
Request for Proposals (RFP)

Concession Information Overview

**REQUEST FOR PROPOSAL FOR UPINGTON – KAKAMAS
CONCESSION BRANCH LINE, TRAIN OPERATIONS AND TO
FUND, DESIGN, BUILD, OPERATE, MAINTAIN AND TRANSFER
A TERMINAL AT KAKAMAS STATION, UP TO TWENTY-FIVE
(25) YEARS.**

**TRANSNET BRANCH LINE CONCESSIONS
REQUEST FOR PROPOSALS
CONCESSION INFORMATION OVERVIEW**

Introduction

The purpose of this document is to provide infrastructure, operational, financial and socio-economic information about the Branch Line Concession Opportunity, detailing the rail infrastructure of the Concession Opportunity: Upington -Kakamas Branch line and Terminal Development at Kakamas Station, and considers current and prospective rail operations and market characteristics in respect thereof.

The Branch Line Concessions Model can be summarised as a contractual arrangement between Transnet, the network owner, and the Concessionaire. It can be tailor-made for each specific circumstance: each interface differs operationally (network, technology, slots, signalling, etc.), and allows for flexibility in customer contracting arrangements.

Transnet provides the concession overview information that is contained in this document in good faith. This document is being made available by Transnet to Bidders on the condition that it is used solely for bidding for the Concession Opportunity: Upington -Kakamas Branch line and Terminal Development at Kakamas Station and for no other purpose.

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1 Section 1 – The Concession Opportunity

1.1 Background and Context

The South African national government has identified the transport sector as one of the significant drivers of the economy. Transport plays a critical role in enabling mobility and access to economic and social activities. Most industries rely on the efficient movement of freight from origins such as farms, mines and manufacturing plants, to destinations within and outside of the Republic of South Africa. The Branch Lines are currently a relatively underutilised part of the country's transport infrastructure and it is expected that their revitalisation could unlock economic potential both regionally and nationally.

This represents an important challenge for Government, Transnet and the private sector to collaborate on the revitalisation of the Branch Line network wherever feasible, in order to promote an intermodal shift from road to rail, to lower the social and commercial costs of freight transportation, and to stimulate economic opportunities in regional and rural areas.

The Branch Lines comprise 7,278 kilometres or 35 percent of the 20,953 route kilometres of the total Rail Network. 3,928 km of these Branch Lines are currently operational, while the remaining 3,350 km are closed lines. All of the Branch Lines are feeder lines to the country's Core Network. The Core Network is owned by Transnet and freight operations are undertaken by Transnet Freight Rail (TFR), a division of Transnet, while the majority of passenger operations are undertaken by Passenger Rail Agency of South Africa, which is a government-owned and operated entity. Much of the freight that originates on Branch Lines undergoes consolidation at marshalling yards as it progresses to and on the Core Network for transportation to end markets. The majority of passenger operations are concentrated on the larger metropolitan areas of Johannesburg, Pretoria, Port Elizabeth, Durban, and Cape Town.

The Branch Lines are characterised by multiple origin-destination pairs, wagonloads, multiple sidings, low axle limits (between 11.5 tons/axle and 20.0 tons/axle) and diesel traction. South Africa's rail gauge is predominantly "Cape Gauge" (1065mm), with the exception of a few Narrow Gauge (610mm) lines. The concessioned Gautrain network, which is standard gauge (1438mm), is separate from the rest of the South African rail network.

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.

The map in Figure 1 below shows the publicly owned and operated rail network, with the Core Network, active Branch Lines and closed Branch Lines separately identified.

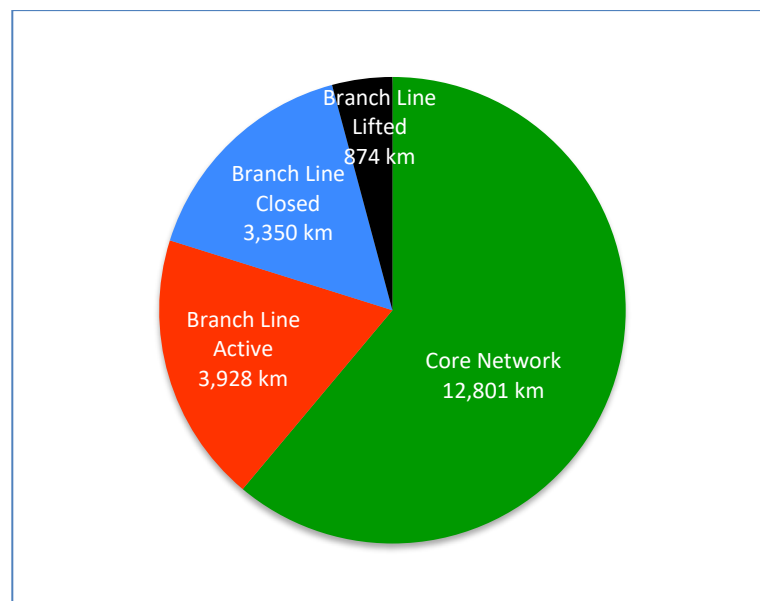


Figure 1: Transnet's Branch Line and Core Network Length



Figure 2: Branch Line and Core Network map for South Africa

It should be noted that certain property assets along each Branch Line permanent way will form part of the Concessions, while there may also be other property assets associated with some of the Branch Lines that will be made available for leasing at an additional cost to the concession fee.

2 Section 2 – Overview of Concession Arrangements

2.1 Overview of Concession Arrangements

2.1.1 Overview of Commercial Objectives

2.1.1.1 Transnet intends to grant the Concession on best practice principles and to ensure that the following are undertaken on standards acceptable to Transnet at the risk of and for the account of the Concessionaire without recourse to Transnet for funding or resources:

- a) the Concession of Upton – Kakamas branch line;
- b) the funding, designing, building, maintaining, operating and transferring of a terminal at the Kakamas Station;
- c) the short-haul freight rail service to be offered by the Concessionaire;
- d) the maintenance of the rail infrastructure;
- e) the maintenance of the properties along the railway line and
- f) the requisite access to the Core Network by the Concessionaire.

2.1.1.2 The arrangements will, subject to the terms of the Transaction Agreements, be implemented on the basis that –

- a) Transnet grants to the Concessionaire (at the risk of the Concessionaire) for purposes of undertaking **the Concession**, rights of use and enjoyment in and to the rail infrastructure, where:
 - i. the Branch Line component of the rail infrastructure will be made available on a concession basis, for which a concession fee will be payable by the Concessionaire; and
 - ii. the Core Network component (being the Access Route) of the rail infrastructure will be made available on a controlled and limited access basis, for which an access fee will be payable by the Concessionaire;
- b) The concessionaire must approach a train operator if they will not be able to run the train operations while they will operate the terminal/s.
- c) the Concessionaire is expected to finance and undertake the required design, refurbishment and upgrading works in consultation with all stakeholders, including Transnet, the Rail Safety Regulator, provincial authorities, relevant local authorities and environmental authorities;

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- d) the Concessionaire will finance and undertake the operations of a freight rail service, and undertake maintenance of the Branch Line component of the rail infrastructure;
 - e) the **Concessionaire will finance and undertake the maintenance of the properties along the Branch Line;**
 - f) if Transnet, in response to a property offer made by a Bidder accepts such property offer, then Transnet would (as lessor) conclude a lease with the Concessionaire (as tenant) in respect of that adjacent property(ies), where the tenant would pay rent to the lessor for the duration of the lease (whose term will be same as the concession term);
 - g) upon expiration (or early termination) of the Concession and the lease agreement, if any, Transnet will take control of the rail infrastructure, the leased land (if any) and all improvements thereon, if any, with no further compensation to the Concessionaire;
 - h) there would be no general access by the Concessionaire onto the Core Network, where the respective operations of the Concessionaire and Transnet in relation to the Branch Line and the Access Route would be clearly defined;
 - i) any access by the Concessionaire to the Core Network (being the Access Route) would be controlled and limited to traversing the Core Network up to the Marshalling Yard and entering a Marshalling Yard, or similar natural hand-over point; and
 - j) the Marshalling Yard(s) or similar natural hand-over point(s) would be controlled and operated by Transnet, assuming that these are located on the Core Network.

2.1.2 Proposed Arrangements in respect of Assets

2.1.2.1 The assets that will be the subject of the Concession Agreement may be categorised into three subcategories, namely:

- a) railway land, which would be:
 - i. the land on which the rail road is constructed (in respect of active or partially active lines);
 - ii. the land on which the rail road was constructed but has since been removed (in respect of closed or partially Closed Lines);
 - iii. the rail reserve, inclusive of the service roads but excluding any private sidings;

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- iv. designated train station, exchange yards and marshalling yards on the Branch Lines; and
 - v. any other land parcels identified by Transnet as forming part of the land to be concessioned
- b) rail infrastructure, which would be:
- i. all fixed improvements on the railway land, including the rail-road, ballast, sleepers, bridges, viaducts, culverts, signalling and communication infrastructure; and
- c) moveable rail assets, which would be:
- i. all those assets on the railway land or used in the maintenance or operation of the rail infrastructure which are not fixed to the land or improvement in question and which Transnet has offered to Concessionaire on lease or for sale.
 - ii. retained by Transnet and removed at Transnet's expense from the railway land, save where a Concessionaire in its bid proposal indicates that it wishes to acquire or make use of such moveable assets, and Transnet agrees to transfer same to the Concessionaire.

2.2 Principal Obligations of Transnet

2.2.1 The anticipation is that Transnet would have four principal obligations to deliver under the Concession Agreement, being –

- a) to make the railway land for the Branch Line available to the Concessionaire – to be regulated in the Concession Agreement;
- b) to make the rail infrastructure for the Branch Line available to the Concessionaire – to be regulated in the Concession Agreement;
- c) to permit the Concessionaire to traverse the Access Route and to provide controlled and limited access by the Concessionaire to the Marshalling Yard(s) or other natural hand-over point(s) on the Core Network – to be regulated respectively in the Track Access Agreement.

2.2.2 Transnet will make available the railway land and the rail infrastructure to the Concessionaire on the following basis –

- a) the railway land and rail infrastructure would be made available to the Concessionaire on the basis that the Concessionaire is the network operator of the Branch Line. This would not detract from Transnet's rights to access the

railway land and rail infrastructure for inspection purposes to satisfy itself that the Concessionaire is fulfilling its concession obligations;

- b) no open access requirement is being placed on the Concessionaire in respect of permitting any other operator(s) to access the Branch Line, which will remain subject to legislative or regulatory regulation;
- c) the Concessionaire would be obliged, notwithstanding the foregoing, to grant reasonable access to the Branch Line (subject to its operating schedule and safety requirements and other terms and conditions recorded in a separate track access agreement) to –
 - (i) those persons to whom Transnet has already granted (prior to the concession) rights of access to the Branch Line, or to traverse the Branch Line with their own (or Transnet) rolling stock; and
 - (ii) those persons, whether governmental or non-governmental who require access to reach rural communities in order to provide or roll out on a social welfare or humanitarian basis essential services, products or goods;
- d) the Concessionaire would have to avail its terminal operations service(s) to the world at large, and not limit the terminal access/freight rail transport service for its own freight requirements or a closed list of customers to the exclusion of others. Put differently the Concessionaire may not subvert the public nature of the railway land and rail infrastructure through privatising some. This may not necessarily restrict a Concessionaire from entering into contracts with customers whose demands actually take up a significant proportion of the Concessionaire's capacity.
- e) 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.
- f) 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 network is maintained on a whole of life basis, and remains in no worse condition than at commencement of the Concession.
- g) 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.

2.3 Principal Obligations of Concessionaire

2.3.1 The Concessionaire will have four principal obligations to deliver under the Concession agreement, being –

- a) to look after the rail infrastructure by doing one, more or all of the following –
 - i) designing and undertaking (or procuring the undertaking) of any requisite upgrade works to the rail infrastructure, whether to meet its own bid proposal requirements, or rail safety regulatory requirements.
 - ii) The considerations and assumptions regarding the upgrading of rail infrastructure are –
 - aa. the base line condition will be determined by Transnet and disclosed in the RFP;
 - bb. Respondents will be given opportunity during its bid proposal formulation period to undertake a due diligence investigation on the condition of the rail infrastructure;
 - cc. if a Respondent identifies any issues which are inconsistent with Transnet's assessment of condition, these issues should be clearly recorded in the Proposal and will be resolved by Transnet and the Preferred Bidder, should the Respondent be selected as Preferred Bidder;
 - dd. the agreed condition of the rail infrastructure would be recorded in a schedule to the Concession Agreement, comprising the agreed base line, which the Concessionaire will be obliged, as a minimum, to maintain at all times for the Concession term;
 - ee. the nature, extent and timing of any upgrading works to the rail infrastructure as identified by the Concessionaire would be recorded, in a schedule to the Concession Agreement;
 - ff. any proposed changes in technical specification to any part of the rail infrastructure, including alignment and gauge would require the prior approval of Transnet;
 - gg. any upgrading works as identified, either at commencement of the Concession term or later, would have to be undertaken by an entity approved by Transnet and at the cost of the Concessionaire;

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- hh. any initial upgrade to the rail infrastructure identified by Transnet will be undertaken by Transnet, either prior to the commencement of the Concession, or during the initial phase of the Concession.
 - iii) planning and undertaking (or procuring the undertaking) of any requisite maintenance works (planned and unplanned) to the rail infrastructure, whether to meet its own Bid proposal requirements, or Rail Safety Regulator requirements, would be at the Concessionaire's own cost.
 - iv) The principal underlying considerations are that–
 - aa. any and all maintenance work to the rail infrastructure be undertaken by any person(s) who are duly certified to carry out such work (whether certified by a recognised industry association, or by Transnet), alternatively are acceptable to Transnet;
 - bb. the Concessionaire will, under the Concession Agreement, furnish its annual planned maintenance programme and report on its implementation of such programme, including any unplanned maintenance work undertaken during the reporting period in question;
 - cc. Transnet would be entitled at periodic intervals not less frequent than one year to undertake an inspection of all or any part of the rail infrastructure to satisfy itself that (i) the agreed base line condition is being maintained, and (ii) that the Concessionaire is adequately carrying out its planned maintenance (and unplanned maintenance programme) as reported, or as required under the Concession Agreement.
 - b) to undertake, at its risk and cost, one or more freight rail services;
 - c) to procure the operation of a safe, reliable and efficient rail service to meet contracted performance requirements and other objectives of the Concessioning Programme; and
 - d) to furnish a form of financial security (Performance Bond) to Transnet to underpin the Concessionaire's maintenance obligations and other obligations under the Concession Agreement.

2.3.2 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.

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- 2.3.3 A concession fee will be payable by the Concessionaire for the right to operate 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 railway and other infrastructure assets to Transnet's standards throughout the concession period.
- 2.3.4 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.
- 2.3.5 The Concessionaire will assume responsibility, at their own cost, for financing, planning, and operating services on the Branch Lines. The Concessionaire will be required to at least carry specified minimum volumes of freight, and these should be above the existing and projected volumes by TFR, subject to a cap/ceiling at least for the initial phase (first three years) of the Concession, given the current physical or operational constraints.
- 2.3.6 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.
- 2.3.7 The Concessionaire will provide freight railway services to a range of customers on a common user basis. Services will be operated in accordance with the railway safety management standards set out in South African National Safety Standards (SANS 3000-1:2009).
- 2.3.8 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.

Section 3 – Upington – Kakamas Branch line

3 Description of Physical Assets

3.1 Branch Line Layout

The Branch line and Station Layout is depicted in the attached Annexure D: Lease Plan. This is the station where the bidders are called to submit proposals to Concession the Upington – Kakamas Branch line and Fund, Design, Build, Operate, Maintain and Transfer a terminal/s at Kakamas Station.

3.2 Overview of Business Dimensions – Upington - Kakamas

- 3.2.1 The Upington – Kakamas Branch line is located between Dawid Kruiper and Kai Garib Local Municipality in the Northern Cape.
- 3.2.2 The total length of the Upington - Kakamas Branch Line is 88 route kilometres. The Branch Line connects with the Core Network at Upington. The commodity in the sections is mainly for table grapes running on refrigerated containers.
- 3.2.3 Historically, a refrigerated container service was provided for export table grapes from the Kakamas region to Cape Town. The season runs from mid-November to mid-January.
- 3.2.4 Twelve (12) metre refrigerated export containers planned to be transported to a terminal in Kakamas Station where a third-party operator tranships the containers to road vehicles for delivery (and pickup of loaded containers) to various cold stores in the area.
- 3.2.5 Loaded containers are transported under refrigeration on the return train service to Cape Town.

3.3 Scope of Requirements for Upington – Kakamas Branch line and Terminal Development at Kakamas Station

- 3.3.1 Upington – Kakamas branch line Concession and train operations;
- 3.3.2 A concession arrangement for a Private Party to Fund, Design, Build, and Operation, Maintain and Transfer a terminal at Kakamas station for a period of up to 25 years;
- 3.3.3 All refurbishments will be for the account of the concessionaire;

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- 3.3.4 All disposals will be for the account of the concessionaire and in accordance with Transnet disposal policy;
 - 3.3.5 Strict adherence to the Transnet Occupational Health, Safety and Environment policy;
 - 3.3.6 Road trucks will deliver and offload containers to the terminal;
 - 3.3.7 A minimum number of 5 000 loaded containers can be transported via rail to the port of Cape Town;
 - 3.3.8 Concessionaire to source own customers;
 - 3.3.9 Provide accurate measurement of the Mass of the loaded container, before departure;
 - 3.3.10 Supply appropriate container loading equipment e.g. cranes / reach stackers /forklifts / side loader or any other appropriate equipment;
 - 3.3.11 Load up to 30 flatbed wagons within a 4hr period (measurement starts when a TFR empty train is placed and handed over to the siding and when the loaded train is ready for collection or departs the branch line and terminal);
 - 3.3.12 Make allowance for TFR activities related to shunting, trains inspections and brake testing assumed at 45 minutes at placing empty wagons and 60 minutes of clearing loaded wagons;
 - 3.3.13 Provide enough refrigerator container electrification plug points.
 - 3.3.14 Carry out all off-loading, loading and other related operations 24 (twenty four) hours per day, 7 (seven) days a week and 365 days in a year;
 - 3.3.15 The maximum carrying capacity of containers in respect of payload For 6m container Wagon, 26 Tonnes and for 12m container Wagon, 32 Tonnes per container, 960 tonnes per train.
 - 3.3.16 Carry out all maintenance work related to perway, civil, electrification and offtrack work (vegetation control)

3.5 Properties

Information with detailed property descriptions and layout diagrams form part of this document as Annexure D.