities, a large proportion with experience of working on some of the most successful and famous rail projects in the world or operating some of the most efficient and profitable railroads in the world. They have been attracted to come and work on this project, partly because the UAE is a great place to live and work but also because this project is quite simply unique. Nowhere else does anyone have the same scale of vision and ambition to build a railway network creating a world class logistics infrastructure for both passengers and freight.

For example, Dr Hazem Mobarek and his team in Infrastructure have worked on projects in the US, the UK, the Far East, South Africa and Australia and many more. Many, such as the Alameda Corridor in California, the Channel Tunnel High Speed Rail Link in the UK, the Gautrain in South Africa, the Taiwan and Korean High Speed Rail Networks and the Hong Kong Metro system are considered in the premier league of rail projects around the world.

Mike Darby, our Operations Director, has over 35 years experience of running railroads in North America and Australia and was until recently the Operations Director of the BHP Billiton iron ore railway in Western Australia, a network that is remarkably similar to our proposed operation carrying sulphur for ADNOC in the Western Region.

We are also extremely lucky to have a large number of very talented UAE Nationals working at Union Railway. Shadi Malak is our Business Development Director and leads the commercial activities of Union Railway including Strategic Planning, Network Design, Customer acquisition and management, as well as all aspects of Business Development. We also have a really talented group of UAE National engineers in the Infrastructure team working alongside Civil, Electrical, Communications and Signaling engineers. They are learning the railway engineering skills necessary to operate and lead the business in the future.

Most importantly, we are led by a Board of Directors of great seniority and experience. I am personally absolutely delighted that we have as our Chairman HE Nasser Ahmed Alsowaidi, also Chairman of the Department of Economic Development and the National Bank of Abu Dhabi amongst many other important positions. Together with our Vice Chairman, HE Mattar Al Tayer (also Executive Chairman of the RTA in Dubai) no management team could ask for a better Board to work with. Under Nasser's leadership we are making tremendous progress and the pace is really picking up.

Client Strategy

Our strategy was to secure anchor customers and then build a railway network consistent with their needs, phased out over time with the end objective being a network throughout the entire UAE. ADNOC are our first such customer and we are very proud of the fact that earlier this year in May, they made the irreversible decision to adopt a rail solution to transport sulphur from Shah and Habshan to Ruwais.

But whether we are talking about specific businesses such as ADNOC or more general terminal operators such as Abu Dhabi Ports Company (for KPIZ) or Dubai Ports (for Jebel Ali), the whole of the UAE is now becoming alive to the possibilities that rail will bring.

Passengers

I mentioned earlier that we don't believe rail is the answer to every transportation need and that is true but where the right factors are present, then it makes the most sense of any mode. Whether intermodal, bulk or break bulk, rail can offer the most safe, reliable and efficient solution in any supply chain.

One area where rail offers tremendous potential is in the carriage of passengers. I've said that freight is the first priority and that's true but we should not forget passenger services. Our Business Development Team will shortly conclude a major study into the projected demand for passenger services throughout the UAE and the results are very encouraging.

For the first time, we will have a detailed model which shows where the demand is likely to be generated and we can use that model, together with other agencies such as the DOT here in Abu Dhabi, to plan an effective passenger rail network using the Union Railway network as a starting point. And of course once the GCC network is complete, then the possibility for longer distance services becomes very real.

Phasing and Timescales

As many of you will know, the Union Railway project started life as an Abu Dhabi project. That is why the route alignment is more advanced in the Emirate of Abu Dhabi. In fact, it is now virtually secured with the first affection plans due shortly. We know where the route will be going and for some sections of route such as the first stage from Ruwais to Habshan and Shah, detailed engineering for the final route alignment is well advanced.

However, it is not just in Abu Dhabi where the route is established. As I said earlier, we have now agreed the alignment into the port of Jebel Ali with Dubai Ports and the RTA. Indeed, I would like to place on record our great thanks to them both for their tremendous support and leadership in getting this done. Linking Jebel Ali and Khalifa Port by rail was an important objective not just for the project but for the UAE and now we can say it is done.

The preliminary engineering design will begin on the next phase shortly and whilst we have not announced a timetable for this just yet, we will do so as soon as practicable. Overall though, we still aim to complete the mixed use freight and passenger railway within 7 – 8 years.

Shah Habshan Ruwais - the first phase

Our first section of route is the railway from Ruwais to Habshan and Shah, which in early 2013 will begin carrying granulated sulphur from Habshan to Ruwais for export. The second part of the line from Shah to Habshan will follow at the end of 2014. In the course of the last 12 months, a great deal has been achieved.

For instance

- We have completed a **geotechnical** survey for the entire Shah to Ruwais route. This has involved over 400 borings and the production of over 130 GIS reports
- We have completed a **topographical** survey for the route. Aerial and ground surveys are complete
- We have completed the **Environmental Impact Assessment** for the Shah Habshan line and submitted to EAD for review
- **Preliminary Engineering** for the route is well advanced and we are working hard to complete this in order to send out the first tenders for design and build

The procurement activity has also started which brings the physical delivery of the railway much closer to reality. We have sought Expressions of Interest for the contracts for each of

- Advance Works
- The main EPC package for the Shah Habshan line including civils, earthworks, structures, permanent way and systems
- Rolling stock

The Advance Works comprises 3 important rail bridges which must cross the highway and together with rolling stock (both locomotives and wagons) these are now out to formal prequalification. This week, the prequalification for the main EPC package for the entire Shah to Ruwais route comprising civils, earthworks, structures, permanent way and systems will begin.

We are also to shortly announce prequalification for material vendors such as for track, switches, ballast and Systems, the purpose being to ensure that whoever is selected to carry out the main EPC contract for the Shah Habshan railway has an excellent list of prequalified vendors to select from.

These prequalification exercises will be underway for a number of months and will result in formal tenders being sought beginning later in the year. We will finalise and announce the dates for these in due course.

In addition, we have tenders currently being prepared by the market for the Preliminary engineering of the rest of the network and Project Management Services for the entire network. We hope to make announcements on these contracts in the near future as they are a very important part of finalizing the client side resources to take the project forward.

Projects such as Union Railway also require a great deal of ancillary work to be undertaken. I am pleased to announce today that we have appointed Good Harbor LLC / Abbott Risk Consulting Ltd, specialists in Safety & Security advice as advisor to Union Railway for the Shah Habshan line. They have a strong track of working in Abu Dhabi as well as on transportation projects. We will also be shortly announcing the appointment of our Independent Safety Assessor or ISA for Shah Habshan Railway, again a vital part of the external validation process to be able to bring a railway into operational service and something we will beginning shortly in order to be properly prepared.

Finally, and very importantly, we hope also to be able to announce shortly the preferred bidder on our Sand Pilot Study. This important initiative is a real first for the UAE. We know that the Shah route will involve traversing some pretty hostile environment not just for the construction of the railway but also for its ongoing safe, reliable and efficient operation.

The Sand Pilot study will involve building sections of 25m – 40m track in various locations on the projected route to test and monitor the behaviour of sand and its interaction with the infrastructure. This will enable us to finalise engineering designs as well as plan effective operational strategies to ensure the railway can operate safely, reliable and efficiently meeting our customers' needs at all times. Once complete, the study will establish the UAE as a real centre of excellence in the examination of the behaviour of sand and it's interaction with railway infrastructure and operations.

Hopefully you can see from that brief summary, in 12 months a great deal has happened. We are no longer talking about just the concept of building a railway here in the UAE. We're now getting on with it and putting in place the things necessary to make the vision become a reality.

Conclusion

This is a country that has a remarkable vision coupled with a can do attitude. Even in the short time I have been here, I have observed that in the UAE the feasibility phase which is always carried out professionally is followed quickly by delivery.

That is what is happening with Union Railway. Last year we talked about a plan. This year we're talking about real, practical delivery. I hope that next year we'll be able to show you the first railway taking shape in the Western Region of Abu Dhabi. There has never been a more exciting time for railways in the region.