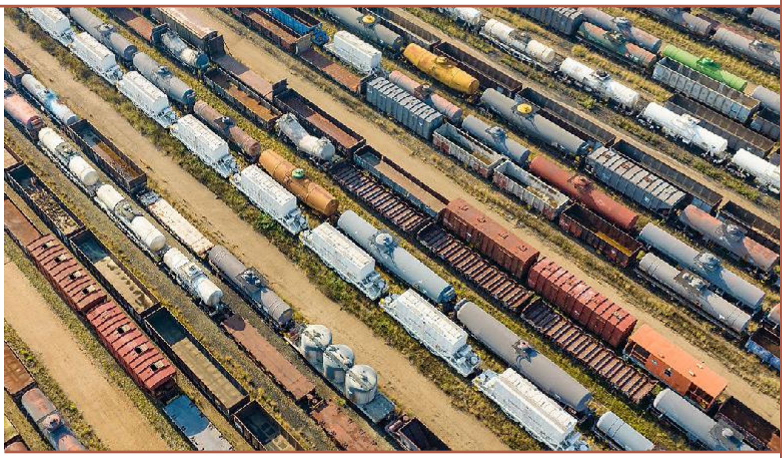

TRANSNET RAIL INFRASTRUCTURE MANAGER (TRIM)

TARIFF PROPOSAL

2025/26 FINANCIAL YEAR

7 FEBRUARY 2025

Contents

1. Glossary of Terms and Abbreviations

1.1. Glossary of Terms

TERM	DEFINITION
Access	means the granting of a right for a Train Operating Company (TOC) to access the Infrastructure Manager's (IM's) rail infrastructure network (Network) in order to provide Rail Transport Services to its customers
Axle	a rod or shaft that connects a pair of wheels to propel them and retain the position of the wheels to one another.
Branch Line	means a portion of the Network comprising a low-density railway line that branches off from a Main Line and that connects the Main Line to smaller communities and/or remote economic activities such as agriculture or mining
Cargo	means various forms of cargo including Containerised Cargo, Automotive Cargo, General Cargo, and Passengers in the event of Passenger Train Services
Container	means a transport unit that complies with the dimensions and other specifications contained in the Network Statement (Container Specifications)
Corridor	means a unique or dedicated geographic operating portion or unit of the Network that may comprise one or more Routes, Main Lines and Branch Lines and associated Rail Infrastructure that are used for the dedicated rail transportation or facilitation of specific Cargo on and within the Network by means of rail interconnections with the rail networks of neighbouring countries' to and from the major ports and industrial, mining, agricultural and other centres of production or manufacturing
Consumer Price Index (CPI)	means the year-on-year Index calculated by Statistics South Africa over a period of 12 months from January to end December preceding the contract year (CPI rate of 4.6% used – as per the Transnet Budget Guideline to TRIM in August 2024)
Equity	means any stock, shares or other form of security representing an ownership interest by a Shareholder in a TOC from time to time
General Cargo	means a collection of rail-friendly cargo other than Containerised Cargo that is Transported or to be Transported on a Route including

	automotive cargo, manufactured cargo, bulk cargo, liquid bulk cargo, and agricultural cargo as described more fully in Annexure B (Cargo)
Government	means the government of the Republic of South Africa
Gross Tonne Kilometres (GTK)	The total mass of the Train inclusive of the load of any freight inside or on top of any freight wagons, that traverses over the railway network, multiplied by the Trainkm for the Train. GTK = (Weight of Locomotives +Tare Weight of Wagons +Load Weight) × Distance Travelled (in km) Components Included in GTK Calculation: Weight of Locomotives: The total weight of all locomotives hauling the train. Tare Weight of Wagons: The empty (unloaded) weight of all wagons or carriages in the train. Load Weight: The weight of goods, commodities, or passengers carried in the wagons. Return Journeys: For empty return legs, the GTK is calculated by including the weight of locomotives and empty wagons.
Incident	means a "railway occurrence or event" which may affect the safety of the railway or the normal operations of the railway
Information	means any and all data whether of a historical, current or future nature, irrespective of whether same is stored, recorded or embodied in handwritten, printed, visual, electronic, audible or other format or medium, and belonging to and created by or for the benefit of the Disclosing Party, whether in the possession or under the control of the Disclosing Party, or in the possession or under the control of any other Person, including, without limiting its ordinary meaning, all data, computer data, programming code, codes, letters, telefaxes, telegrams, faxes, documents, agreements, registers, specifications, formulae, maps, plans, drawings, designs, diagrams, images, photographs and any other documentation
Intermodal Trains	means Trains that move Cargo which can be interchangeably transported using various modes of transport, such as containers and automotive cargo
Locomotive	means a powered railway vehicle used for hauling (pulling or pushing) other rail vehicles, including Rail Wagons, passenger coaches, and other

	rolling stock types along the rail infrastructure and that complies with the specifications in this Network Statement
Network	means the IM's freight rail network and includes all Corridors, Routes, Sections, Segments existing as at the publication date of this Network Statement, and that connects all Terminals; Private Sidings and Loading Sites and that includes all Rail Infrastructure and the Railway Reserve which are owned, used, operated and maintained by or on behalf of the IM for purposes of conducting Rail Operations and performing both Network Services and Occurrence Management Services
Operating Costs	means the costs to be recovered by the IM through the tariffs approved by the Minister of Transport and includes, inter alia: labour costs, maintenance and material costs, head office operating costs, security costs, fuel and energy cost, leasing costs, professional fees and miscellaneous operating costs (e.g. environmental management, health and sanitation, legal, risk, compliance and insurance costs). Depreciation costs are excluded.
Personnel	means, depending on the context: Train Drivers, Train Assistants, safety personnel, and other persons employed or contracted by a TOC to operate Trains and/or to undertake the performance of Transport Services, and persons employed or contracted by the IM to perform the Network Services
PRASA	means the Passenger Rail Agency of South Africa established in terms of section 22 of the Legal Succession to the South African Transport Services Act No. 9 of 1989, as amended
Rail Wagon	means a rail wagon that complies with the specifications contained in this Network Statement and that is used for the conveyance of Authorised Cargo
Rail Yard	means a facility with a series of railway lines located within the Network meant for storing, sorting, classification, de-classification, loading and un-loading of Rolling Stock, and includes Marshalling Yards, Exchange Yards, and railway sidings that form part of the Network
Railway	means a guided system designed for the movement of Rolling Stock that has the capability of transporting Cargo on the Permanent Way and includes the Railway Reserve, Rolling Stock, plant, machinery, goods

	and other immovable or movable property of every description or kind used or set aside for use in connection with or for the purpose of a Railway Operation
Route	means a portion of the Network that links two or more Rail Yards and/or Loading Sites by means of the Network and in respect of which the IM will perform Network Services and each relevant TOC will perform Transport Services
Shareholder	means a holder of Equity in a business entity
TFR	means Transnet SOC Ltd, acting through its Transnet Freight Rail Division, in its capacity as a TOC
Terminal	means a Port Terminal or an Inland Terminal where cargo handling, storage, loading and offloading of rail wagons is performed
Train	means a self-propelled rail vehicle (such as a motor inspection trolley or Rail-Road-Vehicle, etc.), or a series of connected Rail Wagons moved by a Locomotive operated on the Network by a TOC for purposes of providing Transport Services in respect of Authorised Cargo on a given Route, and that complies with the relevant specifications, allowable configurations and requirements contained in this Network Statement
Train Kilometre (Train Km)	The distance that a train runs on the railway network from its Origin Point to its Destination Point. Includes every complete or partial movement of a train, regardless of whether it is carrying passengers, freight, or running empty. Train Km = Number of Trains × Distance Travelled (in km per train)
Transnet	means Transnet SOC Ltd and includes any operating division thereof, as may be applicable from time to time
TRIM	means Transnet SOC Ltd, acting through the Transnet Rail Infrastructure Manager, and in its capacity as the owner and operator of the Network

1.2. Abbreviations

Abbreviation	Meaning
bn	Billion
BFI	Budget Facility for Infrastructure
CPI	Consumer Price Index
DORC	Depreciated Optimised Replacement Cost

GTK	Gross Ton Kilometre
ICTM	Information and Communication Technology Management
mt	Metric Ton
OD	Operating Division
Ops	Operations
Rm	Rand Million
SAP	Systems Applications and Process
TFR	Transnet Freight Rail
TOC	Train Operating Company
TRIM	Transnet Rail Infrastructure Manager

2. Executive Summary

The purpose of this submission is to set out Transnet Rail Infrastructure Manager (TRIM)'s proposed tariff for the 2025/26 financial year. This tariff proposal is developed based on specific assumptions and national policy decisions, as detailed in this document to support an informed understanding of these choices.

The provision of reliable, predictable and affordable rail infrastructure is an essential for sustainable economic growth in South Africa. TRIM 's role is integral to achieving this growth, and sustainability depends on both technical and financial viability.

For TRIM to fulfil its role in an effective manner, it must be efficient and supported by an appropriate tariff structure that balances the interest of the infrastructure manager, infrastructure users, and other stakeholders.

TRIM's tariffs do not support the maintenance and capital expansion programme that TRIM is expected to undertake to improve the overall health and resilience of the network. The tariffs for the mineral mining exports, intermodal and automotive, grain and other general freight cargo do not allow for the minimum cost recovery (Operating costs and Depreciation) and the building of reserves to sustain the current asset base.

The objective of appropriate rail access tariffs should be to ensure reliable and predictable rail service, facilitating economic growth, addressing access to an affordable land transport modes that empower and encourage private players to enter the market over time.

To meet these objectives, a phased approach to adjusting tariffs is necessary, which will migrate from the current tariffs level to an appropriate price level. TRIM has considered several options in this regard, those include the status quo (Base Case 2024/25 Tariff as approved), smoothing of the tariff increase to achieve minimum cost recovery over a period (CPI= Adjustments for market affordability), and full cost recovery (meet minimum cost of service).

The preferred option is the full cost recovery, as it provides clear pricing signals for industry investment while considering the external forces of competition with road transport, market growth imperatives, density of corridors, performance of commodity prices and commodity cycles, proximity to port and security of the rail system.

The second option is based on the smoothing of the tariff increases together with appropriate additional interventions to address any shortfalls that may result, especially for the mineral exports, intermodal, grain and general cargo. The smoothing of the tariff increase should be done in a manner that mitigates the impact of stakeholders and the economy whilst at the same time allowing TRIM to manage its liquidity and proceed with its maintenance and capital expansion plans to enable achievement of the 250mt in the long-term.

An inappropriate tariffing approach could result in rescheduling of maintenance and capital expansion programmes and projects, an inability to service current debt, thus compromising the achievement of the end of term target of 250mt by the seventh administration.

Therefore, TRIM recommends that the phased approach (smoothing option) be considered for grain, general cargo and intermodal and automotives whilst the mineral export is moved to cost reflectivity in the 2025/26 tariff review. This will allow TRIM to improve financial sustainability and capital allocation decisions. This intervention will allow for an improved planned maintenance and capital expenditure in this sector to proceed and improve efficiencies which will accrue to the exporters in terms of increased capacity and resilience.

In all options, TRIM took into consideration various mechanisms that can be used to mitigate the impact of tariff increases on industries that were previously underserved by rail, notably the agricultural sector, it is suggested that a pricing regime for this sector be refined further with stakeholders as its incremental cost to serve will compromise the recovery of costs.

One implication of the smoothing option for the intermodal and automotive sector is that cost-reflective tariffs will be implemented gradually over time rather than immediately. As a result, TRIM will experience a temporary revenue shortfall. This will require TRIM to explore funding options with its shareholder and private sector (inclusive of National Governments Budget Facility for Infrastructure (BFI) and concessions).

Whilst TRIM has made certain recommendations on the tariff options to be considered, we accept that these are for the broader South African Economy, and the final decisions must be informed by engagement and dialogue with stakeholders.

3. Role and mandate of TRIM

As a as a State-Owned Company, TRIM's role extends beyond ensuring availability and reliability of the rail network. It is expected that TRIM needs to support South Africa's growth and development aspirations. TRIM manages the expanse of the rail network throughout South Africa which covers approximately 30 400 track km (20 953 route km). The core network comprises 9 875 route km or 32,5% as well as an asset base of complex civil structures such as bridges, level crossings and tunnels. While the main lines and the core network can carry 20 tons/axle or more, heavy haul lines like the Sishen to Saldanha (iron ore export) and the Ermelo to Richards Bay (coal export) lines are built to accommodate 30 tons/axle loads and 26 tons/axle loads, respectively. The network also consists of a portfolio of branch lines that generally have an axle load of at most 20 tons/axle.

In addition, TRIM oversees the Rail Network function which is a combination of total network engineering (also known as infrastructure), traffic control, management of regulated access to the network by train operating companies, and fleet and security management. Its mandate also includes the custodianship of rail infrastructure, the development of rail network designs, the management of the rail property portfolio and the continuous development and empowerment of its employees. As part of its oversight function, the objective of TRIM is to provide a reliable, affordable, safe, intelligent and resilient rail network for train operations throughout South Africa. The division is also mandated to continue supporting regional transport integration and to facilitate port access for landlocked countries since South Africa's vast rail network provides connectivity with the railways in the Southern African Development Community countries.

To ensure it can meet the requirements of its current and future customers for a safe and reliable network, TRIM will address the plethora of challenges it faces which include funding shortfalls, declining network quality, theft and vandalism. The increase in security incidents occurring across TRIM's network over the past couple of years has been unprecedented and the division will ensure that identified hotspots are adequately protected, particularly along key corridors that support revenue-generating exports. In response to this challenge, focused work is underway to mitigate cable theft and vandalism of infrastructure through a mix of strategic approaches including the implementation of an outcomes-based security solution with external service providers in key corridors and strategic partnerships with industry facilitated by the National Logistics Crisis Committee.

TRIM views open access to the rail network as critical to increase overall rail volumes, although initial assessments indicate that considerable investment, estimated at approximately ~R70 billion, is required over the next five years to restore the current rail network and facilitate regulated third-party access, as reflected in the following table.

TRIM's rail network recovery will priorities key challenges and position itself as a key value driver for Southern Africa's growth and economic development by providing innovative services and solutions to its customers.

4. Funding Options for TRIM

For TRIM to fulfil its role in a sustainable and effective manner, it must be efficient and supported by an appropriate tariff structure that balances the interests of the infrastructure manager, infrastructure users, and other stakeholders.

The extensive backlog in maintenance and capital investment required by TRIM places considerable financial strain on its already constrained debt profile. To address this challenge, initial funding is typically sourced from a combination of shareholder contributions and capital market financing, ensuring that critical infrastructure projects can commence without immediate reliance on operational revenue. Over time, as these investments yield efficiency gains and increased capacity, revenue generation is expected to scale progressively, supporting long-term financial sustainability. This leads to the ongoing balancing of the three broad components of public infrastructure funding:

- **Equity** – TRIM needs sufficient shareholder funds to ensure its capacity to operate and grow the network capacity required to support the country's economic growth and development.
- **Debt** – This can be sourced directly by TRIM and/or by government through loans or supported by loan guarantees.
- **Regulated revenue and tariffs** – These are ultimately relied on to earn returns on capital investment over the longer term.

TRIM is further in the process of making applications for capital grant funding for all primary corridors through National Governments Budget Facility for Infrastructure (BFI) process, as well as working with the Department of Transport on possible concessions on specific rail corridors.

5. Building Blocks for the Tariff Proposal

TRIM's 2025/26 Financial Year tariff proposal structure is aligned with IRERC's tariff determination for 2024/25 Financial Year as published in December 2024 and summarised in the table below.

Tariff 2024/25	Tariff per Trainkm	Tariff per GTK
	(Rand)	(cents)
OreCore (Iron Ore)	650	3,42
OreCor (Managanese Ore)	650	5,31
Coal Exports NorthCor	250	5,84
Intermodal & Motor Vehicles	30	4,41
Mineral Exports	30	8,73
Grain & Tankers	30	6,96
Other General Traffic	30	9,5
Metro Trains & Passenger < 12 Wagons	50	0
Passenger Trains > 12 Wagons	65	0
Loose Locomotives	12	0

Table1: Approved Tariff 2024/25

The tariff increase was based on the costs associated with TRIM operations and maintenance, including personnel costs, security, fuel costs, material, leases, electronic data costs, accommodation and refreshments, property related costs, depreciation and other overhead costs.

The main drivers of TRIM's tariff proposal are therefore the maintenance and capital programme costs and the operating, maintenance and fuel costs to run a viable and sustainable business. These factors are particularly challenging currently because of the low availability of the network within an environment of significant financial challenges to meet its operating costs.

6. Operating Cost

Cost comparison Budget 2024/25 to 2025/26 - Rmillion	2024/25 Original Budget Total	2025/26 Budget Total	Deviation
PERSONNEL COSTS	5 901	6 153	252
FUEL	303	339	36
ELECTRICITY	3 399	4 138	739
MATERIAL	383	462	79
LEASES	760	984	224
MAINTENANCE	56	976	920
ELECTRONIC DATA COSTS	377	546	168
PROFESSIONAL FEES	46	147	100
MISCELLANEOUS OPERATING COSTS	3 261	4 132	871
OPERATING EXPENSES	**14 487**	**17 877**	**3 391**

Table 2 Budgeted Operating Expenses 2025/26

- Personnel costs represent 34% of the total Opex and primarily the salary related increases with limited vacancies being provided for to allow for the TRIM separation and set up costs.

- Electricity is forecast to be R350m above budget for 2024/25, due to higher than budget tariff increases therefore only increasing from R3.8bn to R4.1bn. Electricity increase is further limited to factor in R300m savings target.
- Materials, Maintenance and Operating Leases primarily related to increased requirements for infrastructure maintenance which has always been significantly underbudgeted and reflected in the state of our network.
- Electronic data costs include the requirements from ICTM for data service and software requirements along with factoring in systems enhancement for the billing and SAP upgrade for the separation of TRIM as a standalone OD.
- Professional fees include consultation costs for rail reform related requirements, corporatisation , and a Depreciated Optimised Replacement Cost (DORC) valuation required for statutory accounting purposes.
- Major increase in Miscellaneous Costs relates to property costs. Previous budget only included R85m in TRIM. The Property costs are R1.015bn which relates to 50% of the property costs, which was incorrectly allocated to TFR Ops in the original budget.

7. Capital Expenditure (inclusive of Capitalised Maintenance) expenditure for the 2025/26 financial year

Capital expenditure relates to the capital expansion programme for additional capacity as well as for the refurbishment and upgrading of existing capacity.

The budgeted expenditure is summarised as per the table below:

	2025_26_Budget in R Millions	%
Capitalised maintenance	6,612	70.63%
Infra Copex	6,500	69.44%
Wagon Copex-Infra	112	1.19%
Major Programs	872	9.31%
Wagon Fleet Renewal Programs-Infra	281	3.00%
Waterberg Stage 2-3	119	1.27%
Coal 81	254	2.71%
Partial doubling link: RCB to Port-Nsezi	15	0.16%
Ore line transformers	133	1.42%
Install 3rd tippler: Terminal Port of SLD	45	0.48%
New Sishen Rail Link Line and Sishen Yard Expansion Project	25	0.27%

Other Sustaining Infrastructure Programs	279	2.98%
Network Related Infra Capex	270	2.88%
Resignalling programs	9	0.09%
Support Projects	1,599	17.08%
Real Estate	25	0.27%
Technologies	9	0.10%
Finance	964	10.30%
Other IT Projects	195	2.09%
Telecoms	357	3.81%
Security	48	0.51%
Total	**9,361**	

Table 3 TRIM 2025-26 Budget Expenditure

8. Tariffing options Considered:

TRIM has considered three alternatives tariff approaches, these include the 1) Status quo (Base Case 2024/25 Tariff as approved), 2) Smoothing of the tariff increase to achieve cost recovery over a period (CPI+ Adjustments for market affordability), and 3) full cost recovery (meet minimum cost of service).

Tariff Options	**1. Base Case 24/25**		**2. Required CPI+Adjustment**		**3. High Road**	
Tariff 2025/26	**Tariff per Trainkm**	**Tariff per GTK**	**Tariff per Trainkm**	**Tariff per GTK**	**Tariff per Trainkm**	**Tariff per GTK**
	(Rand)	**(cents)**	**(Rand)**	**(cents)**	**(Rand)**	**(cents)**
OreCore (Iron Ore)	650	3,42	680	3,58	680	3,58
OreCor (Managanese Ore)	650	5,31	680	5,55	680	5,55
Coal Exports NorthCor	250	5,84	262	6,11	262	6,11
Intermodal & Motor Vehicles	30	4,41	120	4,61	120	26
Mineral Exports	30	8,73	120	9,13	120	9,13
Grain & Tankers	30	6,96	60	7,28	120	25
Other General Traffic	30	9,5	60	9,94	60	18
Metro Trains & Passenger < 12 Wagons	50	0	52	0	52	0
Passenger Trains > 12 Wagons	65	0	68	0	68	0
Loose Locomotives	12	0	13	0	13	0
CPI Increase of 4.6%						
CPI++						

Table 4: Tariff Options

8.1. Option1: Base Case

This option assumes no increase at all. This option is not cost reflective and results in a significant cash shortfall for TRIM which will compromise our ability to restore the network and execute a safe and reliable service. The financial impact of the scenario is summarised in table 4 below. To note is the unsustainability and significant cash shortfalls of R9.5bn for the year, which increases the loan balance to R45bn.

8.2. Option 2: Required cpi+ Adjustments

The second option is primarily CPI increases on both the Train KM's and GTK's on the Ore Corridor including Manganese, Coal Export line, passenger services, and loose locomotives and wagons/coaches.

In addition, this option includes a combination of the rebasing of the Train KM tariff and cpi increase on the GTK tariff for the mineral exports, intermodal, grain and general cargo. The smoothing of the tariff increase should be done in a manner that mitigates the impact of stakeholders and the economy whilst at the same time allowing TRIM to manage its liquidity and proceed with its maintenance and capital expansion plans to enable achievement of the 250mt in the long-term.

The financial impact of option 2 is reflected in the table 4 below. Highlighting an increase of R2bn in cash flow from scenario 1. It however still leaves a significant gap of R7.4bn to be funded and increases the loan balance to R43bn.

8.3. Option 3: High Road

The most preferred option is the full cost recovery which will send proper pricing and investments signals to the rail industry whilst considering the external forces of competition with road transport, market growth imperatives, density of corridors, performance of commodity prices and commodity cycles, proximity to port and security of the rail system. The financial impact of this option is that it provides a R5.7bn additional revenue from the base scenario, which assists with covering operating costs, servicing finance charges and contributes to funding part of the capital as indicated in table 4 below.

Although this option is ideal to enable TRIM to execute its mandate, it will be unaffordable for lines that are not densified like the Ore and Coal export Lines.

TRIM FINANCIAL IMPACT	**1. Base Case**	**2. Required**	**3. High Road**
INCOME STATEMENT	**As is, No CPI**	**CPI+Adjustment**	**Cost Reflective**
	2025/26	2025/26	2025/26
	R million	R million	R million
Revenue	**21 807**	**23 989**	**27 467**
Access Fee Income	**20 557**	**22 739**	**26 217**
Other Income	**1 250**	**1 250**	**1 250**
Net operating expenses excl. depreciation & amortisation	**- 17 877**	**- 17 877**	**- 17 877**
EBITDA	**3 930**	**6 112**	**9 590**
Depreciation and amortisation	- 4 122	- 4 122	- 4 122
Profit from operations before the Net Finance Costs	**- 192**	**1 990**	**5 468**
Finance costs	- 4 117	- 4 117	- 4 117
Capital Investments	- 9 361	- 9 361	- 9 361
EBITDA- Fin Costs- Capital	- 9 548	- 7 366	- 3 888
Loan Balance at Year end	45 432	43 250	39 772

Table 5: Financial Impact of the Tariff Options

The budgets utilised in the tariff proposal remain under Transnet management's budget approval processes. As these approvals are still in progress, the figures contained in the proposal may be subject to adjustment upon completion of the internal approval process. Furthermore, the GTK, electric GTK and TrainKm information is currently estimated and being reviewed, validated and will be updated accordingly where required.

The TRIM Financial Impact is based on the 2025/26 financial year volume forecasts projected in Table 6.

Forecast per category	Volumes (Mt)
Coal Exports NorthCor	62,8
Grain & Tankers	2,4
Intermodal & Motor Vehicles	5,3
Mineral Exports	34,0
OreCor (Managanese Ore)	4,4
OreCore (Iron Ore)	57,0
Other General Traffic	14,7
Grand Total	**180,6**

Table 6: Volume forecast per category

All tariff options above were considered to determine the most viable option that achieves an equitable balance between affordability and financial sustainability. After all considerations referred to above, Option 2 was found to be the most sustainable pricing path for the industry.

This option includes the rebasing of trainKm tariff's for intermodal and motor vehicles, mineral exports, grain, tankers and other general traffic to establish a cost-reflective pricing trajectory for these tariff categories.

The rebased tariff will establish a sustainable pricing path that mitigates revenue recovery risks while incentivising the Infrastructure Manager to introduce innovative solutions aimed at improving corridor density within these tariff categories, thereby sustaining the proposed pricing path.

Although Option 2 increases TRIM's revenue by an additional R2bn compared to the Base Case (Option 1), as demonstrated above, TRIM will still be exposed to significant funding gap of R7.4bn that requires financing and other funding solutions.

9. Traction Electricity Tariff

As prescribed by IRERC, the cost of traction electricity should be recovered from those users that utilise electrical traction only as a pass-through cost and therefore should be excluded from the costs that are shared among all users.

Traction electricity is aggregated at a corridor level and allocated based on the service design specification per flow using electric locomotive GTK's as a driver. The table below reflects the proposed cost of electricity per category per estimated electric GTK.

	Traction Electricity Costs Rm	Sum of Elec GTK (Million)	E-Rate (Cents/GTK)
Coal Exports NorthCor	967	59 295	1,63
Grain & Tankers	148	2 520	5,89
Intermodal & Motor Vehicles	452	6 512	6,94
Mineral Exports	1 245	27 662	4,50
OreCor (Managanese Ore)	49	4 106	1,19
OreCore (Iron Ore)	625	52 612	1,19
Other General Traffic	645	10 289	6,27
	4 131	162 996	

Table 7: Traction Electricity Tariff

10. Pricing Proposal for Ancillary Services

It is proposed that the Ancillary services with charging methodology and rate should increase by CPI, whilst TRIM finalise the pricing rationale for other ancillary services in its catalogue on or before 31 July 2025. Whilst TRIM doesn't oppose IRERC's proposal to allow TOC's to engage with ancillary services providers, the pricing methodology for all ancillary services offered by TRIM, shall be harmonised to ensure transparency and fairness.

11. Impact on Customers

TRIM is acutely aware of the economic impact of tariff increases, particularly regarding short term effects on inflation, interest rates, and business investment.

However, the negative effects of tariff increases must be weighed against the risk to the economy if the structure for rail-based transportation is compromised and disrupts logistics.

In addition, the maintenance and capital expansion programme are incredibly well timed and the benefits in terms of local manufacturing, job creation and skills development provide an important impetus to the economy during these challenging times.

The table below demonstrates that the customers' ability to pay has not been exhausted as certain sectors are able to pay higher road costs. In reviewing the customers' ability to pay consideration was given to road transport prices (next best alternative), market growth, density, performance of commodity prices, proximity to export channels as well as safety and security measures of the transport mode.

As an example in table 8 below, the Container sector currently pays 1.23cents per Net Ton Km (NTK) in comparison to the rail rate of 0.43c per NTK, highlighting the capacity of the sector to pay a higher price for rail access charges.

COMMODITY	WEIGHTED AVERAGE COMMERCIAL DISTANCE	WEIGHTED AVERGAE R/NTKM	ROAD	DELTA
CHROME ORE	**614**	**0,77**	**1,42**	**85,55%**
CHROME (EXPORT DURBAN)	822	0,67		
CHROME (EXPORT MAPUTO)	353	0,96		
CHROME (EXPORT RICHARDS BAY)	779	0,71		
CONTAINERS	**507**	**0,43**	**1,23**	**186,04%**
CONTAINERS 12M HEAVY	383	0,50		
CONTAINERS 12M LIGHT	373	0,50		
CONTAINERS 12M X-HEAVY	334	0,23		
CONTAINERS 6M HEAVY	771	0,42		
CONTAINERS 6M LIGHT	621	0,75		
CONTAINERS 6M X-HEAVY	634	0,37		
FERROCHROME	**565**	**0,82**	**1,24**	**51,66%**
MAGNETITE	**574**	**0,59**	**1,32**	**124,90%**
MAGNETITE (EXPORT MAPUTO)	278	1,19		
MAGNETITE (EXPORT RICHARDS BAY)	900	0,38		
ROCK PHOSPHATE	**672**	**0,68**	**0,84**	**24,21%**
ROCK PHOSPHATE (DOMESTIC)	898	0,53		**59,90%**
ROCK PHOSPHATE (EXPORT)	286	1,48		

Table 8: Pricing comparison with Next Best Alternative

The Net Ton Kilometre (NTK) was used as a relative measure of affordability, as it serves as basis for determining the competitiveness (or ability to pay) of rail transport compared to its next best alternative to determine competitiveness. TRIM relied on data and analysis on comparison of road and rail pricing from a reputable service provider specialising in freight supply chain research in South Africa and the SADC region. The final report was received in 2022 and adjusted by annual CPI to arrive at the 2025 rates.

12. Conclusion

When evaluating the trade-off between short-term economic impacts and the long-term necessity of a robust rail network, it is evident that cost-reflective tariffs are essential. Moving towards cost reflectivity—either immediately or through phased increases—enhances national economic stability by ensuring sustainable rail infrastructure funding.

Therefore, it is on this basis of the above that we conclude and recommend that IRERC consider approving option 2 for the purposes of 2025/26 Tariff adjustments.