



RAIL
REFORM

TRANSNET



01 What is Rail Reform?

Rail Reform is an initiative driven by the government of South, and it aims to transform the country's rail sector, through implementation of various undertakings that are outlined in the National Rail Policy and Economic Regulation of Transport (ERT) Bill.

The initiative to reform the rail sector include the vertical separation of Transnet Freight Rail (TFR) into Infrastructure Manager and Operations businesses, the introduction of alternative funding models, competition in the rail operations market through open access to the rail network and new manufacturing and management protocols for rolling stock.

Through the ERT Bill, government is also introducing the economic regulation of rail access fees and the regulation of access on the rail network.

02 What is the benefit of Rail Reform?

By introducing the reform initiatives, the government aims to drive efficiencies, reduce costs, move traffic from road to rail, and enhance the competitiveness of the rail sector to enable volume growth and maximise network utilisation.

03 How do we know that Rail Reform will improve Transnet performance?

It is expected that the separation will provide the necessary transparency of financial information to manage the rail network as a separate business. It gives better understanding of how funds are spent on the network to improve availability and reliability.

Additionally, opening access is expected to increase network utilization, improve operational efficiency, and foster innovation within the rail sector. Access fees paid by users will be used to maintain and manage the network.

Rail Reform Unpacked: What is Rail Reform?

04 How can we be certain that Rail Reform will be implemented?

Transnet is legally obligated to implement Rail Reform, as prescribed by the law.

The Economic Regulation of Transport (ERT) Bill will become an Act, once signed by the President. This is the final step in making it law.

05 What are 3rd parties?

3rd parties refer to independent train operators.

07 Who will be responsible to ensure that 3rd parties are compliant as train operators?

All Train Operators must apply for a Permit from the RSR.

The Infrastructure Manager will assess all applications for access to the network against the criteria set in the Network Statement prior to allocating capacity to RSR compliant Train Operating Companies.

08 What can we expect to see in the media regarding the reform?

Transnet published a draft Network Statement and proposed access fees as prescribed by the ERT Bill on its website - www.transnet.net - on 15 March 2024.

The process of public consultation on these documents is in progress, under the management of the interim Rail Economic Regulator Capacity (IRERC). All stakeholders and interested parties are free to make submissions to IRERC on the draft network statement through this process.

We can anticipate media coverage of this process.

Additionally, Transnet has commenced with an external stakeholder engagement plan, which includes the media.

09 What does vertical separation of TFR mean?

Vertical separation means that TFR should separate into an Infrastructure Manager and Operations businesses.

10 What will be the difference between the Infrastructure Manager and the Train Operating Company?

The Infrastructure Manager will oversee the management of access on the rail network, maintenance and the development of rail infrastructure, ensuring its long-term sustainability and reliability.

The management of access on the rail network will include the selling of slots to Train Operating Companies (including TFR Operations), the planning of traffic on the network (yards and mainline), the protection of the network and the management of train control on the network.

Meanwhile, the Train Operating Company will focus on managing and optimizing train operations (e.g., freight, passengers, tourism, etc.), including the preparation and operation of trains on the network.

11 How is Rail Reform linked to the Recovery Plan?

The approach of the Transnet recovery plan focuses on optimization and enhancement, transformation of the organization, and alignment to the South African Freight Logistics Roadmap that was approved by Cabinet in December 2023.

The restoration and routine maintenance of the rail network is a key enabler for the running of trains to increase volumes.

The rail reform and in particular, the introduction of the Infrastructure Manager and introduction of alternative funding avenues, including the charging of cost reflective access fees, create an environment that will enable Transnet to focus on making the network available and reliable.

This is directly linked to the optimization and enhancement of the priorities set out in the Recovery Plan and it will result in increased ability to execute more trains and improve volumes.

12 Is this a step towards privatising Transnet?

No. Transnet and the rail infrastructure remain state-owned. This is a step towards introducing more traffic on the rail network, regulation of access fees and competition in the market to make rail more competitive.

It is also an opportunity to collaborate with the private sector to provide alternative funding options on parts of the network that Transnet is unable to invest in owing to funding shortfalls.

This is not a new practice as Transnet currently provides access on its lines to passenger TOCs and has partnerships on branchlines for freight operations.

13 Looking at the proposed tariff in network statement, how will this be beneficial for TFR?

The proposed tariffs are designed to cover all expenses and provisions required to manage, restore, maintain and provide a network that meets the required safety standard, availability and reliability levels.

It is important that the Infrastructure Manager charge access fees that will enable recovery of all costs.

14 How will the Train Operating Company be competitive if it is still sitting within Transnet Group with the Infrastructure Manager?

The introduction of competition will require the Operating Company to improve its processes and operational efficiencies.

The vertical separation of TFR will result in the Infrastructure Manager being an independent entity and separate from Transnet.

15 How will the TFR Train Operating Company be funded?

Currently, Transnet funds its operations through cash generated from its operations. This is likely to remain the preferred source of funding, however, part of the Transnet Recovery Plan is to leverage Private Sector Participation for alternative funding models and opportunities.

16 Will there be job losses?

No, the vertical separation of TFR will not result in job losses.

These changes will provide much-needed support to critical sectors of the South African economy.

Better rail performance supports economic growth by improving export volumes in mining and manufacturing sectors. This should ultimately increase jobs across rail and relevant sectors.

17 What will inform how the support functions are split?

The operating model and organization design process, which is underway, will inform all functional structures including the support functions.

18 What happens if I do not want to move to the company I am placed under?

A process of consultation will determine the outcome of the final placement.

19 When will we know where we will be placed?

The organization design and implementation process, which includes placement of employees, will be communicated accordingly.

GLOSSARY OF TERMS

Acronym	Meaning
CIA	Change Impact Assessment
CRA	Change Readiness Assessment
ERT	Economic Regulation of Transport
FLR	Freight Logistics Roadmap
IRERC	Interim Rail Economic Regulatory Capacity
NRA	National Rail Act
NRP	National Rail Policy
OD	Organisational Design
PPP	Public & Private Partnerships
TFROC	Transnet Freight Rail Operating Company
TOC	Train Operating Company
TOM	Target Operating Model
TRIM	Transnet Rail Infrastructure Management

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