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Concept Note: Private Sector's view on the final draft of the Rail Private Sector Participation Framework.

Introduction:

The South African Government has identified private sector participation (PSP) as vital for reviving the rail network, reflected in the final draft of the *Rail Private Sector Participation Framework*. However, a review of private sector participation in rail and other African industries indicates that a friendly policy is insufficient to attract the private sector. Therefore, in February 2015, Cabinet mandated the development of PSP as a key reform to strengthen state-owned companies (SOCs), in line with the Presidential Review Commission on State-Owned Enterprises (SOEs) recommendations.

Furthermore, the National Development Plan (NDP) earmarked the development of infrastructure as one of the critical drivers for the delivery of the aspiration of economic growth in the South African economy. Increased infrastructure investments are required to meet the country's growing demand and eradicate historical backlogs. Due to attempts at significant investments made by railway SOEs in recent years, the rail industry faces the situation of irrecoverable debts. Therefore, it can still not attract the required level of investment to allow rail to play its rightful role in the economy. South Africa's freight demand is very high at approximately 500 billion tonne-kilometres, meaning we need a multimodal approach to satisfy our demand. And rail needs to play its part. Therefore, investment in the delivery and maintenance of rail infrastructure has been identified as the critical need to rehabilitate the economic reconstruction and recovery.

To attract investment at the scale required in the rail industry, the National Department of Transport (DoT) intends to work with SOEs and the private sector to develop a Private Sector Participation (PSP) Framework to secure the required investment to deliver on priority railway infrastructure projects. From a private sector perspective,

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the investment will depend on the degree of privatisation and unfettered, regulated competition that the potential opportunities will create. Cessation of monopoly control, a transparent business registration process, separation of track ownership and train operating companies and the establishment of an economic regulator are the fundamental next steps that need to be considered.

1. Private Sector Comments – Separating Myths from Facts:

Myth 1 – Road-Rail competition

The myth of *road-rail competition is incorrect* as road freight mainly hauls breakbulk cargo of approximately 1200 million tons per annum and the railways does not haul any breakbulk cargo. The railway exited the breakbulk business in the 1990s with closure of access points which include approximately 3000 stations and sidings. The Corporate Policy is to handle only contract trainload bulk cargoes with a minimum of 10 wagons, which translates to approximately 400 tons, from origin to destination. Very few industrial plants can take 400 tons of any commodity in one consignment, which means that business is mainly to foundries, power-stations, and ports.

Bulk cargoes are only sent by road when the rail service is erratic, inefficient, or unavailable which usually translates to about 50 million tons per annum, with 50% to off-rail destinations.

To put breakbulk back on rail requires massive investment in a totally new “intermodal railway logistics” industry to replace the access and materials handling facilities abandoned by SATS in the 1980s.

Myth 2 – TFR has the capacity to expand into the new industry.

The current railway system has no spare capacity and equipment is old, in poor condition, obsolete and incapable of expansion. Locos, rollingstock, rail network need infrastructural upgrades and maintenance. The current equipment, systems and management are incapable of implementing the complexity of intermodal railway logistics.

Myth 3 - Some current operations are “world Class”.

Some operations were once world class, however, even the flagship Coalline and Orex divisions are currently failing to achieve targets and costing industry billions of rands in lost markets.

Myth 4 - The Natcor (ConCor) line is viable with container and car traffic.

The Container Corridor line is barely covering operating expenses and will need extensive capital spending and changes of systems and equipment in order to create services to attract further cargoes and revenue.

Myth 5 – Branch lines can be "concessioned".

if there is to be any rehabilitation of branch lines the TOC entrepreneur/s must be permitted to coordinate their own usage of the main-line marshalling facilities and services on main lines.

Myth 6 – That there is a future for current railway employees by clinging to Transnet. The fact is that the only possible future for railway personnel is to take advantage of their experience in an exciting new and expanding industry. TOCs, agencies and logistics operators, will be seeking trained staff and the industry will double in size. The current railway system is disintegrating as customers make alternative logistics plans.

Myth 7 – Rail is cheaper.

The myth that rail is cheaper is very true for trainload bulk cargo but for breakbulk, the costs of terminals, materials handling, warehousing, packaging, cross-hauls, pilferage, and delays need to be accounted for. Therefore, rail transport is unprofitable, and unpopular for breakbulk cargoes, which is why railways dropped breakbulk in the first place.

2. The Restructuring of Rail Process:

Objectives

1. The objective of the current initiative is to revitalise the South African Railways by creating a commercially viable, and sustainable, modern railway system. The restructured system must provide competitive, cost-efficient, inter-modal

logistics services to industry and safe and efficient passenger services. The system must support technically competent, sustainable, independent, commercially viable, train operations. Passenger services will need to be subsidised by government as socio-economic necessities, as in most other countries.

2. The process must make optimum use of existing equipment facilities and staffing by the reorganisation and expansion of the potential for intermodal logistics.
3. The end result must be a railway system which has well-regulated independent competitive operators, efficiently coordinated for optimum safety and utilisation of assets.
4. Restructuring must provide opportunities for international systems and logistics operators and equipment to modernise the entire railway industry.
5. All train operations must be commercially independent and subject to the Companies Act and Competition Commission regulations.
6. Government agencies will be the responsibility of the Ministry of Transport.

Principles

1. The national rail track network is to be owned by the State, represented by the Minister of Transport.
2. The DOT will create a Railway Economic Regulator to authorise charges to train operators and mediate investment plans by Track Operator. The primary objective of the Regulator will be the expansion of cost-efficient intermodal railway logistics in South Africa and surrounding regions.
3. DOT will re-create and upgrade the Rail Technical and Safety Regulator.
4. DOT will create a Rail Track Agency (RTA) which is responsible for all track, signalling, yards, and associated property. Financing for rehabilitation and maintenance will be by published tenders and normal commercial investments subject to Treasury approval. RTA will include a railway operation coordinating

division with professional capacity and modern systems to ensure safe and efficient usage of the network.

5. Trains will be operated by independent Train Operating Companies (TOCs) – passenger and freight – subject to the conditions imposed by the Rail Technical and Safety Agency, the Railway Track Agency, the Railway Operations Coordinator, and the Railway Economic Regulator.
6. The Rail Track Agency will charge train operators for train paths, track access, or other fees, as approved by the Economic Regulator. The Rail Track Agency may concession sections of track to specific dedicated Train Operators to maintain and operate. Such concessions must not preclude applications from other TOCs to use the track subject to Economic Regulator approval.
7. Any fees proposed to be charged by any of the Agencies will be approved by the Economic Regulator, which will be required to evaluate proposed capital plans and budgets of all the Agencies to monitor the impacts on commercial viability of the train operating fees and charges.

Parameters for Change

1. DOT will create a panel of four railway and logistics professionals to plan the integrated structure and operating methods for each parameter. A phased development plan will be required to keep pace with changes. This function will need admin, accounting, and legal support.
2. Government will change the corporate structure of railways to create independent Train Operating Companies (TOCs) such as Orex, Coallink, GFB, PRASA (disaggregated to municipalities) and Railway Engineering.
3. DOT will establish a Rail Track Agency (RTA) – to own and control the entire network. The RTA is to be formed from TFR and PRASAs existing engineering and technical resources and staffing. The Agency is to be a division of the DOT for example like the NRA. The RTA will have a train coordinating division with operations staff in major centres. This requires a modern, integrated train management system as well as facilities for 24/7 coordination with all TOCs.

Coordination will include all passenger and freight on entire network and will expand as TOCs enter the system.

4. Railway Economic Regulator – a small agency with professional railway economics staff which may require the need to import experts.
5. Technical and Safety Regulator – the existing agency will require professional railway engineering and system staff to expand effective cover of network and operations.
6. The restructured TFR TOCs will continue with existing staff and operations in terms of the revised track management and charging system.
7. Training establishment - the expanding industry will require trained staff. An independent Industry academy should be developed as soon as possible, engaging lecturers with international railway operations and logistics experience.
8. Transnet Property will negotiate sales and leases of facilities with TOCs as they require facilities.

3. Institutional Structures that should be considered and included:

In order to position the railways for regulated, competitive, commercial, train operations it is necessary to restructure the institutional framework of the industry. It will be necessary for the Transnet shareholder to issue an instruction that the SOC will assist the restructuring as described below. A similar instruction should be issued to PRASA to prepare for transfer of commuter operations to major Metros. The phasing of the transition is described in a later section of this paper.

Railway Advisory Board:

The Department of Transport will establish a panel of four professional independent railway and logistics experts and two senior departmental representatives, to be called the Railway Advisory Board (RAB). The Chairman of the Board will report to the Minister of Transport.

Rail Track Agency:

The DOT and the RAB will work with TFR to identify staff and facilities to be transferred to create an independent railway track management agency (similar to the NRA). The General Manager will be a professional railway engineer with the status of a DG, and report directly to the Minister. There is no need or purpose for a board of directors as the GM will report to the Minister. The GM and all personnel will be contracted on normal commercial terms with defined responsibilities and accountability. Once the arrangements are complete to permit third party freight and /or passenger train operators onto the network there will be an absolute need for train operations coordination. The DOT and RAB will examine the potential for purchase or lease of an appropriate international railway coordination system, installation, and facilities, as well as the necessary training of personnel to operate and maintain the system. It must be noted that any TOC authorised to operate on the network will have to position a competent representative 24 hours per day in each divisional office where it has train operations, to ensure 100% control.

Rail Technical and Safety Agency:

The DOT and RAB will develop a process to expand and staff the necessary functions and facilities to provide for definition of standards and inspection of TOC applications for compliance. The agency will be divisionally arranged to cover the following functions across the entire network: (1) Inspectorates for TOC applications, (2) infrastructure, (3) safety and technical standards, and (4) railway operations. The agency will monitor and report on passenger and freight railway operations over the entire network. The agency may be established as a branch of the Railway Economic Regulator or the Rail Track Agency.

Railway Economic Regulator:

DOT will create a Railway Economic Regulator with the primary function of liaising with the Rail Track Agency to create an equitable and commercially viable and sustainable tariff regime for TOCs. The regulator will also mediate and engage with capital planning and budgeting of the Rail Track Agency and the Standards of the Technical and Safety Agency, to ensure that charges and cost recovery do not endanger the commercial viability of the train operations. The Railway Economic

Regulator will be managed by a professional railway economist with international experience and have status of a DG reporting to the Minister. Initial staffing will be very small but may expand as train operations increase. The regulator will not engage in tariff or pricing of train operations to customers. The Regulator may become a division of STER.

Train Operating Companies (TOCs):

Aspirant TOCs, including present incumbents, will make application to the Rail Track Agency to operate specified trains, train-paths, and times. The applications will be examined by the Technical and Safety regulator and the Economic regulator and approved when all Technical and Safety conditions are met. The Economic Regulator will prescribe the tariff and fees for the operations in terms of the published Tariff Book for train paths, access fees and any other charges. The terms of service between TOC and Rail Track Agency will be checked by the Economic Regulator and ratified in writing as mutually binding Service Level Agreements (SLAs) between TOC and Rail Track Agency.

4. Phased Transition to Open Access Competition:

As with the deregulation of the road freight industry in the 1980s, there will be a need for carefully planned and sequenced arrangements to ensure a smooth transition to open access competition. It is recognised that the divisional relationships within Transnet have historically included much cross-subsidisation and that the corporate debt structure will be affected by the restructuring recommended above. This complication will need to be resolved in government with due guidance from the Treasury.

It is important that the Phased transition programme is formally approved with target dates budgets and accountability, to avoid obstruction and delays. There is urgency, and the process should not take longer than 12 months in order to recover the service levels required by the economy.

Phase 1

The DOT to establish the Railway Advisory Board and the necessary legal steps to create the Rail Track Agency and Railway Economic Regulator.

A financial analysis of the implications of corporatizing Transnet must be calculated by Treasury and the debt recovery plan approved by Cabinet as these will be national expenses incurred by the stakeholder. PSP in these transactions will be loans with terms.

The RAB, DOT and DPE need to plan and agree the Phased transition process and obtain Cabinet approval.

Phase 2

The RAB, DOT and TFR to examine the TFR structures to isolate and clarify the staffing structures and facilities used in the performance of the functions described above (and others as they are identified):

- Track network engineering
- Signalling
- Operations planning
- Train maintenance
- Train coordination
- Electrical reticulation
- Operations – Orex
- Operations - Coalline
- Operations - GFB
- Cost accounting
- Finance and budgeting

The recommendation is that the Railway Advisory Board works with the DOT and TFR to analyse all functions and the budgets, costs, and all other aspects necessary to separate the divisions into commercially viable entities. coal link, Orex, GFB, and track Engineering. The aim must be to prepare the companies for an open access, regulated, competitive railway operation. The process may look like the simplified table below.

Table 1: Transnet Freight Rail by Function

Transnet Freight Rail by Function				
	Coallink	**Orex**	**GFB**	**Engineering**
	Management	Management	Management	
Train Operations	Staffing	Staffing	Staffing	
	Locos	Locos	Locos	
	Rolling stock	Rolling stock	Rolling stock	
	Equipment	Equipment	Equipment	
	Operations Planning	Operations Planning	Operations Planning	
	Train Control	Train Control	Train Control	
Admin	Customer relations	Customer relations	Customer relations	
	Accounting	Accounting	Accounting	
Engineering	Train Maintenance	Train Maintenance	Train Maintenance	
Track Management				Management
Repairs and Construction				Staffing
Maintenance				
Electrical reticulation				Equipment
Signalling				
Admin				Accounting

Once it has been analysed, it will be necessary for Treasury to examine how the debts and assets are going to be adjusted to meet all financial commitments in a set of reorganised entities. An anticipation exists that Treasury will have to assume responsibility for Rail track; however, other debts can be allocated to divisions (unless it is decided to terminate Transnet).

Phase 3

The RAB, DOT, and Economic Regulator need to define the process required to establish the Rail Track Agency and agree the process with Treasury. The functional structure will include the following:

- Track network engineering
- Signalling
- Operations planning
- Track maintenance – with PSP contracts
- Train coordination
- Electrical reticulation
- Contracts and legal
- National Security division – with PSP contracts
- Cost accounting

- Finance and budgeting

<u>Phase 4</u>

The Transnet TOCs will prepare Strategic plans, portfolios, and prospectuses which describe their requirements for PSP/PPP investments. It is likely that each TOC will require R1 billion to enable the streamlining and restructuring.

The Rail Track Agency will prepare Strategic plans, portfolios, prospectuses which describe the options and tenders for PSP/PPP investment. Short term PSP funding will be required to bridge the transition until track access payments are received from current TOCs, while the Rail Economic Regulator and RAB will prepare draft intermediate TOC Tariff proposals.

<u>Phase 5</u>

When the Rail Track Agency and the Technical and Safety Regulators are established, it will be possible to start the process of advertising for applications from additional TOCs.

5. Critical success factors for a PPP approach:

Public-Private Participation project implementation should be supported by an optimal delivery model, which includes government, special bodies, and industry associations. PPPs are complex mechanisms and the following critical success factors should be considered to support its execution which will revitalise our rail network and enhance our supply chain efficiency:

- <u>Transparent Consensus Objectives</u> – It is critical that the stakeholders involved reach an efficient and effective consensus regarding the objectives of the PPP while being transparent on all outcomes and communication.
- <u>Picking the right model</u> - PPP projects are complex with multiple administrative procedures present at different stages of their implementation. Instability and unfamiliarity with such administrative environment usually lead to significant project delays and an increase of transaction costs, which may range from 1% to 10% of the total project cost. Any uncertainty must be reduced upfront, and administrative procedures must be streamlined to ensure timely and cost-effective implementation of a PPP project. Thus, it is fundamental that the

correct model is assigned to the project to ensure that the PPP is approached in the most effective manner possible.

- Long term planning – Long term planning is essential in ensuring a successful PPP approach and should Incorporate objectives into PPP mechanics, while considering legal, regulatory, and policy frameworks, as well as the roles and responsibilities of all stakeholders involved. The planning process should also include long-term tariff levels.
- Finding and keeping the right partner - Finding the right partner is one of the most important and delicate components of the entire PPP process. Marketing and road shows, testing the market, sizing up potential bidders, managing the bidding process, and the negotiation of terms are all considered as key aspects which should be considered to ensure that the right partner is chosen for the project.
- Building an integrated business case - The business case process is central to the delivery of any major project. Thus, by optimising the development of business cases to take a more integrated approach will certainly support an overall improvement in project delivery. However, it is still common practice in programs and projects for the business case process to be disconnected. Thus, comparisons and projections, risks, restructuring expenses, and stranded costs are fundamental components to consider in the formulation of a solid integrated business case.
- Managing regulatory requirements – The PPP project is fundamentally dependent on independent, competent, and strong regulation to ensure the successful implementation of the project. It should involve localised requirements within government frameworks such as local content, supplier development and the like.
- Managing risks – Risks such as budget overruns, interest rate fluctuations, unmet service levels, lower demand than projections, payment delays and defaults should be considered and managed as effectively as possible to ensure the success of the project. It is critical that contingency plans are in place to alleviate any of these risks in the event where they arise.
- Measuring impacts – It is critical that the right incentives are created which are aligned to the KPIs of the project. Additionally, contingency plans should also

be in place in the instance where the project is not achieving the desired KPIs as it would allow stakeholders to alleviate the situation and to ensure that the desired results are achieved, albeit from an alternative approach.

6. **Recommendations to ensure the utilisation of Branch lines in a PSP structure:**

Branch Lines within the South African rail network are largely situated in rural and agricultural areas of our country and requires resuscitation and renewal. Branch Lines are important feeders into the core business of our supply chain and includes key objectives such as (1) the migration from road to rail, (2) promotion of intermodal solutions, (3) the application of new technologies for efficiency, (4) productivity, and (5) ease of operations such as the use of swop bodies, terminal handling equipment and revolutionary road to rail interventions that can advance the roll-out of these PSP opportunities in the market. Thus, the effective utilisation of branch lines within a PSP structure will require the following:

a) The branch line should be controlled by a TOC which will pursue all possible business interests on the line such as freight, passengers, fuel depots, fertiliser agencies, and the like.
b) Branch lines should be owned by the Rail track Agency and rates must be as low as commercially possible, subsidised by mainline traffic as they are act as “feeders” to the branch lines.
c) The Economic Regulator should determine or approve track access charges for all the lines within the network.
d) The TOC must be able to operate from branch lines by means of its own yards onto mainlines paying for track access of each section as used.
e) Some Branch line TOCs may be industry based, for example timber. They will then coordinate cargoes from one or more branch line to several destinations and mainlines, paying for track access as they use them.
f) It can be expected that TOCs will secure seasonal contracts in different parts of the country depending on harvesting times and subsequently move their trains as required.

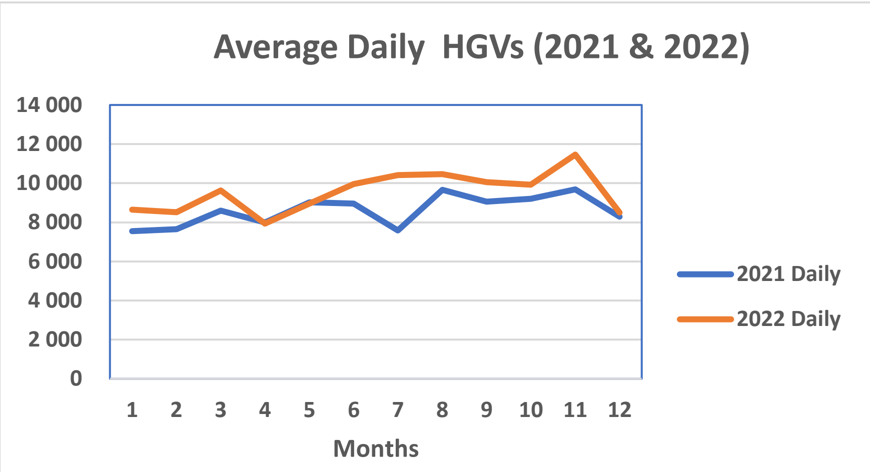
7. **Recommendation to expand the PSP model to the National Port system:**

The South African port environment is complicated by the following external issues that make the ports inefficient, which will be considered by any sensible PSP investor:

Durban:

There are a number of issues stemming from historical facts and delayed reaction by Transnet and other departments. Thus, to prepare for PSP there is need to address and publish plans for improving the logistics limitations as it is pointless asking for investment into a critically constrained business environment:

a) The first challenge that needs to be addressed is gaining access to the South Durban Basin - The N3 is becoming congested with freight vehicles due to the lack of efficient rail transport for containerised cargo, and more recently for bulk.



Daily Heavy Goods Vehicles traffic at Mooi River reached 11,000 in November 2022 and will increase further in 2023. This is 50% of vehicles on the corridor and It can be attributed to the inherent lack of competitiveness within South Africa's railway system for breakbulk cargo. This is now aggravated by failure of bulk railway capacity.

b) Inland containers - The lack of efficient railway capacity and the costs of transporting empty container back from the Reef makes it viable to use road transport for destuffed containerised cargo for door-to-door delivery. This competition means thar rail only gets 12% of containers to inland which is not commercially viable.

c) City Streets to Port - The road infrastructure of eThekwini should have been expanded over the past 15 years as recommended. Bayhead and Maydon roads are severely congested most of the time. There is thus a need for more than a billion Rand's worth of road development, (instead of Transkei bridges), by the NRA to give freeway access to port. Movement of the Island View fuel landside loading facilities to Prospecton (supplied by pipeline) would relieve some road congestion and to achieve this, PSP is needed.

d) Container terminals in Durban are operating at reduced capacity and efficiency due to delayed investment by Transnet which is now 20 years behind the plans enacted in 2005 and 2012. The delays include additional expansion of area, (moving the Navy at last, but still not using 400 Ha of abandoned railway property to build Terminal 3), berth deepening has stopped, tugs, cranes, straddles all outdated, poor availability and inefficiency.

e) The plan in 2012 was to push through into the Bayhead precinct with a new 9-berth development, which would have included Terminal 3, new Ro-Ro and MPT terminals, and allowed the city to reclaim the Point area. All of these mentioned factors should be developments within a PSP framework.

f) Lack of Logistics Space – There are 100 hectares of container depots scattered over 20 kilometres from the port which adds to the road congestion, costs, and inefficiencies. The Old Durban Airport should be developed as an efficient site for Private terminals by PSP agreement to provide a base for competitive TOCs to offer modern railway logistics services.

Cape Town:

a) The road access to the port is a cause of delays and unwanted costs - There is a need to examine ways to improve the linkage from the N2 to the port and to provide more space for road-based landside materials handling. Future expansion plans should include a direct route to the Ysterplaat airfield which serves no useful purpose and can be developed for port logistics operations. There is certainly opportunity for PSP in such a development.

b) The promotion of local railway operations by PSP TOCs, in places such as Ceres, Ashton, and Robertson, can reduce containers on the roads.

Richards Bay

The current switch in the proportion of rail and road freight is indicative of a longer-term lack of planned rehabilitation of the 50-year-old facilities on the coal line and port materials handling systems.

a) If Coallink is restructured into a commercially viable TOC there is PSP or PPP opportunity.

b) An independent engineering assessment of the condition of the line and the cost of rehabilitation is urgently required in order to formulate plans to resuscitate the export services.

c) If a restructured TOC with PPP can include sufficient new locomotives and the new Rail Track Agency can raise the money to rehabilitate the line it may only take a year or two to recover the service level.

d) The city of Mhlathuze needs to do a careful evaluation of future spatial land use before permitting the current port plans to be introduced. It is essential that such planning examines the future implications of changing logistics patterns and the introduction of commercial TOCs and increased road haulage with a need for spatial allocations to suit their needs. The city is in danger of facing the typical port-city development future obstructions if spatial allocations not planned before port plans are implemented.

Annexure 1: Private Sector's view on Rail PSP presentation

- Slide 1 - This Public Sector Participation (PSP) Framework is anchored on the Rail Bill and the Rail White Paper (2022) - *both of which have been developed by the state agencies, within the framework and aspirations of the incumbent SOC monopoly and do not reflect the need for total restructuring of the railways to enable open competition and attract investment from private sector.*
- Slide 5 – The National Development Plan (NDP) earmarked the development of infrastructure as one of the key drivers for delivery on the aspiration of economic growth in the South African economy. *This must be preceded by the rehabilitation of existing infrastructure and equipment which in the case of railways, is not workable for a modern intermodal logistics system.*
- Slide 6 - The Department of Transport as the custodian of the transport policy recognises the important role that PSP can play in bridging investment and improving operational and managerial efficiency in the rail industry which sets out options for PSP implementation. *This defines the process as a government concessioning option, not open access and is therefore unrealistic in relation to the goal of attracting investment.*

- Slide 7 – *Is a liturgy of the disastrous state of railways under present system and is the reason why this must be totally changed.*
- Slide 8 – continuation of slide 7 except for usual mantra about road. "Inadequate and deteriorating road freight regulation and enforcement, and the increasing demand of freight road transportation culminating in a deteriorating road network that is continually subjected to increased volumes of traffic and fatal road accidents." *This has nothing to do with railways, it is a failure of the DOT and RTMC as manager of road freight systems and infrastructure.*
- Slide 9 – (1) The current monopoly situation detracts from efficiencies and hinders competition. (2) Concepts of Infrastructure owner, infrastructure manager and train operators. (3) Third-party access arrangements provided by an Infrastructure Manager, and (4) User pays principle endorsed. *The above-mentioned points describe the structures that we have detailed in our submission.*
- Slide 10 – The reality of current fiscal constraints, the desire and need to promote private sector investment, and in-firm support of PSP initiatives. *The above is mixed objectives: statements above reiterate wish for PSP; and the following statements digress to a restructuring option; which puts the cart before the horse. There is a need to agree the restructure, to create the necessary agencies, decide on the transition, and then define the terms, not the other way round. Requires economic regulation of the sector. Interim mechanism pending approved legislation on the form of Interim Rail Economic Regulatory Capacity.*
- Slide 11 – *Just reiterates the problems and further attempts to justify the PSP approach, instead of wholesale restructuring of the whole system.*
- Slide 12 – *Infrastructure is and will have to be government owned. No private investor will put money into government assets except as investment in a concession on terms, with guarantees. This is all about borrowing options to resuscitate the track and equipment and nothing to do with train operations. If TFR wants investment it must go to PPP. Other TOCs will pay their own way.*

All infrastructure projects, irrespective of the degree of private involvement should be assessed by the extent to which costs can be recovered from end-users This is the crunch, no one will invest in a concession which has current problems and future reducing potential earnings as is the case with existing railways. If infrastructure recovery is too expensive, the track access fees with deter any TOC interest.

- Slide 14 – *Is an attempt at making the process seem to have been scientifically developed.*
- Slide 15 – *Is a random collection of everything in the system without considering how any of them can be separated or concessioned without an overall restructuring process as we have described in our submissions.*
- General Comment: *We believe the presentation must depict the holes in the PSP concept, and not follow the reasoning of the DOT paper which tries to make it look like the way to go. The concept is back to front; by suggesting that investment should be brought into the existing mess and then there should be an attempt to fix it. We must point out that restructuring first is the key to investment, track must be separated and TFR must go commercial first.*

We believe that we need the Railway Advisory Board to make this happen; for example, when road deregulation occurred, they scrapped the National Transport Commission and left DOT to make decisions which is one of the reasons that the road system is a mess.