
Request for Proposals (RFP)

Concession Information Overview

**CONCESSION FOR BRANCH LINE NETWORK
AND FREIGHT TRAIN OPERATIONS OF THE
NKWALINI – EMPANGENI BRANCH LINE FOR A
PERIOD OF UP TO TWENTY (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: Branch Line network and freight train operations on the Nkwalini – Empangeni Branch Line, 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. The Concessionaire can access sections of the Core Network in order to gain access to designated Marshalling Yard/s.

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: Branch Line network and freight train operations on the Nkwalini – Empangeni Branch Line and for no other purpose.

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Table of Contents

Section 1: The Concession Opportunity	4
Section 2: Overview of the Concession Opportunity	6
Section 3: Railway Infrastructure	12
Section 4: Operational Capacity	14
Section 5: Railway Land and Properties	16
Section 6: Socio-Economic Overview	17

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, but some private 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 and 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.

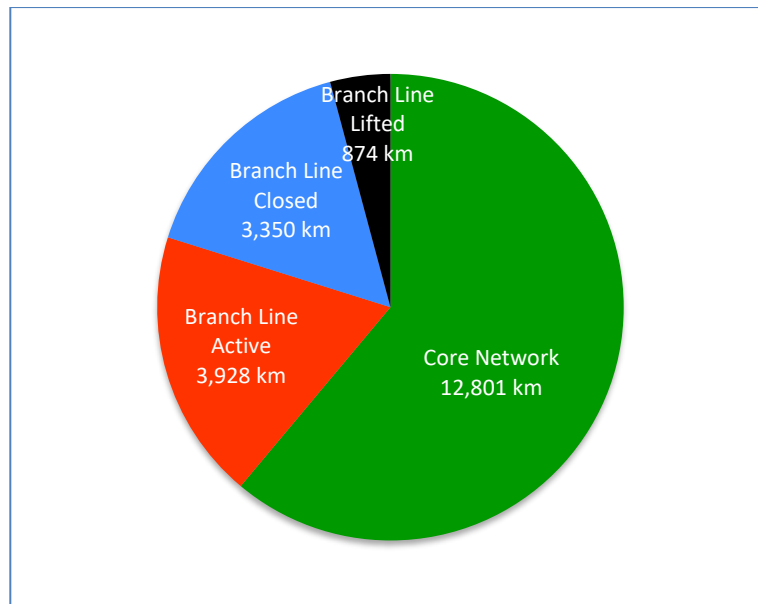


Figure 1: Transnet's Branch Line and Core Network Length



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

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 branch line network and freight rail operations on the Nkwalini-Empangeni Branch Line;
- b) the short-haul freight rail service to be offered by the Concessionaire;
- c) the maintenance and the upgrade of the rail infrastructure;
- d) the maintenance of the properties along the railway line and
- e) the requisite access to the branch line and Core Network by the Concessionaire at the election of and determined by Transnet.

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. at the election of and determined by Transnet, the Core Network component (being the Access Route) of the rail infrastructure may 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 and network;
- 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;
- 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;

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- 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;
 - 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

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- 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 sell/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) at the election of and determined by Transnet, to potentially 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

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- (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 that may be 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 and facilities 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 and facilities, 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;

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- 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;
 - 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, depending on circumstances, resource availability and model being pursued.
- 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 Concessions 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.

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.

3. Section 3: Railway Infrastructure

3 Description of Physical Assets

3.1 Branch Line Layout

The Nkwalini-Empangeni Branch Line is located in the north eastern region of the KwaZulu-Natal Province and consists of a 18.5 axle load single Branch Line running from Nkwalini to the termination point at the entrance of the Empangeni station / Marshalling Yard over a distance of approximately 64.46 km. Of the 17 private sidings along the branch line, only one (1) is a privately owned siding and is located at the Ngqwatayi station. The private siding is privately operated with the rail line owned and maintained by a farmer. There is currently a safety interface agreement between the private siding owner and Transnet.

The map below depicts the location of the Nkwalini – Empangeni Branch Line.

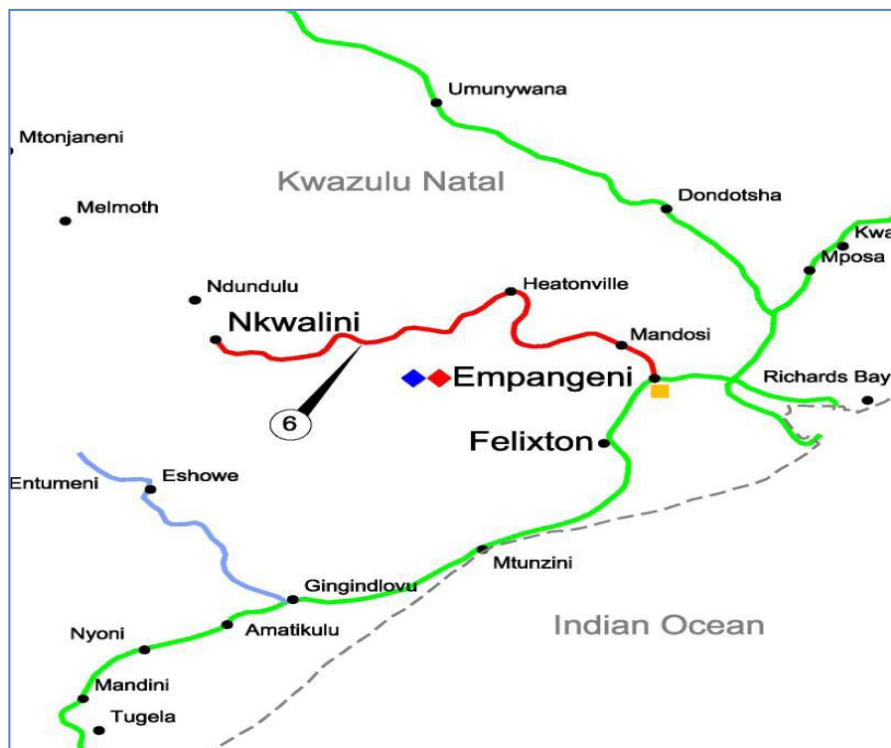


Figure 3.1: Nkwalini-Empangeni Branch Line layout

3.2 Infrastructure Condition

The track infrastructure is currently managed and maintained by the Depot Engineer's Permanent Way staff, comprising a Track Inspector, Plate layers and Track Maintenance Personnel, all based in Empangeni.

The branch line is currently operational with trains running at a temporary speed restriction of 30km/h. There are four major crossing stations along this line, i.e. Heatonville, Mevamhlophe, Dukaneni & Nkwalini. **Annexure D** depicts the line diagram with station crossings

Table 3.1 below shows the components of the Nkwalini – Empangeni Branch Line on-track infrastructure.

ASSET	CONDITION	QUANTITY	TYPE
Rails	Fatigued rails Exceeded crown and side wear of rails	64 km	48kg
Sleepers	30% of sleepers are steel sleepers Sleepers have exceeded the lifespan cycle of 30 years	91 428	P2 & Steel
Turnouts	Wooden turnout sleepers rotten Section consists of wooden turnout sleepers Wear rate of turnout has exceeded the acceptable standard	80	1:9 Wooden

Table 3.1: Nkwalini-Empangeni Branch Line on-track components

Table 3.2 below shows the components of the Nkwalini – Empangeni Branch Line off track infrastructure.

ASSET	QUANTITY	TYPE
Culverts	50	Concrete
Pipes	175	Concrete
Bridges	12	Concrete & Steel
Level crossing	51	Private, Public & Farm

Table 3.2: Nkwalini-Empangeni Branch Line off track infrastructure

Bidders are encouraged to conduct their own comprehensive due diligence of the infrastructure conditions of the line when compiling the RFP response proposals.

Section 4: Operational Capability

4.1 Operational Overview

The major commodity currently being transported on this line is sugar cane, from various locations along the Branch Line to a sugar processing plant at Felixton, 10 km south of Empangeni on the Core Network.

This sugar cane traffic is seasonal and is only active for nine months of the year. It has been noted with the recent visit that, due to the inefficiencies caused by the condition of the rail with extended turnaround times. Most of the farmers, especially new ones have opted for road transportation as an option. There is high potential to grow the volumes further once the turnaround time has improved. There are occasional movements of infrastructure materials in the reverse direction, as well as small volumes of Transnet traffic (track maintenance materials) going both directions on this line.

The possibility to attract Timber, mining and citrus products from Nkwalini exists and this timber will be destined for the Port of Richards Bay. Access lines to the port of Richards Bay are through the Nsezi Marshalling yard, which is approximately 15 km from Empangeni.

All traffic loaded on this Branch Line will be exchanged at the Nsezi Marshalling Yard, except for sugar cane, which will be transported directly to Felixton due to its close proximity to Empangeni. The Concessionaire or its operator will have to traverse the Core Network in order to deliver and receive wagons from Felixton, therefore Transnet will provide track access between Empangeni and Felixton as well as between Empangeni and Nsezi.

Currently Transnet has been allocated with four (4) 34 D Locomotives for this service and those are few of the last locomotives suitable for the branch lines. It is advisable for a concessionaire to source for their own locomotives and more advanced wagons as the business has not revised the fleet of rolling stock in a while. Concessionaire will provide all train marshalling and haulage services from the Branch line up to the Core Network network at Nsezi Marshalling Yard and delivering wagons to customers located on this network for loading. Transnet will then return empty wagons to the Nsezi Marshalling Yard for collection by the Concessionaire or its operator; as well as collect empty wagons from Felixton for distribution on the Branch Line.

4.2 Existing Volumes

At present the major commodity transported on this line is sugar cane, which is being moved from various locations on the Branch Line to a sugar processing plant located at Felixton. This sugar cane traffic is seasonal and is only active for nine months of the year.

Freight volumes have generally remained steady between 2015 and 2020, with sugar cane volumes consistently exceeding 350 000 tons per annum. However, from 2019 saw a decline in the movement of sugar cane to below 300 000 tons per annum.

Sugar cane is generally only transported towards a single direction along the Branch Line, to Felixton, although occasional freight movements occur in the reverse direction. Small volumes of Transnet traffic

(track maintenance materials) are also transported in both directions on this route, while the movement of timber has been non-existent since 2007/08.

There is a potential for timber to be moved along this Branch Line again in the future, and these additional volumes could possibly require further maintenance or even upgrades on the perway infrastructure.

4.3 Current Service Levels

The current train operations for the Nkwalini-Empangeni Branch Line are detailed in Table 4.1 below, followed by a more detailed narrative of the elements involved in operations.

	NKWALINI-EMPANGENI
Service Frequency	2 trains per day
Wagon Type	Type BCJ/CSRJ
Maximum No. Wagons per Train	40 wagons per train
Total No. Wagons in Branch Line	289 BCJ/CSRJ
Locomotive Type	Class 34D (21 tons / axle)
Locos. per Train	4* 34D locos per 40 wagon trains
Total No. Locomotives	4* 34D Locomotives
Fuelling Facilities	Empangeni TRE Depot
Inspection Facilities	Empangeni TRE Depot

Table 1: Summary of Train operations for the Nkwalini-Empangeni Branch Line

Trains run on both a daily basis and on demand on the Nkwalini-Empangeni Branch Line. Typically, one train travels the Branch Line from Nkwalini to Felixton and returns each day.

Routing of trains for staging and collecting empty wagons is done via Transnet's customer liaison centre at Empangeni, where the trains are dispatched or operated from the Branch Line hub. Scheduling of train movements is co-ordinated between the customer care centre, located at Empangeni train operations, and train crew department.

Customer demand dictates the number of empty wagons to be staged at the private sidings. Shunting and collection of sugar cane wagons also takes place along the Branch Line Network. The Branch Line can handle most Transnet rolling stock, including type FZ, FZJ wagons that are customised as dedicated grain wagons. Other rolling stock less frequently used includes type AY wagons for delivery of ballast and type DZ wagons for other general items. On a daily average, approximately 75 type CSRJ and BCJ sugar cane wagons are in circulation on the Branch Line and varying numbers of the other types. At present, the locomotive traction power is provided by Class 34 diesel locomotives which belong to the Empangeni depot. Diesel locomotives are serviced, inspected and fuelled at Empangeni before departing for Nkwalini. Bidders will bring their own rolling stock.

Section 5: Railway land and properties

It should be noted that certain property assets along the Nkwalini – Empangeni Branch line permanent way are included in the Concession. Property propositions can be submitted but will not be awarded under the concessions process unless they are part of a rail operations proposition.

Property propositions for adjacent land parcels and/or properties along the Nkwalini – Empangeni Branch Line can be submitted but will not be awarded under the concessions process unless they are part of a rail operations proposition.

Property Management Plans and status of property leases will be discussed during the negotiation phase.

Section 6: Socio – Economic Overview

This section provides a brief synopsis of prevailing socio-economic dynamics in the municipalities through which the line traverses.

Due to low education levels and high poverty rates in the municipalities through which this branch line traverses, enterprise development, skills development and job creation opportunities aimed at especially women and youth are important.

The Nkwalini-Empangeni Branch Line is located within the King Cetshwayo District Municipality, spread across two local municipalities namely; uMlalazi Local Municipality (Nkwalini) and uMhlathuze Local Municipality (Heatonville, Mandosi and Empangeni).

Both these municipalities are reliant on the agricultural sector with the sector contributing more than 30% to the Gross Geographic Product. Agricultural production is dominated by sugar cane with some timber and citrus production as well. The area is classified as predominantly rural and dominated by Tribal Authorities (Amakhosi). There are five (5) Amakhosi along the branch line who will need to be engaged prior to hand-over of the line.