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TRANSNET INVITES EXPRESSIONS OF INTEREST IN BRANCH LINES CONCESSION

Transnet Limited took a further step towards introducing private sector participants in its rail branch line operations. This week, the company formally launched the second phase of its branch lines concessioning process with a call to interested parties for Expressions of Interest (EOI) in its branch lines.

This call follows the receipt of 115 registrations of interest at the end of June - which was a market-testing exercise to determine the nature and extent of interest in this initiative, Transnet said in a statement. Some of the respondents to the first phase included several international operators, JSE-listed logistics and transport firms and localised companies.

Commenting on the milestone, acting group chief executive, Mr Chris Wells, says: "We are heartened by the positive response from industry players. We look forward to a fruitful partnership as we endeavour to introduce entrepreneurship in this industry which we believe will unlock the economic potential of these lines."

Transnet's branch lines comprise 7,278 kilometres or 35 percent of the 20,953-kilometre route of the company's rail network with 3,928 km currently operational. The remainder is closed. All of these are feeder lines to the core network which is owned and operated by Transnet through its rail freight division – Transnet Freight Rail.

Following Board and Shareholder approval to begin the process of concessioning both active and inactive branch lines, Transnet consulted extensively with all relevant stakeholders. These include organised labour, the Department of Transport and National Treasury.

The main aim of the EOI, which is non-binding and not a pre-qualifying process, is for Transnet to provide interested parties specific information about each branch line opportunity. It is also for Transnet to receive feedback from interested parties on proposed terms and conditions under which branch lines may be offered in the subsequent competitive Request for Proposals.

“Transnet understands that the private sector may have different approaches to branch lines operations. Through this process, we aim to share ideas on what it might take to make these lines viable for private operators. We are committed to thoroughly explore opportunities to revitalise these lines and engaging further with all relevant stakeholders, including government, to find optimal solutions,” says Mr Wells.

The EOI documentation gives interested parties details of the commodities, infrastructure and operational characteristics of each branch line or cluster of branch lines, and specifies the Transnet properties associated with each branch line. It also provides a list of rolling stock that Transnet is willing to consider leasing or selling to branch lines concessionaires.

The EOI is for information purposes only and does not constitute an offer, commitment or obligation on Transnet to concession any of the branch lines or to lease any adjacent properties. Transnet reserves the right not to concession any branch lines or withdraw some lines from the process at the end of the EOI phase or hold it over for later consideration.

In line with Transnet’s commitment to advancing black economic empowerment, all concessionaires will be required to achieve broad-based black economic empowerment. In addition, all branch lines staff will not be transferred to concessionaires. They will continue to be employed by the company, Mr Wells concludes.

Issued by

Mboniso Sigonyela on behalf of Transnet Limited

For your convenience, we have uploaded a selection of photos of our Acting Group Chief Executive, Mr Chris Wells, as well as operational photos of Transnet. You may use these photos at your discretion in your publication. To download any of the pictures, please follow the link below.

<http://picasaweb.google.com/111561011512246178412/TransnetPictures?feat=directlink>

Notes to editors

Key proposed terms for branch lines concessions

- Transnet will retain ownership of the Branch Lines assets and grant to each Concessionaire a right of use for a long-term period.
- Each Concessionaire will be required to make the necessary capital investments in the branch lines and maintain such assets to an agreed operating standard throughout the concession period.

- Each Concessionaire will be expected to assume, at its own cost, the risk relating to the design, condition of the Branch Line assets and infrastructure, functioning and operation of the Branch Lines (including the risk of integration with the Core Network).
- Each Concessionaire will be expected to provide rail services to a range of customers on a common user basis and may not convert the concession to an exclusive use arrangement.
- Transnet will not require concession fees to be paid by Concessionaires for the right to operate a branch line.
- Transnet will require performance bonds or other forms of security from Concessionaires for the proper maintenance of the capital assets over the life of the concession.
- Each Concessionaire will be required to obtain and retain insurance cover at its own expense, as is commercially appropriate and agreed with Transnet, commensurate with the level of risk exposure under the Concession Agreement.
- Bidders will be required in their responses to the RFP to bid a rental payable for the use of the station properties associated with the branch lines.
- Each Concession Agreement will specify which party will be responsible for train authorisation systems.
- Each Concessionaire will be required to operate in accordance with the South African National Safety Standards (SANS 3000-1:2009).
- Prior to the commencement of operations, all Concessionaires will be required to obtain permits from the Railway Safety Regulator in terms of the National Railway Safety Regulator Act, 2002 (Act No.16 of 2002).
- Transnet will hand over the Branch Lines to the Concessionaire as is ("Voetstoets") at the beginning of the Concession period.
- Where Concessionaires provide to their customers transportation services that traverse the Core Network, Transnet will provide access from an end point on a Branch Line to the nearest consolidation point on the Core Network. Transnet will further transport the consignment from the consolidation point to the destination point on the Core Network.
- Transnet is willing to make available specified Branch Lines locomotives and wagons on lease to Concessionaires. Transnet is also willing to consider the sale of specified Rolling Stock to Concessionaires.

- Transnet has determined that all current staff involved with Branch Line operations will not be transferred as part of the concessioning transaction(s) as such staff will continue to be employed by Transnet.
- Transnet has identified its property assets associated with the Branch Lines. These are being made available in the Branch Lines Concessioning process as follows: (a) the Branch Line(s) perway, which is integral to each concession opportunity; and (b) stations situated within the Branch Lines perway, for which bidders will be requested, in the RFP, to bid an annual rental, to constitute part of the Concession Agreement. The properties will be made available for durations consistent with the terms of each Concession Agreement.
- Concessionaires will be required to achieve broad-based black economic empowerment outcomes in line with legislation.
- Transnet is committed to ensuring that the Branch Lines Concessioning contributes positively to local economic development and is aligned with government initiatives for industrial and rural development.