

# Third-party access to rail network will boost SA economy

Opening up the Transnet rail network to 3rd party rail operators as indicated by President Ramaphosa as part of his economic Reconstruction and Recovery Plan will boost SA's economy significantly through job creation. Transnet also stands to benefit remarkably through access fees. The RailRoad Association (RRA) is working tirelessly to ensure that by October 2021, all is in place for 3rd party access to Transnet's rail is in place to happen.



Image source: [Gallo/Getty](#)

President Cyril Ramaphosa's announcement that South Africa's rail network will be opened to third-party operators could provide a multi-billion rand boost to the country's economy over the next five years. Open Access has the potential to create thousands of jobs within the rail sector and upstream, driving massive economic benefits for companies that require additional rail capacity to transport their goods.

Mesela Nhlapo, the CEO of the RailRoad Association (RRA), notes that the benefits for Transnet are significant over and above additional revenue earned through access fees.

## Growing rail freight business

"It is vitally important that the general public, as well as an industry, understand that third-party access is not privatisation. It is allowing private operators to use South Africa's rail network, which would grow the rail freight business exponentially.

"This would not diminish Transnet's existing flows at all but would bring significant additional volumes, such as increased containerised cargo, agricultural and forestry products and hazardous chemicals, to rail. It has the potential to strengthen Transnet's financial position considerably, and adding value to the economy of the country," said Nhlapo.

Granting third-party access to the core rail network within the next 10 months is a key element of the Reconstruction and Recovery Plan presented by President Ramaphosa on 15 October. Under this policy, private freight rail operators will be allowed to operate on state-owned rail infrastructure alongside Transnet.

Opening the rail network to third-party operators will unlock 'billions' of Rands in industry investments almost immediately. Private rail operator Traxion has already announced an initial locomotive and wagon build programme of R1.5bn, with plans to invest a further R14-17bn in locomotives and wagons over the next five years as part of a carefully scaled rolling procurement programme. This off the back of the President's announcement and subject to agreeable access terms.

This type of rolling stock investment programme will also see the local OEM industry boom, as demand grows for locomotives and wagons to be built locally. The local industry is currently under pressure due to pull back in spending by State-Owned Enterprises in the rail sector.

"Multiple operators will generate additional revenues for Transnet that could be invested back to build our rail network into a source of global competitive advantage, by reducing the cost of logistics for exporters and producers alike, as well as enhancing the road-to-rail strategy. In addition, our local supply base within the manufacturing environment could see a turnaround as demand starts to increase for rolling stock," said Nhlapo.

Early projections by RRA suggest that additional parties using the rail network will create numerous upstream jobs by enabling the industry to become internationally competitive. Similarly, rail corridors into Africa would create cost-effective gateways to take South African goods into these markets.

"To illustrate the potential of rail, when an operator like Traxion invests in a train set to service a new industrial customer, for example, they will employ between 40-50 people to run that service. However, the same company could potentially employ 2,000 people as a result. That is the potential that this policy shift unlocks," concludes Nhlapo.

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