



Scan to hear Traxtion chief executive James Holley chat to journalist Paul Ash about how open access could shake up SA's freight market

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# Private trains ready to steam ahead

## Freight operators await green light to use Transnet network

By PAUL ASH

● After a decade of dashed hopes, SA's private rail operators may get their chance to operate trains on Transnet's vast core network.

In the economic recovery plan presented to parliament last week, President Cyril Ramaphosa announced that the state would grant third-party access to the core rail network in as little as a year.

Under the proposed "open access" policy, private freight rail operators would get slots to run their trains on the state network alongside Transnet. Each operator would have an access agreement with Transnet, which would collect access fees on every train movement.

Transnet would be responsible for maintaining track and other rail infrastructure.

One of the would-be operators is Traxtion, a 33-year-old locomotive and rail services provider that supplies locomotives, crews and railway expertise to operations as diverse as gold mines and freight railways in Southern Africa.

Traxtion CEO James Holley was pleased that years of calling for open access seemed to be finally bearing fruit.

"It's a very rare win-win for the government," said Holley. "Transnet will benefit enormously from the access fees that they earn from the latent capacity on SA's rail network."

Ramaphosa's announcement was not unexpected. Open access was included in the draft white paper on national rail policy in 2017, while the Treasury's inclusive growth document, released in September last year, also called for third-party access to the core network.



Traxtion this week announced a R1.5bn locomotive and wagon-building programme in anticipation of the new 'open access' policy for the Transnet rail network announced in President Cyril Ramaphosa's economic recovery plan, presented to parliament last week. Picture: Mike Turner/Courtesy Traxtion

In anticipation of a green light from the government, Traxtion this week announced a R1.5bn locomotive and wagon-building programme.

The company said it planned to invest a further R17bn in locomotives and wagons over the next five years as part of a scaled-up procurement programme.

The initial investment is backed by the company's shareholders, which include pan-African fund manager Harith General Partners, which took a 50% stake in the group in 2017, and London-based investment company Principle Capital.

The company has also created Traxtion Leasing to unlock further access to capital.



**Transnet will benefit enormously from the access fees that they earn**

**James Holley**  
CEO of Traxtion

While Traxtion had deliberately invested in overcapacity in its Rosslyn plant, it had no intention of assembling locomotives or wagons itself. Instead, it hoped to partner with established manufacturers such as Transnet Engineering to ensure they were assembled in SA.

"We're a freight operator and that's all we want to be," said Holley.

"We don't want to enter into the market of assembling locomotives. [That's] a very grey area in terms of intellectual property with the locomotive original equipment manufacturers. There are businesses in SA that specialise in doing this. We don't have to be all things to all people."

Now Traxtion hopes that Transnet and the government will move fast to make open access a reality.

As Transnet owns the infrastructure and also has the required operating permits for the network from SA's rail safety regulator, Traxtion believes that the state-owned enterprise should be able immediately to sign access agreements to allow trains to operate under the terms of its permits and according to its rules and regulations.

"They don't require change in government regulations or new laws to be gazetted," said Holley. "And zero privatisation is required in order to roll this out."

The open access model has been adopted

around the world as a way of stimulating rail freight. In Tanzania, where Traxtion has a 50% share in a joint rail venture called Calabash, freight volumes on the Tazara railway, linking Dar es Salaam with New Kapiri Mposhi in Zambia, have doubled in the two years since the deal was signed, Holley said.

As a result, the Tanzanian government was working on open access regulation for the lines from Dar es Salaam to the Great Lakes.

Mozambique and the Democratic Republic of Congo also have open access agreements on their state-owned railways, and Zambia's parliament has agreed to open that country's rail system linking Livingstone in the south to Ndola in the Copper Belt.

Holley said Traxtion has no interest in competing with Transnet, whose business model is running long, heavy "block trains" carrying single commodities such as iron ore, coal, manganese, cement and loads of grain for export.

Instead, the company was eyeing the inter-city general freight business, which amounts to about 195Mt a year, as well as hauling agricultural products such as timber and grain on branch lines and transporting hazardous chemicals – products whose market share was low.

While much of the general freight business was long ago lost to road, Holley does not see open access as a direct assault on the trucking business.

"This is an opportunity to bring new freight to the railways," he said.

Traxtion would also not invest in port operations or inland container depots but instead would work with established freight companies.

"Their obligation will be to fill those trains and turn them around. Our obligation will be to make sure those trains move reliably between hubs. That's the model."

\* Tshupo Mahloele, who is a director and previous chairman of Harith General Partners, is also the chair of Lebashe Investment Group and Arena Holdings, which owns the Sunday Times