

- Total Cost of Ownership (Lifecycle Cost) - Refer to requirements in Annexure I
 - Direct and indirect costs in acquiring, operating, maintaining and spares inventory, including the cost of software required for train driver training simulators.
 - Lifecycle cost must be based on fitment of new componentry. A detailed list and cost of components fitted at midlife interventions must be supplied.
- Company's financial stability
 - Proposed delivery schedule. The delivery time in weeks/ months for the first order of locomotives from the time of the official order placement until the last locomotive has arrived at the depot specified to commence commissioning, (not to exceed March 2014)
 - Proposed payment terms
 - Proposed Warranties & Guarantees. Expressed in number of months from hand over and includes time to repair defects under warranty
 - Contractual compliance (refer draft supply contract appended as Annexure E)
- b) **B-BBEE Rating** [Refer Section 1, clause 6] and **Future Recognition Indicators** [Refer Section 1, sub-clause 6.4 and Annexure B2]
- c) **Supplier Development Bid Document and SD Commitment** [Refer Section 1, clause 5 plus Annexures A & B1]

30 TECHNICAL DISQUALIFYING/UNRESPONSIVE "CRITERIA"

- An overall minimum threshold of 60% for Stage One (Supplier Development and BBEE) evaluation criteria must be met or exceeded for a Respondent's proposal to progress to Stage Three
- An overall minimum threshold of 80% for Stage Two (Technical capabilities) evaluation criteria must be met or exceeded for a Respondent's proposal to progress to Stage Three
- Non compliance to technical information requirements will be considered as a disqualifying response.
- 100% technical compliance is required for all mandatory items
- A 100% response is required for all technical essentials and desirables
- Respondents who's proposal do not meet required delivery date will be deemed to be unresponsive

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**RFP FOR THE SUPPLY OF
95 NEW ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB) BY MARCH 2014**

Section 3: FINANCIAL OFFER & OTHER PERTINENT INFORMATION

31 FINANCIAL OFFER

- 31.1 Locomotives must be on a delivered price basis in accordance with INCOTERMS 2010 DDP as per the draft Supply Agreement. RFP's for supply on any other basis of delivery are liable to disqualification. The delivery schedule provided by the Respondent must be inclusive of all non-working days or holidays, and of periods occupied in commissioning and formal acceptance of the locomotives.
- 31.2 Transnet SOC Ltd is anticipating a milestone structure of: 10% prepayment upon receipt of a confirmed delivery schedule and remaining payment per acceptance subject to retention. The Respondent will be required to secure an Advanced Payment Guarantee and Parent Company Guarantee. The issuer of the Advance Payment Guarantee must have at least a long term credit rating of A- (Fitch or equivalent) and the issuer should be pre-agreed with Transnet SOC Ltd.
- 31.3 Transnet SOC Ltd will require that the successful Respondent (the "Supplier") posts an "on-demand" Performance Bond(s) (on terms satisfactory to Transnet SOC Ltd and for such amount as Transnet SOC Ltd may agree) covering (i) the obligations of the Supplier in relation to the agreed "in-service" availability and reliability targets of the locomotives and (ii) the Supplier's obligations in relation to its Supplier Development commitments (as provided in its SD Plan) and its B-BBEE commitments (as provided in its Further Recognition Criteria Document). Transnet SOC Ltd may require the Supplier to provide one or more Performance Bonds in respect of the above commitments.
- 31.4 Transnet SOC Ltd requires that the Respondent provide an outline of performance guarantees (e.g., penalties) for the following
Events:
- (i) Pre-production delays
 - (ii) Post-production / shipment delays
 - (iii) Performance (Reliability / Availability)
 - (iv) Defect Liability
 - (v) Availability of Spares
 - (vi) Breach and Termination(100%cover)

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31.3 The Respondent should note that where the whole or a portion of the contract or order value is to be remitted overseas, TFR shall, if requested to do so by the Supplier, effect payment overseas direct to the principal or Supplier of such percentage of the contract or order value as may be stipulated by the Respondent in its RFP Documents and any variation in the amount to be so paid, which may arise as a result of fluctuations in the rate of exchange involved, may be for the account of the Respondent. Transnet SOC Ltd requires that the Respondent provide the following:

- (i) The manner in which the Respondent will address the risk of future movements in exchange rates, including a description of any exchange rate hedging strategy.
- (ii) The method for determining each projected exchange rate. All exchange rates included should be readily verifiable by TFR. The Respondent should identify the source information used in determining each projected exchange rate (which must be publicly available), and provide clear assumptions / calculations showing how the rate used has been derived.
- (iii) The same method used in the submission will be applied in determining exchange rates at Financial Close for each financing.
- (iv) Respondents must separately disclose the cost of any hedges included in the price offered

Respondents should note that Transnet SOC Ltd's preferred form of remittance would be in Rands.

31.4 Transnet SOC Ltd can if necessary establish with an export credit agency (ECA) an umbrella loan facility. The Respondent acknowledges the right of TFR to use ECA supported funding for this project. ECA funding will need to be executed in a manner acceptable to TFR. If, for whatsoever reason, ECA support is not in place in a timely manner, TFR reserves the right to make payments from other sources on the full understanding that any payments made by TFR will still be reimbursed from the Export Credit facility at a later point in time. Should the ECA require the Respondent to assist TFR in executing the funding application, the Respondent agrees to do so.

31.5 Transnet SOC Ltd reserves the right to use any other source of funding available in the market.

31.6 Alternately, in developing an optimal value for money solution, TFR will entertain a financing solution proposal from the Respondent. The Respondent may provide a description of any alternate finance solution noting the potential value for money benefits.

31.7 The costs of acquiring the software required for train driver training simulators must be quoted for separately or as a value add.

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32 General

Transnet Freight Rail (TFR) a division of Transnet SOC Ltd must procure locomotives to meet its obligations with regards to increased demand for rail traffic services from its clients.

This section gives an overview of the financial requirements in order to enable TFR to perform a rigorous financial assessment of the various Respondents' capabilities. Respondents are required to provide all the information set out in Sections A, B and C below. Should any information not be provided, it could lead to the Respondent's disqualification in the final analysis.

32.1 Instructions to the Respondents

- Complete the following document (Section A, B and C) to the best of your ability
- Cross reference all pertinent attachments
- Have the documents certified as true and accurate by your auditors
- Return with the bid documents

32.2 Financing and Level of Commitment

Respondents should be aware that due to the administrative and cost burden of advance payment guarantees (APGs), TFR would prefer a payment schedule that only requires an advance payment of 10% of the total contract price. Thus Respondents should provide for receipt of payment only on acceptance, with concomitant retentions in favour of TFR, including performance bonds and warranty provisions.

Should any Special Purpose Vehicle (SPV) be formed to execute the project, then such duties and obligations which would normally be incurred by the parent companies will become the onus of the SPV. In view of this it is imperative that the SPV's financial strength and viability be demonstrated through a rigorous completion of the information in the tables below as would be done for the parent companies.

32.3 Procurement price risk

As outlined in the bid background document, Respondents will be required to price in line with the following options:

- Fixed pricing
- Escalation based pricing.
- Indexation formulas used in pricing calculations

Note that TFR prefers a fixed price contract

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The following information is required to be supplied by all Respondents. Where the response is too large for the space provided, the table can be allowed to flow over to the next page or referenced attachments can be provided.

SECTION 3 -A: General

Section	Required Information	To be completed / provided as required
1	General Information:	
1.1	Contractors Name	
1.2	Registration Number	
1.3	Physical Address	
1.4	Postal Address	
1.5	Telephone Number(s)	
1.6	Telefax Number	
1.7	E-mail Address	
1.8	Web Page	
1.9	Years in Business	
1.10	Shareholders Details	
1.11	Company Structure(e.g. Holding Co. with subsidiaries etc)	
1.12	Organogram	
1.13	CV's of Key Staff	
1.14	Business & Marketing Strategy	
2	Facilities/Equipment/Software-indicate Owned or Leased:	
2.1	Offices	
2.2	Premises	
2.3	Landlord	
2.4	Computer Equipment	
2.5	Standard Software	
2.6	Customised Software	

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Section	Required Information	To be completed / provided as required
3	Financial:	
3.1	Bank	
3.2	Address	
3.3	Contact Person	
3.4	Permission for Bank Reference	
3.5	Aggregate Turnover last Three Years	
3.6	Annual Reports Available for Review	

Section	Required Information	To be completed / provided as required
3.7	Auditors	
3.8	Factor Accounts	
3.9	Debtors Book	
3.10	Bank Overdraft	
3.11	Present Borrowings	
3.12	Assets	
3.13	Liabilities	
3.14	Contingent Liabilities	
3.15	Legal Disputes	
3.16	Insurance	
3.17	Professional Indemnity	

SECTION 3-B: Measures

Respondents are required to complete the following table with the information requested. All information is compulsory and any information not provided will result in the Respondent being excluded from the process. The necessary supporting documentation must be cross referenced to the second column below

 Respondent's Signature

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Information to be provided

Attached Proposal
Reference**(a) Pertinent Financial Statements:**

1. All Respondents must provide all audited financial statements for the last three years and for any quarters subsequent to that, to enable TFR to run typical financial ratios and analyses	
2. Total revenue generated by Transnet SOC Ltd's business for each of the last three years	
3. List names and revenue generated by your top 5 customers for each of the last three years	
4. A copy of your latest rating report	

(b) Financing track record:

Respondents are required to -

1. Provide a complete breakdown of proposed financing structure	
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Information to be provided

Attached
Proposal
Reference

2. Deliverability of Financing Structure 2.1. Show where a similar financing structure has previously been shown to be deliverable in similar circumstances; or 2.2. Explain why the financing plan is deliverable on this transaction.	
3. Highlight the risks to which Transnet SOC Ltd could be exposed in implementing this structure.	

(c) Strength of approvals:

Should any Special Purpose Vehicle (SPV) be formed the level of commitment should be demonstrated by providing the following documents:

1. Board minutes from all equity investors committing to subscribe equity, including third party equity investors, evidencing adequate funds are available and their willingness to provide funding on the terms set out in the Equity Documents required to be submitted	
2. Where any future injection of equity is to be guaranteed by the Respondent's parent company or a bank, a copy of the commitment from either the parent company/ bank stating that the necessary credit lines are available.	
3. Letters from the underwriting banks, monoline insurers and other financial institutions (if applicable) offering underwriting of the full debt facilities or financial guarantees to the Bidder on the basis of detailed term sheets and a detailed plan for achieving full underwriting of the whole financing in the next stage of the procurement and prior to the appointment of	

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preferred Bidder on the terms proposed.	
4. Evidence of credit committee approvals or financial guarantees for all forms of debt funding explicitly stating the extent to which and conditions on which funds are committed and indicating the level of completeness of financier due diligence and the extent of due diligence that will be carried out prior to the appointment of a Preferred Bidder, including the overall scope and timetable of financier due diligence up to appointment of a Preferred Bidder.	
5. A letter from the Respondent's financial advisors stating that the proposed funding structure is realistic and achievable and that the financing proposals are sufficient to enable the Bidder to meet its obligations under the attached proposal.	

Information to be provided	Attached Proposal Reference
In the event of contracting directly with the Respondent the following is required:	
1. Evidence of credit committee approvals or financial guarantees for all forms of debt funding explicitly stating the extent to which and conditions on which funds are committed and indicating the level of completeness of financier due diligence and the extent of due diligence that will be carried out prior to the appointment of a Preferred Bidder, including the overall scope and timetable of financier due diligence up to appointment of a Preferred Bidder.	
2. A letter from the Respondent's financial advisors stating that the proposed funding structure is realistic and achievable and that the financing proposals are sufficient to enable the Bidder to meet its obligations under the attached proposal.	

(d) Equity:

Respondents must submit the following information for each major type of equity -	
1. Identity and credit status of the investors with a shareholding greater than 10 percent.	
2. Amounts subscribed or to be subscribed by each investor.	
3. Timing of injection of equity.	
4. Where equity holders are a company, joint venture, trust, or other form of interposed entity, a description of the relationship of the beneficial interests to its holding company.	
5. A summary of the commercial terms attaching to the equity financing arrangements including: <ul style="list-style-type: none"> a. minimum return requirement for each class of risk capital and the basis of any IRR calculations; b. details of arrangement, management, directors and commitment fees; c. terms and conditions of the subscription; d. coupon rights attaching to the subscription; e. dividend rights attaching to the subscription; f. dividend policy; g. voting rights attaching to the subscription; h. any other rights attaching to the subscription; i. terms and any other agreements between the investors in their capacity as investors in the Bidder; 	
6. The length of time each class of risk capital will remain in the Respondent	
7. Equivalent information is required for quasi-equity.	

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Information to be provided

Attached
Proposal
Reference**(e) Debt finance:**

Respondents must submit the following information for each class of debt finance -	
1. Identity of the financiers.	
2. Amounts to be provided by each financier.	
3. Term sheets detailing all terms and conditions attaching to the financing arrangements including:	
a. Interest rates and margins	
b. fees;	
c. financial ratios and covenants (base case, lock up and default) explicitly stating the basis of calculation;	
d. default clauses;	
e. conditions precedent;	
f. guarantee structure and security required	
g. reserve requirements or other conditions on distribution;	
h. working capital requirements and how this will be financed; and	
i. Residual value assumptions (and the basis of the calculation).	
4. To the extent that the proposed financing structure incorporates financing of any description outside of the Bidder (for example external financing for, or prepayment of, the residual value of the fleet) the financial submission and financial model should provide sufficient detail so that the arrangements for this financing are transparent and can be understood by TFR.	
5. A letter from Lender/ ECA confirming support and terms of funding	

(f) Foreign Exchange Hedging strategy:

Respondents must provide the following details -	
1. The manner in which the Respondent will address the risk of future movements in exchange rates to convert the proposed funding to ZAR.	
2. Details of any financial instruments which will be used to provide protection against such exchange rate movements, and the cost of such protection. This information should include a term sheet, a pricing quote and supporting forward curve (as at 11.00 a.m. Central African Time (CAT) on 23 RD JANUARY 2012.	

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Information to be provided

Attached
Proposal
Reference**(g) Insurance:**

Respondents should ensure transparency. Respondents are required to provide detailed insurance premium calculations and full details of associated project insurance related costs (e.g. Insurance "risk contingencies").

Respondents must include in their Proposal -

- | | |
|--|--|
| 1. A mark up of the Insurance arrangements in the SLA clearly identifying where: | |
| a. there will be full compliance with TFR's insurance requirements | |
| b. the Bidder proposes alternative solutions to satisfy TFR's requirements | |
| c. there are points of clarification required | |
| 2. Completed Insurance Cost and Technical Proforma. | |
| 3. A letter from the Bidder's Insurance adviser stating that the insurance arrangements are achievable on the terms and prices included in the Respondents Proposal. | |

During post tender negotiations these rates will be compared to rates available to TFR and the Respondent will be requested to utilise the TFR facility should the rates prove to be more advantageous.

(h) Taxation:

Respondents must include in their Proposal -

- | | |
|---|--|
| 1. Advice from a specialist taxation advisor regarding the taxation implications of the proposal supported by adequate opinions and relevant precedents; especially with regards to Value added tax (VAT) and tax consequences of the proposed funding structure. | |
| 2. Strategy for obtaining the tax rulings required under the Import/Export Agreements if any; | |
| 3. Strategy for minimising the customs duty burden associated with the importation of components, parts or locomotives. TFR will not be responsible for the payment of any duties incurred by the preferred bidder as the onus is on the preferred bidder to ensure the locomotives are supplied duty free. | |
| 4. Setting up a bonded warehouse for spares | |

Respondent's Signature

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SECTION 3-C: Cash Flow Prediction and Retentions Offered

1. The anticipated cash flow based on proposed contract price, delivery and final acceptance date to be given below.

Month	Delivery Date	Final Acceptance Date	Payment

The cash flow prediction shall in no way affect the terms of payment as stated elsewhere in this RFP document.

2. Retention Amounts Offered _____%, for period _____ months from _____.

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SECTION 3-D: Financial projections

Respondents are required to submit in support of their submission the following:-

- a financial model for reflecting the Total Cost of Ownership (TCO) of the proposal (complete the attached excel spreadsheet model, Annexure I)
- a breakdown of base costs eg: set up costs, manufacturing costs etc.; and
- databook assumptions and instructions to support the financial model.

1. Financial model

1.1 Structure of financial model

Respondents must submit financial models in accordance with the following requirements:

- (i) complete the attached excel spreadsheet model, Annexure I compatible with Microsoft Excel 2003;
- (ii) all amounts are to be in ZAR, rounded to the nearest 1 million ZAR;
- (iii) the financial model should be constructed in line with best practice, with the model constructed such that there is formula consistency across rows and columns where practical;
- (iv) redundant coding should be kept to a minimum;
- (v) the models must be dynamic i.e. contain and show all the formulae required to undertake all calculations;
- (vi) the models, together with all sheets and cells within the model should be unlocked (except where locked already by TFR) ;
- (vii) all model functions, formulae and linkages should be operational and no part of the model, including macros, should be password protected (unless the password is clearly provided for each level of protection), nor should any cells containing input or output data be hidden away from view in any way;
- (viii) separate financial projections should be provided for locomotive base costs and then separately the annual maintenance costs afterwards assuming year end of 30 March;
- (ix) cash flows are assumed to take place at the end of each period; and
- (x) in the event that there is a discrepancy between the financial model and the written Proposal the financial model will take precedence.

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1.2 Financial model inputs & outputs

Financial model inputs & outputs	Base Proposal Reference
As a minimum the financial models must include:	

(a) Investment data:

1. A monthly locomotive delivery and acceptance schedule (please use the spreadsheet provided, Annexure I)	
2. Analysis of bid costs (including professional fees) (please use the spreadsheet provided, Annexure I)	
3. Capital and operating cost assumptions (please use the spreadsheet provided, Annexure I)	
4. All and any assumptions (please use the spreadsheet provided, Annexure I)	
5. Non time based assumptions including financing costs, working capital, tax and accounting assumptions (please use the spreadsheet provided, Annexure I)	
6. The following nominal cash flows must be included (please use the spreadsheet provided, Annexure I) : a. Capital acquisition cost(separated into: (i) Base price ("off the shelf") (ii) Optional prices(to cater for functionalities not offered as part of base product) b. Maintenance cost (broken into constituent costs per intervention, e.g. labour, parts) based upon 14 million GTK's per month c. Engineering support cost d. Special tooling requirements e. Capital spares f. Consumables g. Energy costs (based upon 14 million GTK's per month and an electricity costs of 60 cents per kilowatt hour); and h. Any other relevant cost	
7. Fuel efficiency rates to be provided based on 14 million GTK's per month. Sensitivity to be provided based on varying work rate (notches 1-10 whichever applicable) and tonnages hauled. (please use the spreadsheet provided, Annexure I)	
8. Escalation formula used, where applicable to the operating costs (deviations from the requested South Africa CPT + 2%, and the reason therefore must be fully explained)	

(b) Funding data (where an alternate financing proposal is provided) (separately):

1. The Base Periodic Charge (Real)	
2. Assumptions on deposit and overdraft rates;	
3. Rates of Exchange used	
4. Taxation assumptions used	
5. Finance structure to cover a period of 20 years	

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