

Request for Proposal (RFP)

Concession Information Overview

Humewood Road in Port Elizabeth Narrow Gauge concession of Transnet owned heritage rolling stock, use of permanent way and real estate for rail tourism purposes for a period of up to (fifteen) 15 years.

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1. Introduction

This Annexure provides an overview of the Port Elizabeth Narrow Gauge Branch Line Cluster for the purposes of the Branch Line Concessioneing Request for Proposal (RFP).

Tourism as a significantly growing economic driver

According to the World Travel and Tourism Council, in 2019, travel and tourism contributed almost half a trillion rand to South Africa's economy and generated 8.6% of all the economic activity in the country. Rail is considered a significant driver of inclusive growth and development for South Africa, with the potential to contribute significantly to the Gross Domestic Product (GDP) of the country.

The South African Government has recognised the potential of the tourism sector to be a catalyst to job creation as well as economic growth. A new plan to double international tourist arrivals by 2030 is underway to take advantage of the rapid growth in the tourism sector.

In recent decades, road and air have dominated many nations' transportation investments to the detriment of the most sustainable solution to mass transit – rail. However, for the planet's economic and environmental health, it is time to restore the balance between road, air and rail. Developed rail infrastructure will ensure that tourists and local South Africans can move from one place to another in a safe and environmentally sustainable manner, while boosting tourism and trade at the same time.

Heritage Rail Tourism

South Africa is considered an ideal destination for heritage railway tourism due to the high number of interesting scenic routes through which our railway network traverses. The scenic routes are prevalent on the branch line network especially in the predominantly rural interior part of the country. True heritage rail enthusiasts run excursions on the picturesque Transnet owned unused branch lines to explore the rich legacy of the steam trains. The heritage of rail and its rich history is a global phenomena that dates back to 1804 with the first steam train running a short service in South Wales, England. The first steam-hauled train in South Africa Africa ran in 1860.

Transnet, like its predecessors dating back to the early 20th Century, is committed to high quality conservation outcomes for its heritage assets to retain their heritage significance to the greatest extent feasible in accordance with prevailing legislation, heritage principles and financial and budgetary constraints. The heritage assets are maintained and reasonable effort is made to keep them in an operational condition or to adapt them for utilisation in line with their heritage significance.

Transnet recognises the value of heritage assets to certain communities, like steam clubs/operators. To this end, Transnet engages these communities and seeks to promote and make available the heritage assets it owns to these communities for tourism purposes. Partnering with the private sector to revitalise under-utilised railway assets (rolling stock and perway) is a catalyst to economic revival of rural parts of the country.

Transnet seeks to play a role of being a transformation agent in society within the context of sound business principles, regulatory frameworks and challenges of meeting customer and stakeholder expectations.

2. Description of Branch Line Cluster

Figure 1 identifies Branch Lines on the South African rail network. Branch Lines comprise 7,278 kilometres or 35 percent of the 20,953 route kilometres. 3,928 km of these Branch Lines are currently operational, while the remainder are closed Lines. The Port Elizabeth (PE) Narrow Gauge Branch Line Cluster is located in Eastern Cape Province. The Branch Line Cluster commences at Humewood Rd (P E Harbour) and travels in a westerly direction to Avontuur (282 route kilometres). A sub-Branch Line Cluster extends for 31 kilometres from Gamtoos to Patensie. The Branch Line Cluster is shown and circled in blue in Figure 1.

Currently there is no “open access” policy, and although some private entities and foreign railway entities have negotiated arrangements with Transnet, these arrangements tend to be very limited and confined to discrete areas associated with private sidings attached to manufacturing or mining facilities or for foreign railways to access the interchange yards.

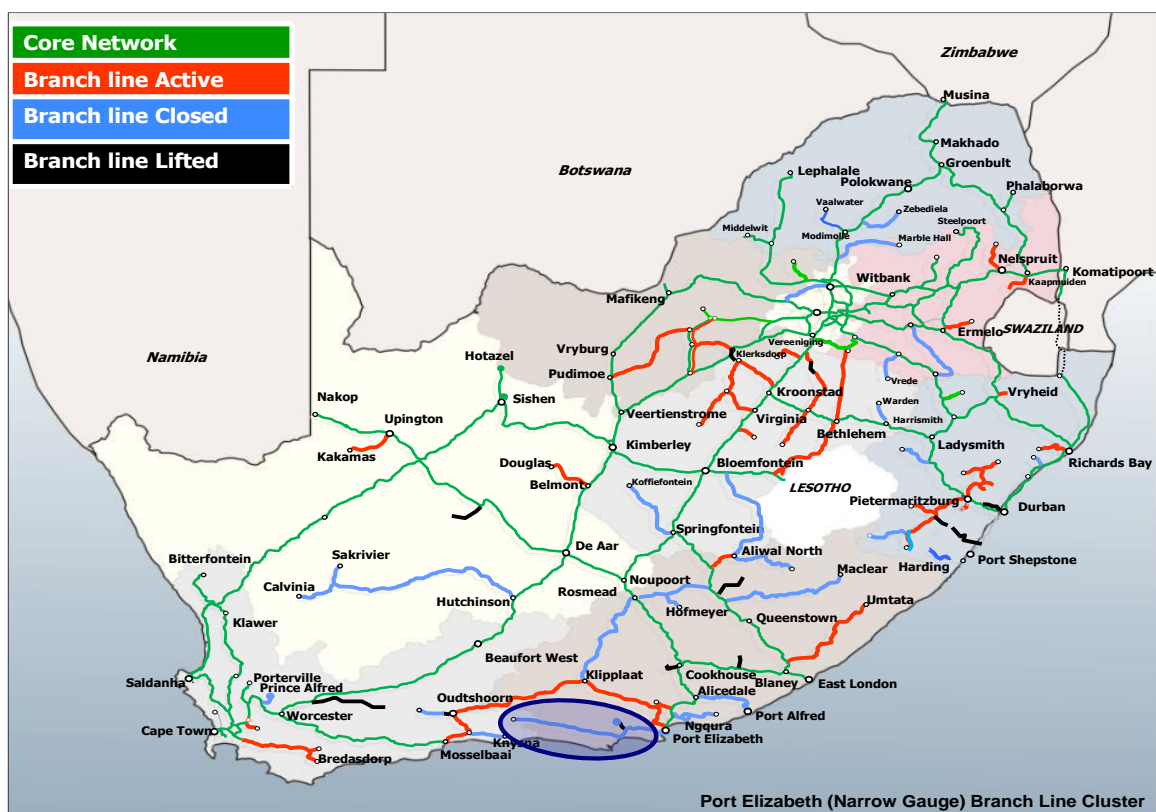


Figure 1: Rail Network Classification Integrated Map – PE (Narrow Gauge) Branch Line Cluster

3. Rail Infrastructure and Operational Assessment

Figure 2 provides a more detailed illustration of the Port Elizabeth Narrow Gauge Branch Line Cluster. The cluster is comprised of the following lines:

10a) Humewood Road – Gamtoos – Patensie (115 km).

10b) Gamtoos – Avontuur (210 km).

The Humewood exchange yard services these lines. All traffic is trans-shipped to/from Narrow Gauge to Cape Gauge in the Port Elizabeth port area (Humewood). Infrastructure depot facilities are also located at Humewood.

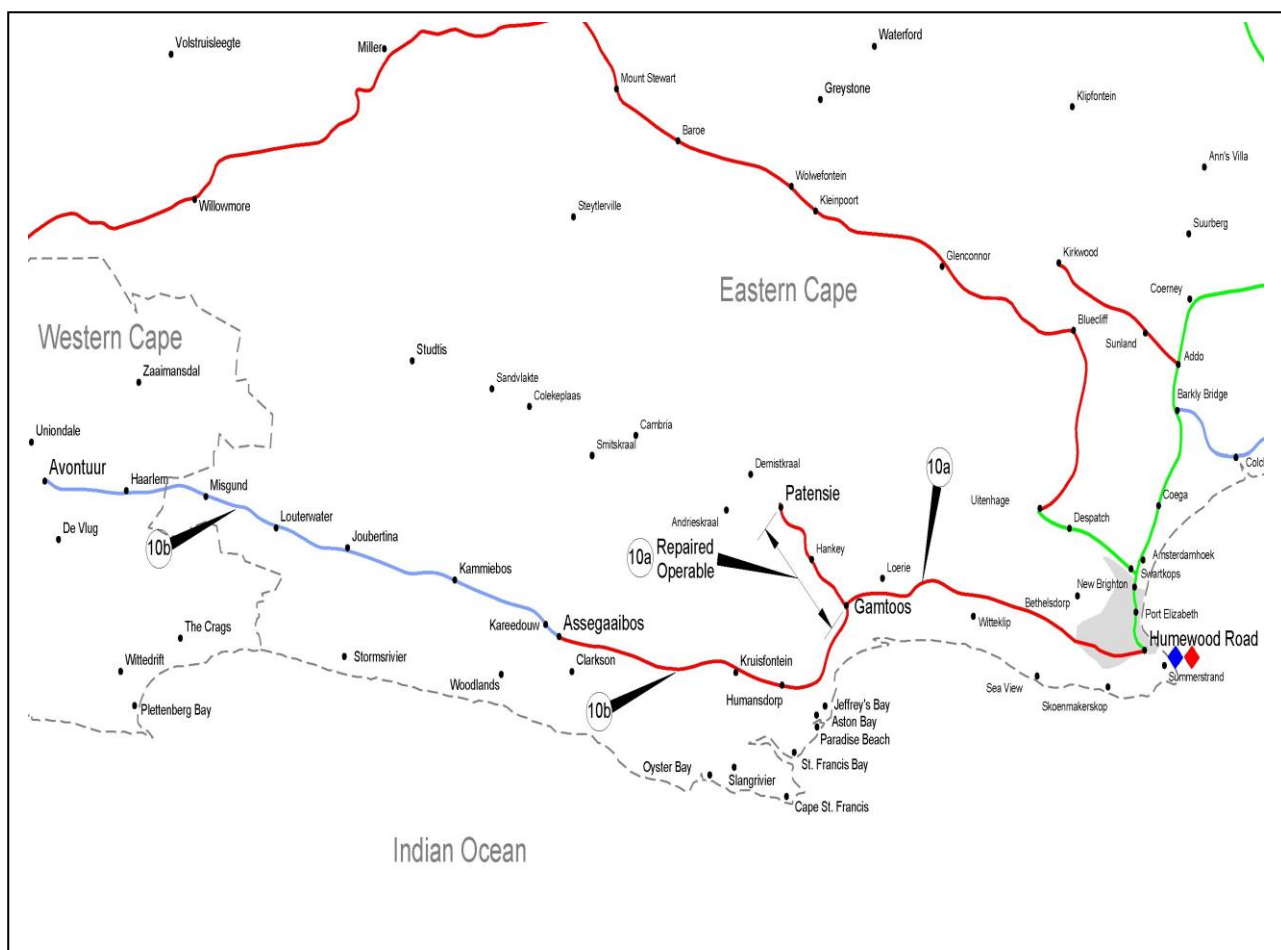


Figure 2: Port Elizabeth Narrow Gauge Branch Line Cluster Map

Table 1 provides a summary of key operational attributes for the Branch Line Cluster.

Attribute	Type
Traction	Diesel
Typical Train Consist (2008/09): Humewood Road – Patensie Gamtoos - Assegaaibos	1 * 91D locos – 12 wagons 1 * 91D locos – 8 wagons
Trains per Week (2008/09): Humewood Road – Patensie Gamtoos - Avontuur	4 1
Train Authorisation within Cluster	Radio Train Order
Train Authorisation on Core Network	NA
Crossing Points and Core Network Interface	See Figure 3 – Figure 9
Axle Load Restrictions: Humewood Road – Gamtoos – Avontuur Gamtoos – Patensi	11.5t 11.5t

Table 1: Summary of Key Operational and Infrastructure Attributes

4. Concession Operating Proposition

The operating proposition outlined in this section is an initial proposal and may be subject to change as the concessioning process progresses.

It is proposed that rail tourism operations will run over the 22km section commencing from Humewood via Kings Beach and terminating at Chelsea.

Operational Capacity – Current and Proposed

The 'Tourism Trains' steam locomotives are currently on lend lease from the Transnet Heritage Preservation Foundation (THPF) and these leases would need to be extended or renegotiated. Diesel locomotive power would need to be leased from the freight operator of the line. Alternatively motive power could be purchased once the tourism initiative has established itself and warranted this capital expenditure.

For tourism operations it is essential that steam locomotives be utilised and there are sufficient narrow gauge locomotives available in South Africa but they would all need refurbishment except that there is a possibility that some could be leased from the Sandstone Steam Railway.

There are currently sufficient coaches to make up one passenger train. These are currently being utilised by the 'Apple Express' operation. In order to operate the additional tourism services, additional coaches would need to be sourced. There are a few coaches in private ownership but generally new rolling stock would have to be created by converting existing goods wagons to passenger coaches.

Description of Physical Assets

Branch Lines Layout

A map depicting the layout of the various lines identified for potential usage for heritage rail tourism purposes is reflected in fig 2 above and attached as Annexure F .

Condition of the Rolling Stock

The attached list of rolling stock (Annexure D) that Transnet is making available to the market indicates that while the majority of the rolling stock is operational and in a good condition, a few of our heritage rolling stock is not in a good condition. Bidders will be afforded an opportunity to view and assess the rolling stock prior to submitting their proposals.

Properties Included In the Concession Opportunity

A map (Annexure E) containing property description and location of properties included in this Concession opportunity is hereto attached.

The property is being offered on a voetstoets basis and in line with Transnet Real Estate Management leasing regulations.

The buildings included in the concession are:

- part of 03BA020E;
- 02BA240E;
- 02BA244E; and
- 02BA245E.

5. Key Roles and Obligations

5.1 Concessionaire's roles and obligations

Following selection by Transnet, the Concessionaire will be required to obtain safety permits and any other required licences from the Railway Safety Regulator in terms of the National Railway Safety Regulator Act, 2002 (Act No.16 of 2002), before commencing operations on the Branch Lines.

A concession fee will be payable by the Concessionaire for the right to traverse a Branch Line or Branch Line Cluster. The Concessionaire will be required to make the necessary capital investments (where applicable), which would include upgrading and maintaining the rolling stock and other infrastructure assets to Transnet's standards throughout the concession period. Based on the existing condition and future planned use of the Branch Lines / Branch Line Clusters, Concessionaires will develop and commit to asset maintenance regimes with Transnet. In addition, the Concessionaire will be required to lodge and maintain a performance bond (or other form of security) as security and for the proper maintenance of the capital assets forming part of the Concession over the life of the Concession.

The Concessionaire will be responsible for paying municipal rates and taxes on leased properties, which must also be maintained to an agreed standard for the duration of the Concession period.

Services will be operated in accordance with the railway safety management standards set out in South African National Safety Standards (SANS 3000-1:2009).

The Concessionaire will also be required to commit to broad-based black economic empowerment and socio-economic local development obligations as part of the Concession arrangement.

5.2 Transnet's role and obligations

Transnet will retain ownership of the Branch Line land and rail infrastructure (assets) and grant the Concessionaire a long-term right of use in respect of such assets for a concession fee on a 'use it / lose it' basis.

The Branch Lines or Branch Line Clusters will be handed over "voetstoots" (on an "as is, where is" basis) at the start of each Concession. Transnet will monitor the condition of the assets to ensure the rolling stock is maintained on a whole of life basis, and remains in no worse condition than at commencement of the Concession.

Transnet will also provide leases to adjacent properties for periods commensurate with the period of the Concession, as well as access to specific Marshalling Yards from which Transnet will on-haul cargo on the Core Network for delivery to customers in instances where the Concessionaire enters into a Track Access Agreement with Transnet.

6. Conclusion

In conclusion, The Port Elizabeth-Avontuur Humewood narrow gauge railway is an important and rather unique part of South Africa's rail heritage. It is one of three operational narrow gauge (610 millimetres wide) railway lines in the country. The other two are short sections of isolated track one at Ixopo in Natal and the other is a private railway at Sandstone estates in the Free State. Both the Langkloof and Gamtoos Valleys are known for their scenic beauty and cultural diversity, with the valleys through which it traverses.

In terms of the HRASA and Transnet foundation memorandum of understanding the lease of the coaches and steam locomotives is subject to a number of conditions and these have an impact on the financial model.

1. Heritage operators have to be members of HRASA to be able to lease Transnet Foundation assets.
2. Heritage operators have to be Section 21 not for profit companies to benefit from the reduced rentals.