

Remarks by Principal Deputy HR Donald Hays at a Conference on BiH Infrastructure

Ladies and Gentlemen,

I am particularly pleased to be here, for two reasons

The first is that we are *here* at BH Steel. This is a company that has been through a great deal – as has (we shouldn't forget) every steel company in the world over the last 15 years – but which now has the prospect of turning its fortunes around. It can do this through a combination of BiH engineering skill and international investment – and that's a combination that can succeed right across the industrial and business spectrum.

BiH needs investment – it has no shortage of resources, natural resources and human resources.

The second reason I am particularly pleased to be here is the topic.

Infrastructure.

It is time that the BiH authorities together with their international partners took a critical and constructive look at the infrastructural challenge facing this country.

Meeting this challenge isn't *part* of the economic agenda. It's the quid pro quo of further economic development in BiH. As simple as that.

It's the quid pro quo of business recovery. It's the quid pro

quo of creating new jobs.

BH Steel can't meet its full commercial potential unless the infrastructure on which it depends is significantly upgraded – sooner rather than later.

Let me give you an example. We are accustomed to talking about the power surpluses that BiH enjoys by virtue of its unparalleled hydro and fossil fuel reserves. But those surpluses will very quickly turn to deficits if the present level of industrial recovery is maintained but no corresponding progress is made in implementing the power regeneration restructuring plan.

The bottom line is this – companies will stop growing when the power runs out.

We are all too familiar with the business-constricting influence of the substandard road system. But what is often overlooked is the fact that the deterioration of the road network is *progressive*. Roads are getting worse and worse because they are being used to carry inappropriately large volumes of freight. Trucks are used to carry gravel, timber, oil and other freight that should be carried by rail but cannot be because of the corresponding inadequacies of the railway network

This situation is physically dangerous – passenger traffic and pedestrians are put at risk by the frequency of lorries and other heavy vehicles using BiH's crowded roads.

It is also a huge inhibitor of business expansion – because products are carried to market along those roads. They are carried slowly and they are carried expensively.

The pre-war economy largely depended on the heavy and extractive industries. In 1990, coal, coke, iron ore, and steel accounted for more than 60 percent of the total tonnage of freight carried by the BiH railways. In 2003, the total

tonnage of freight amounted to 5.91 million tons. In 1990, this was 25,900 million tons – in other words the volume of freight has shrunk by almost 80 percent.

We have witnessed the successful privatisation of BH Steel and the associated mines as well as the coke plant.

What does the steel company need now? It needs new railway infrastructure capable of carrying several million additional tons.

If the railway network cannot deliver, expansion of production will be put on hold. That will have a negative knock-on effect on the economy as a whole.

It's a compelling and representative example.

I am aware that the EBRD and the EU have advanced considerable assistance to the railway sector since the war (€ 61 million from EBRD and about € 25 million from the EU). However, this has gone mostly toward repairing war damage and making the network (barely) operational. Further assistance will be needed from the EU. I know that EBRD/EIB are planning new projects for the forthcoming period.

It is estimated that investment of around € 150 million over the next three years would give the railway sector the capacity to meet industrial demand.

But just throwing money at the sector – which of course, is not in any case an option – would not solve the railway transport problems of BiH. An important prerequisite for the success of any railway development strategy is the creation of a new, adequate and more efficient regulatory, organisational and institutional framework that will ensure the efficient implementation, management and maintenance of transport infrastructure. These, as well as the relevant European regulations are the guiding principles behind the current Law on Railways of BiH. The law and the accompanying inter-Entity

agreement aim to provide a legal base for the restructuring of the railway industry.

With that legal base in place we can move forward with attracting the investment that is needed in order to implement a holistic infrastructure rehabilitation plan.

That's not just an expression of hope – it's a sequence that must be followed and followed quickly – because until this infrastructure plan is implemented, BiH's further economic development will largely have to be placed on hold. And the people of this country should not be asked to wait.

Thank you