

Annexures to the statement

<u>Annexure No.</u>	<u>Description</u>
HB1:	TFR motivation for the confinement of Phase 1.
HB2:	Email from Padaychee to Bester dated 25 July 2013 and email from Bester to Grey dated 26 July 2013.
HB3:	Memorandum of Understanding from Padayachee.
HB4:	Email from Grey to Bester dated 26 July 2013.
HB5:	Revised MOU from Hatch.
HB6:	Email from Bester dated 26 July 2013 attaching revised MOU.
HB7:	Addendum 1.
HB8:	Email from Bester to Padayachee and Reddy dated 7 August 2013.
HB9:	Email from Blacklaws dated 7 August 2013.
HB10:	Transnet confinement approval.
HB11:	Email from Tew dated 22 August 2013.
HB12:	TFR tender declaration form.
HB13:	Correspondence between Transnet and Hatch regarding SD partners.

- HB14: Meeting invite for meeting held at Transnet on 22 October 2013.
- HB15: Memorandum approved by Molefe noting the award of the confinement of Phase 1 to Hatch.
- HB16: Email dated 5 December 2013 notifying Hatch of the award.

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, located in the bottom right corner of the page.

“HB1”

CONFIDENTIAL AND PRIVILEGED

DRAFT MINUTES OF THE MEETING OF THE BOARD ACQUISITIONS AND DISPOSALS COMMITTEE NO.13/01
HELD ON 29 JANUARY 2013 AT 12:40 IN ROOM 723, 1ST FLOOR, THE JUNCTION, MODDERFRONTEIN ROAD,
ESSELENPARK, KEMPTON PARK

Resolution No/
For Attention

1 CONSTITUTION OF MEETING

1.1 Present

Mr IM Sharma	Chairman
Ms Y Forbes	Member
Mr ME Mkwanzazi	Member
Ms DLJ Tshepe	Member

1.2 In Attendance

Ms NP Mnxasana	Non-Executive Director
Mr B Molefe	Group Chief Executive
Mr A Singh	Group Chief Financial Officer
Ms NJ Mabandla	Group Executive: Group Legal Services
Ms P Difeto	General Manager: Office of the Group Chief Executive
Mr G Pita	Group Chief Supply Chain Officer
Ms N Khumalo	Deputy Group Company Secretary

1.3 Apologies

Ms NR Njeke	Member
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1.4 Partial attendance

Mr P Parbhoo	McKinsey Consulting
Mr SI Gama	Chief Executive: Transnet Freight Rail
Mr T Jiyane	Executive Manager: Supply Chain Services, TFR
Ms D Strydom	Executive Manager: Capital Planning and Governance, TFR
Mr R Basson	General Manager: Project Execution, TCP
Mr K Phihlela	Group Executive: Commercial
Mr J Mackay	PSP Transaction Advisor: Commercial

1.5 Welcoming and Signing of Attendance Register

The Chairman welcomed all members and attendees present at the meeting and wished them well for the year ahead. He welcomed Ms NP Mnxasana to her inaugural meeting. Having noted that there was a quorum, the Chairman declared the meeting duly constituted. The Attendance Register was circulated for signature. The Chairman noted apologies from Ms Njeke.

1.6 Adoption of Agenda

The agenda was adopted as tabled.

27

CONFIDENTIAL AND PRIVILEGED

Resolution No/
For Attention

5.1 **Manganese Rail Expansion Project**

Messrs Gama, Jiyane, Basson and Ms Strydom joined the meeting at 13:33

5.1.1 Management took the Committee through the submission as contained in the pack. The submission was taken as read. The project was tabled as a prelude to the main project that will be submitted to the Committee in the latter part of the calendar year.

5.1.2 Management informed the Committee that the project has been split into rail and port focus areas. It was envisaged that the new port will be operational by 2017. It will be implemented in two phases. The Chairman was of the view that the project should have been planned in an integrated manner by the port and rail teams, and presented as a joint project. The Committee sought comfort on the fulfilment of the dependencies. Ms Forbes



advised that she would prefer to have a project that will clearly articulate the plan; calculations, focus areas; implementation and monitoring.

5.1.3 Management provided assurance on the aspects covered in the phase two of the project. The rail and port teams have taken care of all the dependencies and will be in a position to present the sequencing thereof. Whilst TNPA was busy with the business case, an external service provider was dealing with the identification of possible flaws and the required approvals, amongst others, the environmental approvals.

5.1.4 The Chairman enquired if the pricing structure was modelled against elasticity and advised that stockpiles are but one example of a factor that can create challenges. He further sought clarity on the plan for the price; if it will be a pass-through to the customers and if it will be across the board or proportionate between the junior and major miners. Management assured the Committee of the processes that have been undertaken in the identification of junior miners utilised price determination methods and the objectives that the Company was aiming to achieve within the project. The project has a break-even tariff of R275/t which is set below the threshold "affordable" tariff of approximately R311/t to support the development of emerging miners.

5.1.5 Management informed the Committee that the limited stockpile space at the Port of Ngqura was a concern as the envisaged common user facility is estimated to create 4mtpa capacity of the 16mtpa allocation. The compilation yard is next to the terminal. A 200 wagon train in Mamatwane will be R79 per ton on the new operating model compared to the current R180 per ton. There will be significant costs savings for miners. Management informed the Committee of the environmental considerations and the need to vacate the Port of Port Elizabeth due to the fact that the facility has exceeded its useful life. Mr Mkwanazi informed the Committee that the Company was supposed to vacate the Port of Port Elizabeth on a certain date, and TNPA has the responsibility to build the terminal for the manganese transportation process regardless of the port terminal operator. The project will support other growth plans. The rail business case will be completed by 31 March 2013.

Phase 2 of the project is not interlinked with the approval of the investment submission tabled before the Committee. Management will submit a comprehensive proposal for the Committee's consideration in relation to phase two in May 2013.

5.1.6 Management assured the Committee that the delays relating to the non-appointment of the port operator, late commencement of the FE 3 stage and the lead-times for shiploads will not adversely impact on the proposed investment.

The Committee **agreed** on the format for the submission of integrated projects. The submission:

- should detail all the dependencies linked to the project;
- should indicate that such dependencies have been addressed; and
- the affected ODs/SUs should provide undertaking that all aspects of the project are in sync.

Failure to comply will disqualify the project from being considered by the Committee.

RESOLVED that the Committee recommended that the Board approves the Manganese Rail Expansion programme from 5.5mtpa to 16mtpa at an estimated cost of R2.4bn (escalated) for an initial "no regrets" investment.

13/1/11

Ms Strydom and Mr Basson were excused from the meeting at 14:47

10 **BOARD ACQUISITIONS AND DISPOSALS COMMITTEE MANDATE**

10.1 The Committee noted the Board Acquisitions and Disposals Committee mandate as contained in the pack.

11 **CLOSE**

There being no further business to conduct, the Chairman declared the meeting closed at 16:55.



CHAIRMAN

DATE: 1/03/2013



DEPUTY GROUP COMPANY SECRETARY

DATE: 1/03/2013





MEMORANDUM

www.transnet.net

TO: Board Acquisition and Disposal Committee

FROM: Mr. Brian Molefe: Group Chief Executive

DATE: 11 January 2013

SUBJECT: APPROVAL TO FUND THE INITIAL 'NO-REGRETS' RAIL INVESTMENT
REQUIRED TO INCREASE MANGANESE EXPORTS FROM 5.5 TO 16Mtpa FROM
THE NORTHERN CAPE TO THE PORT OF NGQURA

PURPOSE:

1. The aim of this submission is for the Transnet EXCO to recommend to the Transnet Board Acquisition and Disposal Committee the capital estimated at **R2.38 billion** (escalated) for an initial 'No-regrets' rail infrastructure investment in support of the overall Manganese ore expansion programme from 5.5 to 16Mtpa.

BACKGROUND:

2. Currently, a total of 6.9Mtpa of Manganese ore is exported from South Africa through Port Elizabeth (~4.8Mtpa – rail only), Durban (~1.8Mtpa – rail and road) and Richards Bay (~0.3Mtpa –road). Transnet has announced the closure of the PE terminal approximately in 2017 due to environmental concerns.
3. South Africa as a major supplier is well positioned to capture growth in the manganese industry. SA currently exports ~20% of the world's contestable manganese, holds 80% of known world high grade resources. With an investment up to 16m tons per annum, RSA can be positioned as the global leader in manganese production.
4. Demand for manganese is strongly tied to demand for steel with more than 90% of manganese used directly in steel production. Assuming a 30% market share is possible, up from the current 20%; it implies a total demand for *South African ore* of ~16Mtpa.
5. Several mining projects in South Africa are currently in development to meet this increase in demand but these could fail if an integrated rail and port solution is not provided timeously. Notwithstanding the environmental challenges in Port Elizabeth, the stockpile footprint in the terminal constrains any further expansion beyond 5.5Mtpa necessitating the move to Ngqura.
6. Transnet has committed to the expansion of channel capacity for manganese exports to support an annual throughput of 16Mt and have conducted the necessary feasibility studies.

7. The scope of the manganese expansion programme from 5.5 to 16Mtpa comprises the upgrade and expansion of the rail network between the Northern Cape and Ngqura with additional rolling stock, as well as the provision of a new bulk minerals export terminal in the Port of Ngqura. The Rail and port investments are prepared as separate business cases, supported by an Integrated financial model to assess the overall economic viability of the project.
8. The estimated total capital required for the rail infrastructure investments to provide capacity of 16Mpa is **R10.52 billion** in escalated terms and is supported by parallel investments to the escalated value of **R8.711 billion** in the locomotives and wagons rolling stock, funded separately through the approved Rolling Stock Fleet Plans. Funding for this is budgeted in the MDS Capital Investment plan of TFR.
9. The Manganese expansion project is committed to ultimately provide 16Mtpa of export capacity by April 2019, with an initial 8Mtpa available by April 2017 when the new terminal in Ngqura is expected to be commissioned. Various critical milestones impact these dates:
 - 9.1. The timeous appointment of the port terminal operator through a 'public' Section 56 process as required by the National Ports Act
 - 9.2. Timeous approval of the rail and port investments
 - 9.3. The construction, commissioning and operationalisation of the port terminal
 - 9.4. Requisite environmental approvals for all rail and port work packages
 - 9.5. The duration of the rail construction programme, currently estimated to be a four year programme, compared to the three year port construction programme
10. The separation of the rail infrastructure programme into a 'No-regrets' and Full Expansion is required to fast track work packages that are on the critical path to meet the committed channel commissioning date¹ whilst awaiting regulatory approvals (terminal operator and environmental). To this end, the rail construction programme is separated into work packages that can commence immediately and that will have a quantifiable benefit to Transnet - 'No-regrets'. The estimated cost of the No-regrets investment is R 2.38 billion.
11. The 'No-regrets' investment is required even if the integrated investment case for manganese were not to proceed. This is because it supports other commodities and is viable on a standalone basis; and will deliver 8m tons of manganese exports via Ngqura.
12. Work packages included in the 'No-regrets' investment are limited to the partial re-instatement of the double line section (132km of a total of 243km) between Kimberley and De Aar, and the extension of the Rosmead passing loop. These work packages have existing environmental authorisations as they were submitted for capital approval, and subsequently de-scoped in previous Manganese business cases (Manganese 12Mtpa expansion: 2008 and Manganese 5.5Mtpa: 2010).
13. The environmental authorisation for the remaining work packages to support the full expansion is expected by October 2013.

¹ The port programme benefits from the utilisation of existing berths in Ngqura.

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14. The business case for the remaining capital estimated at **R8.139 billion** (escalated) to expand the rail network to the full 16Mtpa would subsequently be submitted for approval during March 2013.

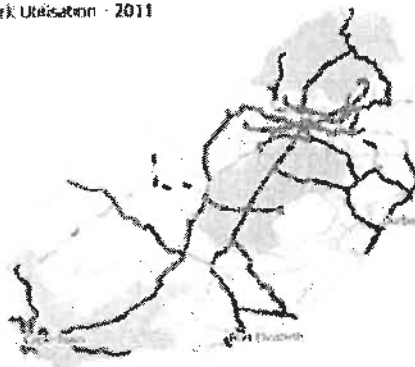
PROJECT MOTIVATION:

15. The supporting project motivation outlines the benefits of the "No-regrets" investment in support of the overall Manganese expansion programme.
16. Fast tracking of the re-instatement of 132 km between Kimberley and De Aar will deliver the following benefits:

16.1. Capacity utilisation: The Kimberley – De Aar line - classified as a "Heavy Congestion" section in the Transnet Long Term Planning Framework - is regarded as one of the critical bottlenecks in the general freight network with average utilisation above 105% of installed capacity.

Figure 1: LTPF Utilisation (2011)

Network Utilisation - 2011



Utilisation	Actions
Light utilisation: < 60 %	No action required
Moderate utilisation: 60 – 80 %	Consider operational re-engineering
Heavy utilisation: 80 – 95 %	Operational redesign, limited infrastructure upgrades
Utilisation limit: 95 – 105 %	Operational redesign limit, Infrastructure upgrades
Over-utilisation: 105 – 130 %	New infrastructure needed, New operational plan
System failure: >130 %	Significant infrastructure upgrades, Doubling or new lines

16.2. Improved operational utilisation and re-instatement of mothballed capacity: The 243km second line between Kimberley and De Aar was partly decommissioned in 1997 resulting in the retention of only 19km of passing loops. This reduced the capacity of the line and increased the operational risk associated with long single line sections in this strategic corridor.

16.3. Operational stability: The section is currently faced with various operational challenges associated with limited passing loops, balancing of rolling stock in the section, and the accommodation of various long distance passenger trains to the Western and Eastern Cape

at higher speeds. The current operating environment impacts TFR's ability to adhere to the fixed train schedule for this section and results in a loss of operational capacity. Re-instatement of 132km will significantly stabilise operations of all traffic, but specifically current manganese volumes. Capacity will increase by ~100% from 78 to 150 train slots per week.

16.4. Operational flexibility: The current line has 13 loops (19km total length) and long single line sections. In the event of an incident (operational or network related) or planned/unplanned maintenance events the line is effectively closed as no/ limited trains can cross. Any major operational disruption can potentially be disastrous given the strategic importance of the line. Additional long crossing loops will provide redundancy to improve operational throughput and network utilisation.

16.5. Supporting volume growth:

- o Manganese: The capacity created by the 'No-regrets' investments will sustain current volumes of ~5.5Mtpa through PE and will provide additional capacity of some 2Mtpa through combined break-bulk and container solutions making use of the PE Multi-purpose terminal and PE/Ngqura container terminals. Maintaining exports at ~7.5Mtpa will protect South African producers' market share and SA's ability to capture and retain available market growth.
- o Other GF traffic: In the event of the Manganese expansion not proceeding beyond 5.5mtpa, general freight volume growth² will be supported by this investment, namely containers; automotive; grain/wheat/maize; and domestic intermodal traffic. The GF commodity types and indicative additional volume that can be accommodated are summarized in Table 1 below. The additional 4.6Mtpa that can be accommodated fully supports the TFR MDS volume ramp-up for traffic routed over this section.

Table 1: No-regrets: GF Volume growth

Commodity	Annual additional capacity
Passengers (Long distance)	N/A
Manganese (current through put at 5.5Mtpa through PE) plus bridging capacity through PE MPT and container terminals	1 000 000
Containers deep-sea	1 232 000
Grain/wheat/maize/barley	720 000
GF (Cement, coal other)	1 080 000
Road-to-rail domestic traffic (Containers domestic)	600 000
Maintenance and Recovery slots in line with Scheduled	Provided in line with best practice

² GF train lengths average 50 wagons per train. Throughput per trains slot for GF is therefore less when compared with Manganese trains averaging 200 wagons per train slot.

Railway principles		maintenance standards
Total	X	4 632 000

The Rosmead loop extension will have the following benefits:

16.6. Safety Imperatives: The current operation of book-off working without a 104-wagon crossing loop at Rosmead poses significant safety risks, as any unavailability of train-crew to re-man a Manganese train on arrival results in the requirement to stage the train at the nearest long loop at Evendowns. If a train crew were to stage a loaded manganese train with inadequate handbrakes or someone released handbrakes on a staged load, TFR could have a serious runaway situation.

16.7. Rolling Stock Turnaround and Potential Lost Volume: Staging of trains leads to delays in transit – results in longer turnaround times for locomotives and wagons.

16.8. Overtime: The time taken to stage and re-activate trains is unplanned waste in terms of delivery of service to customers.

RAIL INFRASTRUCTURE INVESTMENTS:

17. The 'No Regrets' Investment is limited to the partial re-instatement at 26 tons per axle (132km) of the second line between Kimberley and De Aar and the extension of the Rosmead passing loop.

FINANCIAL IMPLICATIONS:

18. The cash flows for the 'No-regrets' investment is summarised in Table 2, below.

19.

Table 2: Rail Infrastructure Cash Flows: No-regrets

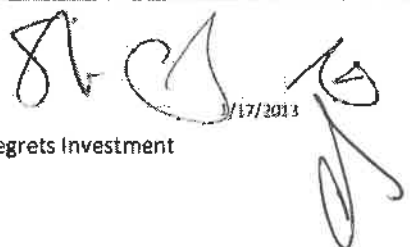
Rm	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	TOTAL
No-regrets	0	251	1.094	974	65	0	0	0	2.383

20. The preliminary cash flows for the overall TFR investment is summarised in Table 3, below:

Table 3: Rail Project Cash Flows (Preliminary)

Rm	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	TOTAL
No-regrets	0	251	1.094	974	65	0	0	0	2.383
Phase 2 Infra ³	58	261	2.231	3.871	2.759	1,136	207	0	8.139

³ Phase 2 submission: March 2012



Rolling Stock ⁴	26	441	622	1 036	2 098	2 548	1 449	98	8 711
Total Rail Project	78	602	1 053	5 207	4 857	3 634	1 656	98	19 231

PRELIMINARY ECONOMIC EVALUATION OF THE MANGANESE EXPANSION⁵

21. The 'No-regrets' investment was evaluated as part of the overall Manganese business case and is not supported by a standalone financial model.
22. The preliminary financial results of the combined project (rail and port) has a baseline NPV of R17.2 billion with a capital investment of R27.6 billion, assuming a tariff of R367/t based on the current tariff charged. This yields an IRR of 17.8 percent which is marginally less than the hurdle rate of 18.2 percent.
23. The project has a breakeven tariff of R275/t in today's terms, which is far below the current tariff (R367/t) and below the threshold 'affordable' tariff of some R311/t to ensure the development of emerging miners.

PROCUREMENT STRATEGY

24. As a Strategic Expansion Project, the Manganese expansion presents various opportunities during the construction and operational phases for transformation, small business development, skills development, job creation, and localization to support government policies, namely, the Competitive Supplier Development Program (CSDP) and the New Growth Path (NGP).
25. The detailed procurement package plan is attached and outlines the respective work packages to be delivered against project milestones and the requisite supplier development targets. Packages are summarised according to Construction Contracts; Consultant Services Contracts; Piping Supply Contracts; Mechanical Equipment Supply Contracts; Electrical Equipment Contracts; Instrumentation Equipment Contracts; Site Infrastructure Contracts; Turnkey Contracts; Rail Supply Contracts and EPCM and Owners Costs.
26. Supplier development targets have been prepared per category and are based on a preliminary market capability assessment with the majority of the capability falling in the small to medium range. Contracts for supplier development have been assigned with preliminary procurement targets.

JOB CREATION TARGETS

27. The number of direct and indirect jobs for the 'No-regrets' investments are outlined in Table 4.

Table 4: Job creation estimates

Area	Sum of Professional labour	Sum of Skilled labour	Sum of Semi & Unskilled labour	Sum of Informal labour	Total - Direct jobs	Total - Indirect jobs
Beaconsfield to De Aar	96	404	1 294	1 459	3 249	2 437

⁴ Funded through approved MDS Fleet Plans

⁵ The financial results are indicative of the expected economic returns and are subject to the finalisation of the port investments.

PROJECT APPROVALS

28. The approval of the capital for the 'No-regrets' investments rail infrastructure complied with Transnet governance:

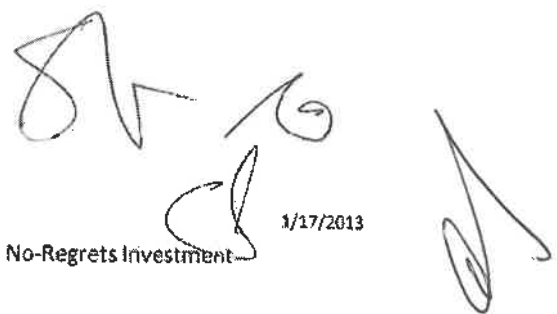
- On 17 October 2012 the Transnet EXCO unconditionally recommended the 'No-regrets' investment in support of the 16Mtpa expansion programme to the Transnet Board for approval:

EXCERPT FROM THE MINUTES OF THE GROUP EXECUTIVE COMMITTEE MEETING NO. 12/12 HELD ON 17 OCTOBER 2012 AT 09:30 IN BOARDROOM 4901, 49TH FLOOR, CARLTON CENTRE, 150 COMMISSIONER STREET, JOHANNESBURG

"5.13 TFR Ngqura 16mtpa Manganese Export (ETC R12 400m)

RESOLVED that the Committee recommended that the Board approves the execution of the first of two phases to expand the rail network capacity from the Northern Cape to the Port of Ngqura to support the Manganese Ore Expansion Programme from 5.5mtpa to 16mtpa at a cost of R2.4bn.

12/12/10"

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RECOMMENDATION:

29. It is recommended that the Transnet Board Acquisition and Disposal Committee supports and recommends to the Transnet Board the capital estimated at **R2.38 billion** (escalated) for an initial 'No-regrets' investment in support of the Manganese ore expansion programme from 5.5 to 16Mtpa.

RECOMMENDED BY:



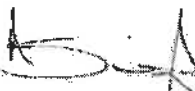
Nomfuyo Galeni
Chief Financial Officer, Transnet Freight Rail
Date:

RECOMMENDED BY:



Siyabonga Gama
Chief Executive, Transnet Freight Rail
Date: 2013-01-16

RECOMMENDED BY:



Anoj Singh
Group Chief Financial Officer
Date: 18/01/13

APPROVED BY:



Brian Molefe *Charo Molefe*
Act Group Chief Executive
Date: 2013-01-22

1 CONSTITUTION OF MEETING

1.1 Present

Mr B Molefe	Chairman
Mr M Gregg-Macdonald	Group Executive: Planning and Monitoring
Ms R Lepule	Group Executive: Transnet Property
Ms NJ Mabandla	Group Executive: Group Legal Services
Mr CA Möller	Group Executive: Transnet Capital Projects
Mr KC Phihlela	Group Executive: Commercial
Ms S Pillay	Chief Executive: Transnet Pipelines
Mr A Singh	Group Chief Financial Officer
Ms EAN Sishi	Group Executive: Human Resources
Mr KXT Socikwa	Chief Executive: Transnet Port Terminals
Mr R Vallihu	Chief Executive: Transnet Rail Engineering
Mr R Wolfenden	Chief Audit Executive (Ernst & Young)

1.2 In Attendance

Mr M Buthelezi	Chief Operating Officer: Transnet Freight Rail <i>(on behalf of Mr SI Gama)</i>
Ms P Difeto	General Manager: Office of the GCE
Mr E Lindeque	General Manager: Group Risk
Mr M Sigonyela	General Manager: Corporate and Public Affairs
Ms ANC Ceba	Group Company Secretary

1.3 Partial Attendance

None.

1.4 Apologies

Mr SI Gama	Chief Executive: Transnet Freight Rail
Mr T Morwe	Chief Executive: Transnet National Ports Authority

1.5 Welcome

1.5.1 The Chairman welcomed all members and attendees and having noted that there was a quorum, declared the meeting duly constituted. The attendance register was circulated for signature. The Chairman welcomed Ms Pillay to her first Group Exco meeting. He noted apologies from Messrs Gama who was in Turkey and Mr Morwe who was not feeling well. He apologised to the Committee on the delayed commencement.

1.6 Adoption of Agenda

The agenda was adopted as tabled with the following amendment:

- Items 5.8, 5.15, 5.16 and 5.17 deferred.
- Items 5.1 and 5.4 were merged.
- Items 5.10 and 5.12 were merged.

2 SAFETY BRIEF

The safety briefing and evacuation procedures were conducted by means of a video recording.




5.13 TFR Ngqura 16mtpa Manganese Export (ETC R12 400m)

5.13.1 Mr Buthelezi took the Committee through the submission as contained in the pack. The submission was taken as read. The approval sought was for the first two phases to expand the rail network capacity from the Northern Cape to the Port of Ngqura to support the Manganese Ore Expansion Programme from 5.5mtpa to 16mtpa. The cost was estimated at R2.4bn. Mr Singh indicated that TFR will design and re-align the rail network capacity with TNPA's terminal design at a later stage. The business case was submitted to CAPIC for consideration and TNPA and TPT were tasked to finalise the port plans and TFR was requested to augment the business case with a "no regret" scenario.

5.13.2 Ms Mabandla was concerned that Group Legal Services was not involved in the process. Mr Buthelezi indicated that the comprehensive business case will be finalised in April 2013 due to the outstanding engineering studies. The Chairman was concerned by the "partial" approvals. There is a probability that some decisions may need to be reviewed when the comprehensive business case is tabled for consideration. He requested that Group Legal be included in the project.

RESOLVED that the Committee recommended that the Board approves the execution of the first two phases to expand the rail network capacity from the Northern Cape to the Port of Ngqura to support the Manganese Ore Expansion Programme from 5.5mtpa to 16mtpa at a cost of R2.4bn.

12/12/10

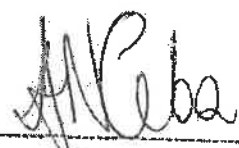
12 CLOSE

There being no further business to conduct, the Chairman declared the meeting closed at 15:20.


 CHAIRMAN

Date: 22.2.13.

Group Exco 12-12 17 Oct 2012


 GROUP COMPANY SECRETARY

Date: 20 NOVEMBER 2012

Group Company Secretariat



“HB2”

HB 2

From: Bester, Henk
Sent: Friday, 26 July 2013 08:58
To: Grey, Alan
Subject: FW: DEC/PMA JV - MOU
Importance: High

Henk Bester Pr Eng

Global Director Rail Infrastructure

<http://www.hatch.ca/images/HatchGobaLogo.gif>

Tel: +27 (0)11 844 1498

Mobile: +27 (0)82 497 5256

Fax: +27 (0)11 231 6113

14 Harrowdene Office Park, Western Service Road

Woodmead, Johannesburg, South Africa

From: Nalen Padayachee [mailto:nalen@pmafrica.com]
Sent: 25 July 2013 01:55 PM
To: Bester, Henk
Cc: 'Dave Reddy'
Subject: DEC/PMA JV - MOU
Importance: High

Hi Henk,



Thank you for the meeting on Monday, 22nd July 2013.07.25 We attached for your attention and comment the promised MOU. Please advise on your comments and or input so we can finalise asap.

Regards

Nalen Padayachee
for and on behalf of
P M Africa Project Management
Tel No:+2711 4676580
Fax No: +2711 4673886
Cell : +27825566186
www.pmafrica.com <<http://www.pmafrica.com/>>

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SAVE PAPER - THINK BEFORE YOU PRINT

A handwritten signature in black ink, consisting of a stylized, cursive script that appears to be the name 'Nalen Padayachee'.

“HB3”



Memorandum of Understanding

Overview

The following registered companies:

- 1) Development & Engineering Consultants (Pty) Ltd (herein referred to as **DEC**); a Project Management & Consulting Engineering services company having its registered office at 11 Selby Road, Parkwood, Sandton, Gauteng Province, South Africa; and
- 2) PM Africa (Pty) Ltd (herein referred to as **PMA**); a specialist Project Management company having registered offices at Block D, Ground Floor, Pineslopes Office Park, Cnr Forest Road and The Straight Road, Fourways, Gauteng, South Africa;

Have formed an unincorporated JV and will in short be referred to as **DEC PMA JV**.

- 3) Hatch Goba Africa (Pty) Ltd (herein referred to as **Hatch**) is a *Project Management & Consulting Engineering* services company having its registered office at Building 14, Harrowdene Office Park, Western Service Road, Woodmead, Sandton, Gauteng Province, South Africa

DEC PMA JV and **Hatch** have agreed to enter into this Memorandum of Understanding (MoU), for the express purpose of partnering on an Enterprise Development basis and for specified Supplier Development initiatives on engineering and project management services projects (on a project by project basis), of their own free will for the mutual benefit of both parties and hereby agree to honour and be bound by the following terms and conditions.

This Memorandum of Understanding shall come into effect from XX July 2013 and shall remain in force for a period of X years.

Purpose/Scope

The purpose of this MoU is to facilitate a close working relationship based on an Enterprise Development and or Supplier Development Initiative between both entities whilst delivering multi-disciplinary **Engineering Design and Project Management Solutions** for the **South African market** within the rail engineering, transportation and infrastructure engineering sectors on an EPCM basis.

A handwritten signature in black ink, located in the bottom right corner of the page.



Non-Compete

Both parties agree that they shall not attempt to contact or solicit any Third party customer that the other party has introduced for the purposes of providing Design Solutions. In the event that any party is made aware that the other party has approached any customer then this MoU shall stand terminated immediately without consequence.

Liabilities

No party shall act on behalf of the other party without explicit approval in writing for such an act. In the absence of this neither party will be liable to the other as a result of any action or non-action of the other party.

Dispute Resolution

Any disputes or differences between the parties arising out of this MOU which cannot be resolved amicably within 30 days of its being communicated in writing shall be finally settled under the Rules of Conciliation and Arbitration of International Chamber of Commerce by one or more arbitrators appointed there-under. The arbitration proceedings shall be conducted in English and the place of arbitration shall be South Africa. The arbitration decision and award shall be binding on both the parties.

Law

This Memorandum of Understanding shall be governed by the Laws of South Africa.

In Witness Whereof this Memorandum of Understanding has been executed as a deed and delivered by and on behalf of the parties on the date stated at the beginning.

Signed for and on behalf of the companies acting through their duly authorised signatories

A handwritten signature in blue ink, located in the bottom right corner of the page.



Hatch Goba Africa (Pty) Ltd

Name: Henk Bester

Designation: Global Director – Rail Engineering

PM Africa (Pty) Ltd

**Name: Nalen Padayachee
Designation: CEO**



**Development & Engineering Consultants
(Pty) Ltd.**

**Name: Dhavelin Lutchmanan Reddy
Designation: CEO**

A handwritten signature in black ink, located in the bottom right corner of the page. The signature is stylized and appears to be the name of the person whose name and designation are listed in the adjacent text block.

“HB4”

From: Bester, Henk
Sent: Friday, 26 July 2013 11:13
To: Grey, Alan
Subject: RE: MOU Agreement

HB4

Tx

Henk Bester Pr Eng

Global Director Rail Infrastructure

<http://www.hatch.ca/images/HatchGobaLogo.gif>

Tel: +27 (0)11 844 1498

Mobile: +27 (0)82 497 5256

Fax: +27 (0)11 231 6113

14 Harrowdene Office Park, Western Service Road

Woodmead, Johannesburg, South Africa

From: Grey, Alan
Sent: 26 July 2013 11:11 AM
To: Cooke, Hilary
Cc: Bester, Henk
Subject: MOU Agreement

Hi-



Been on this for the past hour or so

Please print this with changes shown and then go through and check and accept my changes in the updated MOU.

Henk needs to check through and make sure he is happy with it.

Henk they need to get the message somehow that they are not the only SD contractor, nor do they have first choice/shot at any project that we are pursuing. Hope the wording is not so vague that they are now not happy!

Alan Grey

Managing Director: Industrial Infrastructure

Global Director: Gateway Logistics

Logo for email sig with tagline.png

Tel: +27 (0) 11 239 5529

Fax: +27 (0) 11 231 6113

Cell: +27 (0) 82 465 9147

11 Harrowdene Office Park, Western Service Road, Woodmead, Johannesburg, South Africa

www.hatch.co.za <<http://www.hatch.co.za/>>

A handwritten signature in black ink, consisting of a stylized, cursive 'A' followed by a flourish.

“HB5”



Memorandum of Understanding

Overview

The following registered companies:

1) Development & Engineering Consultants (Pty) Ltd (herein referred to as DEC); a Project Management & Consulting Engineering services company having its registered office at 11 Selby Road, Parkwood, Sandton, Gauteng Province, South Africa; and

2) PM Africa (Pty) Ltd (herein referred to as PMA); a specialist Project Management company having registered offices at Block D, Ground Floor, Pineslopes Office Park, Cnr Forest Road and The Straight Road, Fourways, Gauteng, South Africa;

Have formed an unincorporated JV and will in short be referred to as DEC PMA JV.

3) Hatch Goba Africa (Pty) Ltd (herein referred to as Hatch Goba) is a Project Management & Consulting Engineering services company having its registered office at Building 14, Harrowdene Office Park, Western Service Road, Woodmead, Sandton, Gauteng Province, South Africa

DEC PMA JV and Hatch have agreed to enter into this Memorandum of Understanding (MoU), for the express purpose of cooperating where applicable on an Enterprise Development basis and for specified Supplier Development initiatives related to engineering and project management services projects. This shall be on a specifically agreed project by project basis and on a non exclusive basis. The parties shall engage of their own free will for the mutual benefit of both parties and hereby agree to honour and be bound by the following terms and conditions.

This Memorandum of Understanding shall come into effect from 26 July 2013 and shall remain in force for a period of 1 year, renewable by mutual agreement.

Purpose/Scope

The purpose of this MoU is to facilitate a close working relationship based on an Enterprise Development and or Supplier Development Initiative between both parties in the bidding for and delivery of certain multi-disciplinary Engineering Design and Project Management Projects for the South African market within the rail, transportation and infrastructure engineering sectors on an EPCM basis.

A handwritten signature in blue ink, consisting of a stylized, cursive script.



Should a project materialize it shall be executed on the basis whereby the DCA PMV JV shall act as sub consultant to Hatch Goba on agreed scope, price and Terms and Conditions which shall be finalized prior to either bidding for or commencement of the project

Non-Compete

Both parties agree that they shall not attempt to contact or solicit any Third party customer that the other party has introduced to the other for the purposes of providing the defined services with whom that party has hitherto no prior relationship In the event that either party is made aware that the other party has approached any customer in contravention of the above then this MoU shall stand terminated immediately without consequence.

Liabilities

No party shall act on behalf of the other party without explicit approval in writing for such an act. In the absence of this neither party will be liable to the other as a result of any action or non-action of the other party.

Dispute Resolution

Any disputes or differences between the parties arising out of this MOU which cannot be resolved amicably within 30 days of its being communicated in writing shall be finally settled under the Rules of Conciliation and Arbitration of International Chamber of Commerce by one or more arbitrators appointed there-under. The arbitration proceedings shall be conducted in English and the place of arbitration shall be South Africa. The arbitration decision and award shall be binding on both the parties.

Law

This Memorandum of Understanding shall be governed by the Laws of South Africa.

In Witness Whereof this Memorandum of Understanding has been executed as a deed and delivered by and on behalf of the parties on the date stated at the beginning.



Signed for and on behalf of the companies acting through their duly authorised signatories

Hatch Goba (Pty) Ltd

Name: Henk Bester
Designation: Global Director – Rail Engineering

Development & Engineering Consultants (Pty) Ltd.

Name: Dhavelin Lutchmanan Reddy
Designation: CEO

PM Africa (Pty) Ltd

Name: Nalen Padayachee
Designation: CEO

“HB6”

From: Bester, Henk
Sent: Saturday, 27 July 2013 11:20
To: Grey, Alan
Subject: FW: DEC/PMA JV - MOU

HB6

FYI

Henk Bester Pr Eng

Global Director Rail Infrastructure

<http://www.hatch.ca/images/HatchGobaLogo.gif>

Tel: +27 (0)11 844 1498

Mobile: +27 (0)82 497 5256

Fax: +27 (0)11 231 6113

14 Harrowdene Office Park, Western Service Road

Woodmead, Johannesburg, South Africa

From: Bester, Henk
Sent: 26 July 2013 11:35 AM
To: 'Nalen Padayachee'
Cc: 'Dave Reddy'
Subject: RE: DEC/PMA JV - MOU

Guys



Pse find attached the signed MOU.

Pse note we have made some changes in

1. MOU for 1 year renewable obviously as per project
2. Non exclusive in that we will also use other companies as see fit to satisfy SD requirements
3. It will be in form of sub consultant agreement with scope, SD targets etc etc

Pse advise if happy as our intent is commitment to SD

Regards

Henk Bester Pr Eng

Global Director Rail Infrastructure

<http://www.hatch.ca/images/HatchGobaLogo.gif>

Tel: +27 (0)11 844 1498

Mobile: +27 (0)82 497 5256

Fax: +27 (0)11 231 6113

14 Harrowdene Office Park, Western Service Road

Woodmead, Johannesburg, South Africa

A handwritten signature in black ink, located in the bottom right corner of the page. The signature is stylized and appears to be the name of the sender, Henk Bester.

From: Nalen Padayachee [mailto:nalen@pmafrica.com]
Sent: 25 July 2013 01:55 PM
To: Bester, Henk
Cc: 'Dave Reddy'
Subject: DEC/PMA JV - MOU
Importance: High

Hi Henk,

Thank you for the meeting on Monday, 22nd July 2013.07.25 We attached for your attention and comment the promised MOU. Please advise on your comments and or input so we can finalise asap.

Regards

Nalen Padayachee
for and on behalf of
P M Africa Project Management
Tel No:+2711 4676580
Fax No: +2711 4673886
Cell : +27825566186
www.pmafrica.com <<http://www.pmafrica.com/>>

cid:image001.png@01CD9BEF.71CCF940

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SAVE PAPER - THINK BEFORE YOU PRINT



“HB7”



2 August 2013

Addendum 1

Projects:

This addendum refers to the above MoU between Hatch Goba and DEC PMA JV.

- The first project identified that the parties will engage on within the Purpose and Scope of the MoU is recorded as the Transnet EPCM FEL3/4 for the Manganese Line Upgrade. Hatch Goba will engage DEC PMA JV as the primary SD partner in the project.





**Development &
Engineering
Consultants**



AFRICA
Project and Construction Management

July 21 **Signed for and on behalf of the companies acting through their duly authorised signatories**

Hatch Goba Africa (Pty) Ltd

**Development & Engineering Consultants
(Pty) Ltd.**

***Name: Henk Bester
Designation: Global Director –
Rail Engineering***

***Name: Dhavelin Lutchmanan Reddy
Designation: CEO***

PM Africa (Pty) Ltd

***Name: Nalen Padayachee
Designation: CEO***

“HB8”

From: Bester, Henk
Sent: Wednesday, 07 August 2013 18:14
To: Nalen Padayachee; 'Dave Reddy'
Subject: Addendum 1 to MOU

HB8

Dear Nalen and Dave

Further to my telephone conversation yesterday evening (with Dave) I wish to confirm that we are not comfortable signing the Addendum 1 to our MOU which you gave to us for consideration on Monday 5th, which would confirm the DEC PMA JV as the primary SD partner for the Transnet FEL3/4 phases of the manganese upgrade Project.

As you seem to be aware, the EPCM appointment for the project has at this stage not been awarded to us, and may yet go out to tender should the confinement not be approved. A SD plan still needs to be finalised around the specific requirements set for the project, and needs to embody all of the various aspects of SD in the broader definition. We have other organizations who will also need to be considered in a transparent manner as appropriate in the roll out of the SD plan, which will require client alignment and endorsement prior to implementation. The MOU recently signed with yourselves does not cater for exclusivity.

As I have explained to you in our first meeting, Hatch as a global company has fully embraced the principles of SD and will ensure, through this project, should we be successful, and any other project, we maximise opportunities of skills development, localisation, technology transfer and other targets set, to support Transnet in its SD targets as a SOC.

We are therefore not in a position to agree to your appointment as the primary SD supplier for this project.

Thank you for your understanding in this matter

Regards

Henk Bester Pr Eng

Global Director Rail Infrastructure

<http://www.hatch.ca/images/HatchGobaLogo.gif>

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Mobile: +27 (0)82 497 5256

Fax: +27 (0)11 231 6113

14 Harrowdene Office Park, Western Service Road

Woodmead, Johannesburg, South Africa

A handwritten signature in black ink, located in the bottom right corner of the page. The signature is stylized and appears to be a cursive name.

“HB9”

From: Blacklaws, Xandra
Sent: Wednesday, 07 August 2013 13:44
To: Grey, Alan; Bester, Henk; Kirk, Rory
Subject: Development and Engineering Consultants (Pty) Ltd and PM Africa (Pty) Ltd

HB9

Dear all,

I refer to our earlier conversation.

I was able to do a successful search on Development and Engineering Consultants (Pty) Ltd – the search results are attached.

I was not able to find anything on PM Africa!

Regards

Xandra Blacklaws

Legal Counsel and Company Secretary
Client Agreements Group and Legal Services



Tel: +27 (0) 11 239 5460
Fax: +27 (0) 11 239 5876
Mobile: +27 (0) 73 146 9804
14 Harrowdene Office Park, Western Service Road, Woodmead



“HB10”

**MEMORANDUM**

www.transnet.net

TO : Brian Molefe, Group Chief Executive, Transnet SOC Ltd

FROM : Charl Möller, Group Executive, Transnet Capital Projects

DATE : 6 August 2013

SUBJECT : **CONFINEMENT AND AWARD OF THE FEL 4 EPCM SERVICES TO HATCH GOBA FOR PHASE 1 OF THE MANGANESE 16mtpa TFR PROJECT**

PAGES : 7

PURPOSE

1. To obtain approval from the Group Chief Executive, Transnet SOC Ltd for confinement and award of the Engineering Procurement and Construction Management (EPCM) services for FEL 4 Phase 1 of the Manganese 16mtpa TFR expansion project to Hatch Goba, the current FEL-3 service provider.

BACKGROUND

2. The Manganese expansion project as part of the MDS investment programme is a 'catalytic' growth project and supports the development of the Manganese industry (including various emerging mines) in the Northern Cape. The programme is tracked by the PICC in SIP 3: South Eastern node and corridor development.
3. Transnet has committed to provide 16mtpa of manganese export capacity by March 2020, with an initial 8mtpa available by August 2018 when the new bulk terminal in the Port of Ngqura is expected to be commissioned.
4. Various critical milestones have been identified to achieve these dates necessitating the separation of the rail infrastructure expansion into separate phases being, Phases 1 and then 2: Full Expansion programme. Phase 1 is limited to work packages that have existing environmental authorisation where construction can commence immediately and where the investment benefit to Transnet can already be realised during the construction programme. Environmental approvals for the remaining work packages in Phase 2 are only expected by January 2014.
5. Phase 1 comprises the partial doubling of the line section (132km of a total of 243km) between Kimberley and De Aar, and the extension of the Rosmead passing loop at an estimated cost of R2.38 billion and an expected completion date of June 2016. EPCM cost based to industry norms usually range between 15-18% of project cost. The relative simplicity and free issue of perway materials on this project have placed it at the lower

end of the scale. EPCM cost of R220m has been calculated against the total project cost less free issued materials.

6. The business case for Phase 1 was approved by the Transnet Board on 15 February 2013 and Phase 2 is currently serving at various committees for approval.
7. The project milestones for Phase 1 (FEL-4) are summarised below:

Milestone	Milestone
Rail Environmental Authorisation	Approved
Construction Planning	
Award EPCM contract	To be complete before October 2013
Site establishment	
RAIL Phase 1: Construction to start	October 2013
RAIL Phase 1: Complete	June 2016

8. The detailed construction planning for Phase 1 has commenced. The following risks have however emerged:
 - 8.1. Transnet's current EPCM procurement strategy requires public tender processes between the respective project lifecycle process (PLP) phases. Standing time between phases can be anywhere between 6 and 9 months depending on the tender process, quality of bids received and the complexity of the project.
 - 8.2. Transnet Capital Projects is in the process of developing a revised EPCM operating model and strategy based on sound business principles and incorporating the findings of the NMPP Ministers report and seeks to combine the FEL2,-3 and FEL-4 phases to the same service provider as the preferred options to reduce project risks, associated schedule delays and ETC increases. This principle is also contained in the draft Supply Chain Management Policy that is currently being circulated for approval.
 - 8.3. When reviewing the programme for Phase 1, only six months effectively remain between the issuing of the warrant and the commencement of construction. This does not allow sufficient time for an open tender EPCM process to appoint a new EPCM service provider. It also introduces the risk of further project delays should the engineering service provider wish to interrogate the engineering designs produced in the FEL-3 phase (by Hatch Goba). This is a material risk to the project timelines given that the EPCM service provider must confirm professional guarantees for the detailed engineering designs issued during construction. The estimated start date for site establishment is likely to move out from August 2013 to February 2014 should an open tender process be followed.
 - 8.4. In quantifying the project delays it is estimated that each 6 month delay period introduced during the FEL-4 phase could potentially result in ~R80m of escalation increases in the project's ETC. This is calculated based on the escalation figures quoted in the Integrated Manganese Business case. The planned Phase 1 construction programme is a typical brown-fields expansion project and is very sensitive to the planning and granting of occupations on the existing lines. The

operational planning during construction is also critical to maintain current volumes through the corridor but also to provide incremental capacity during construction. The knowledge gained by the EPCM service provider during the FEL-3 study will be used during construction to oversee and adjust the programme where necessary during the FEL-4 phase.

9. A series of frameworks/panels were established in TCP, through a competitive bid process, for the provision of a variety of services. Each framework/panel operates independently, with business awarded on a task order bases. Each framework resulted in the establishment of contracts with a panel of qualifying service providers.
10. Hatch Africa (now Hatch Goba) was then selected, under separate appointments on the Investment Planning Services framework/panel, for the provision of services for FEL 2 and FEL 3 phases of the Manganese 16mtpa Expansion Project (inclusive of phase 1). This was done using the selected process approval procurement mechanism. Their selection was mainly due to their involvement in previous studies carried out on the 8mtpa Manganese Project and their experience in rail infrastructure development. Hatch Africa was appointed for Rail FEL 3 and Port FEL2/3 studies in November 2011 for R34 million. An increase in the DCV was subsequently approved through a formal NAC submission (May 2012) increasing the value to R128 million, to include additional FEL3 deliverables required by the OD's. These included geotechnical and environmental works. TNPA and TFR approached their relevant CAPICs for approval of the additional funding.
11. The final rail FEL-3 study¹ with various value engineering iterations was completed in February 2013.

MOTIVATION

12. The motivation to confine FEL 4 is based on one of the four requirements for confinement as per the Procurement Procedures Manual (1/10/2012) namely:
 - 12.1. The Services being procured are highly specialized and largely identical to those previously executed by the supplier and it is not in the interest of the organisation or the Government to solicit other offers as it would result in **wasted time and money** for Transnet.
13. Phase 1 is a critical milestone in the 16mtpa Manganese expansion programme and also supports the interim initiatives to provide export capacity for manganese customers through various terminals in Port Elizabeth. This interim capacity is required to protect the global market share of local Manganese producers. In order to provide incremental capacity during the FEL-4 construction period and achieve the June 2016 implementation date, a special procurement process is required.
14. Engineering design work for Phase 1 as part of the full expansion project has already been done in the FEL-3 study which can be efficiently progressed to the final execution phase by retaining the EPCM services of the same service provider. Any changes in engineering design between FEL-3 and 4 could impact the scope of individual work packages and therefore the overall cost, a key lesson learnt on the NMPP project. The Manganese expansion introduces a new operating philosophy in the general freight network i.e. long, distributed power trains and TFR/Transnet together with the engineering service provider invested significant intellectual property, research and

¹ The final FEL-3 study was for the full expansion which included phase 1 of the project

development, simulations and know how in defining the infrastructure appropriate to this philosophy. Up-skilling of a new EPCM service provider on this philosophy will result in significant project delays. Additional time delays resulting in ETC escalations during Phase 1 will be avoided by proceeding with the current EPCM service provider.

15. The retention of the current EPCM service provider for engineering services in FEL-4 is therefore requested as an urgent action for Phase 1.
16. The confinement to Hatch Goba is being requested due to the services being largely identical to the services previously provided by Hatch Africa (now Hatch Goba).
17. The current service provider: Hatch Goba has the necessary skills and capacity to progress the engineering design and preparation of tender documentation for phase 1 of this project from FEL-3 to FEL-4. The service provider will serve as the single point of accountability of the required EPCM services and will provide the necessary professional guarantees required by the NEC3 contracting regime.
18. The confinement and award of EPCM services to Hatch Goba will ensure:
 - Business continuity;
 - The retention of Intellectual Property (IP);
 - Effective transfer of skills;
 - Effective risk mitigation;
 - The assurance that no rework is required to secure professional indemnity; and
 - Timeous completion of the detailed engineering design and preparation of tender documentation for the construction phase (FEL-4) of the project.
19. The overall project risk exposure, including cost control and optimization will be managed through the employment of robust works information, developed by TCP to especially cater for EPCM services, the employment of a suitable contracting strategy and the use of various tools for the upfront benchmarking of costs. The aforementioned works information was developed and reviewed by a cross functional team within TCP to address the lessons learnt on past EPCM contracts including the NMPP. It addresses all the key obligations, constraints, cost management and contract management controls and ensures alignment with the relevant Transnet policies and procedures. The relevant performance management, monitoring and reporting requirements are also included.
20. The NEC3 Professional Services Contract (PSC) with pricing option A was identified as the suitable contracting strategy for the contracting of the required EPCM services. NEC3 PSC Option A is a priced contract with an activity schedule for professional services and schedule of rates for a predetermined scope of works. Under this pricing option the service provider carries the risk of providing those services described in the activity schedule for a lump sum. Payment milestones are based on activities completed. Early completion of the services while in the context of project requirements, entitle the service provider to early payment, this in itself becomes an incentive for the early completion of the works. The works is expected to be executed over a 34 month period commence as soon as possible after obtaining all the required approvals. No early completion incentives have been provided for save for those inherent to the selected contracting methodology.

The bottom of the page contains several handwritten signatures and initials in black ink. On the left, there is a large, stylized signature that appears to be 'S. S. S.'. To its right, there are several smaller, more distinct signatures and initials, including one that looks like 'EA' and another that is a simple '10'.

21. Potential changes will be managed in terms of a risk register and the standard compensation events methodology provided for in the NEC3 suit of contracts. Cost associated with compensation events will be derived from the priced rates schedule and where applicable proof of the relevant costs incurred.
22. TCP will benchmark costs against accepted industry norms and comparable rates obtained on other tenders. If necessary cost and/or time estimates will be obtained from independent sources to ensure and verify that value for money is obtained.
23. Effective management will be ensured through an owner's team that has been appointed to monitor the EPCM service provider's performance. This team, led by an experienced Project Director is made up of subject matter experts from the various functional support areas and will report into the approved Programme Organisation.
24. TCP has already appointed a core team on the manganese project led by an experienced Project Director with 15 years' experience in project management supported by personnel who are skilled in procurement, construction management and project controls. In addition to this TCP is actively procuring additional resources, to ensure a full owner's team will be in place to manage the EPCM. The key potential liabilities of the EPCM contract which must be managed by the owners team relates to breach or negligence in the performance of the design work. TCP will therefore ensure that engineering managers are appointed to ensure that reasonable design completion targets are reached. The owner's team will also ensure that a scope change team are introduced and that scope changes are tightly controlled. TCP will ensure that a specialised project control team verifies these estimates and schedules and ensure a proper project control system supported by the proper software packages is in place. With EPCM's the execution contracts are between the owner and contractor with the EPCM not being a party to the contract other than managing the contract on behalf of the owner. The owners team must therefore ensure quality assurance of tender documentation, proper control of any DOA and ensure that contracts are managed in terms of NEC3. The NEC3 professional service tender documentation was updated to ensure a tighter control of the EPCM. In addition to the above the owner's team must ensure that governance are maintained through competent staff in environmental, safety and construction compliance.

FINANCIAL IMPLICATIONS

25. If approved, the total estimated contract value for the EPCM services in FEL-4 will be R220 million for phase 1 of the 16mtpa Manganese expansion project.

BUDGET IMPLICATIONS

26. The R220 million for the EPCM services in the FEL-4 stage of Phase 1 is included in the approved EPCM value for the project.

BBBEE IMPLICATIONS

27. When Transnet entered into the original contract with Hatch Africa, prior to the merger with Goba (resulting in Hatch Goba), Hatch Africa had a BBBEE contributor status level of 3. The BBBEE certificate currently in Transnet's possession was valid for the financial year 2012/13 and Transnet have been notified by Hatch Goba that they are currently in the verification process of obtaining a new valid BBBEE certificate. Hatch Goba's targeted objective to obtain a minimum level 3 contributor status in terms of the current Broad

Handwritten signatures and initials are present at the bottom of the page, including a large signature on the right side and several smaller initials or marks below the page number.

Based Black Economic Empowerment (BBBEE) codes will be driven by an active BBBEE strategy to ensure that it contributes positively to transformation within its sector and society as a whole.

28. In addition to this, TCP also requests that Hatch Goba submit a B-BBEE improvement plan. Hatch Goba are therefore requested to indicate the extent to which their ownership, management control, employment equity, preferential procurement and enterprise development will be maintained or improved over the contract period.

SUPPLIER DEVELOPMENT IMPLICATIONS

29. SD will be implemented in the form of a pre-qualification criterion as well as a threshold.
30. The minimum pre-qualifying criteria of 50% of contract value will be allocated to SD related initiatives. It is Transnet's preference that this be directed towards Small Business Promotion, for works to be sub-contracted to service providers that are preferably black owned, black women, black youth, people with disabilities or with the South African National Military Veterans Association (SAMVA).
31. Along with the SD pre-qualification, an SD threshold of 60% will also be required, with the service provider evaluated against predetermined criteria. The table below provides an indication as to the weightings developed per SD category:

SD Category	Weighting
Capability and Capacity Building	10%
Technology and IP Transfer	5%
New Skills Development	15%
Job Creation	15%
Job Preservation	10%
Small Business Promotion	45%

32. The SD plan/proposal will be negotiated if required to ensure maximum alignment with the criteria set. The service provider will be required to identify clear and tangible outcomes which can be achieved over the duration of the contract, based on the scope of works and the applicable SD pillars. These outcomes together with their key milestones and the methodology for achieving them will be documented within the SD plan and finally included in their contractual obligations by way of incorporation to the works information. The plan will among other things address how skills transfer will be realised to subcontractors and how capability and capacity building will be addressed. This plan to be fully documented within 90 days after award of the contract. Confirmation from contractor to be obtained that Transnet bears no risk for subcontractor non-performance.
33. The service provider will be liable to pay penalties on any undelivered portions of their SD commitments. Penalties will be negotiated with the service provider in question with the aim of securing a penalty not less than 100% of any undelivered SD obligations. This will be incorporated as a provision under the contract. Transnet will reserve its right to set off any penalty due against milestone payments.



APPROVALS AND DELEGATIONS

34. Paragraph 5.4.3 (confinements) of the Transnet Delegation of Authority Framework effective 29 May 2013 will be applicable where the GCE has the authority to approve confinements up to R250 million.

RECOMMENDATION

35. It is recommended that the Transnet Group Chief Executive Officer approves the confinement and award of the Engineering Procurement and Construction Management (EPCM) services for FEL 4 Phase 1 of the Manganese 16mtpa TFR expansion project to Hatch Goba, the current FEL-3 service provider. The estimated value for this appointment is R220m with an estimated contract period of 34 months beginning in August 2013 to June 2016. The confinement award is subject to all of the following:

- Value of the contract not to exceed R 220m;
- SD prequalification of 50% be met;
- SD threshold of 60% be met;
- Penalty for un-delivered SD obligation be 100%;
- Skills capacity and transfer plan to be submitted within 90days;
- Subcontractor non-performance not Transnet's risk

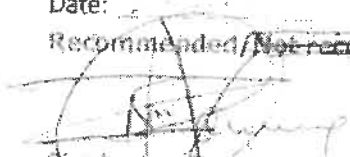
Compiled and submitted by **Rudie Basson, GM: Project Execution Port and Rail.**

~~Recommended/Not recommended by:~~

Gerhard Bierman
Chief Financial Officer, TCP


Date:

~~Recommended/Not recommended by:~~


Siyabonga Dlamini
Group Executive
Transnet Freight Rail

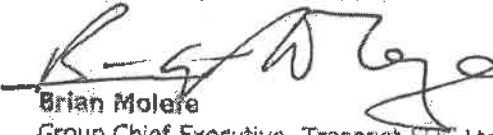
Date: 2013.08.07

~~Recommended/Not recommended by:~~


Garry Pita
Group Chief Supply Chain Officer

Date: 8/8/13

Approved/Not Approved by:


Brian Molera
Group Chief Executive, Transnet SOC Ltd

Date: 19.8.13

~~Recommended/Not recommended by:~~


Charl Möller
Group Executive
Transnet Capital Projects

Date: 7/8/2013

~~Recommended/Not recommended by:~~


Mohammed Mahmood
General Manager Group Capital Integration

Date: 07/08/2013

~~Recommended/Not recommended by:~~


Anoj Singh
Group Chief Financial Officer

Date: 15/08/13



“HB11”

From: Tew, Greg
Sent: Thursday, 22 August 2013 12:26
To: Grey, Alan; Bester, Henk
Cc: Auret, Andries; Gous, Flip; Sumption, Craig
Subject: PE Mn Ph1 - Way Forward per discussion with TCP

HB11

Good Day Gents, I have just had a discussion with Velile confirmed TCP's intent for the next fortnight:

1. The confinement is a sole source motivation and is not based on a proposal.
2. Therefore on Mon/Tuesday next week TCP procurement are going to issue Hatch an RFQ (sole source) and we will need to return a proposal based on that. Apparently we are going to have little to no time to submit the proposal. I 'fished' for content, especially SD, yet Velile was silent and said that we would need to await the official RFQ from their procurement team
3. Once they have reviewed the proposal (all things being equal and okay) we will then enter into negotiations and thereafter look to finalise the contract. Velile is eager for this process to be concluded soonest which is good for us.

All very +ve news indeed. The reality is that it is going to take more than a couple of weeks to get to a signed contract, it is more likely to be a 4 week process. I therefore enquired about an interim mechanism whereby we could start to mobilise a team. Velile was not keen on that and would rather we get the formalities of the appointment finalized before we mobilize. Henk maybe this is something that you could still explore if you have any good ideas.

Getting to some logistics/challenges:

- We are going to have to submit a FEL4 proposal next week and we are going to need BU and PDG sign-off. Who from the BU perspective will be around to do this with all the travels going on? I do expect that from an SD perspective we will need to commit to some significant items and therefore it is critical that have the correct authorities to be part of the process. I will be working up an SD plan for the rest of the day and tomorrow.... (I am hopeful that we are simply going to be able to extract from all of our execution plans in order to prep the proposal and that the scope will be as we understand it to be)
- From a rail perspective we are scarce on the ground next week... Henk who from the rail team can assist with this submission (Bennie?) + we are very short with respect to admin staff next week
- Additionally I am on leave (France) from midday on the 30-08 to back in the office on the 10-09... therefore my time is also severely constrained
- One other thing Velile mentioned is that we Hatch Goba had apparently agreed to hold a kick-off meeting on the 3/09... this is news to me



Long story short the way that I see things is that from a Rail perspective the key experience is out of town, I can hold the fort for a period yet need someone who knows the project to assist with the kick-off meeting that I can't attend... if I can't get it delayed.

Henk/Alan I am looking to you for guidance as to who can assist that is not currently fully assigned. We are going to need hands on deck next week and when I look around it all looks a little vacant.

I look forward to your thoughts.

Kind Regards

Greg Tew MSc Mech Eng, PMP

PDG - Project Manager

<http://www.hatch.ca/images/HatchGobaLogo.gif>

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“HB12”

T2.2-12: TENDER DECLARATION FORM

NAME OF COMPANY: _____

We _____ do hereby certify that:

1. Transnet has supplied and we have received appropriate tender offers to any/all questions (as applicable) which were submitted by ourselves for tender clarification purposes;
2. we have received all information we deemed necessary for the completion of this Tender;
3. at no stage have we received additional information relating to the subject matter of this tender from Transnet sources, other than information formally received from the designated Transnet contact(s) as nominated in the tender documents;
4. we are satisfied, insofar as our company is concerned, that the processes and procedures adopted by Transnet in issuing this TENDER and the requirements requested from tenderers in responding to this TENDER have been conducted in a fair and transparent manner; and
5. furthermore, we acknowledge that a direct relationship exists between a family member and/or an owner / member / director / partner / shareholder (unlisted companies) of our company and an employee or board member of the Transnet Group as indicated below: *[Respondent to indicate if this section is not applicable]*

FULL NAME OF OWNER/MEMBER/DIRECTOR/

PARTNER/SHAREHOLDER:

ADDRESS:

Indicate nature of relationship with Transnet:

[Failure to furnish complete and accurate information in this regard may lead to the disqualification of your response and may preclude a Respondent from doing future business with Transnet]

We declare, to the extent that we are aware or become aware of any relationship between ourselves and Transnet (other than any existing and appropriate business relationship with Transnet) which could unfairly advantage our company in the forthcoming adjudication process, we shall notify Transnet immediately in writing of such circumstances.





TRANSNET FREIGHT RAIL
TENDER NO.: BLE/5155/2020

DESCRIPTION OF THE SERVICES: PROVISION OF PROFESSIONAL SERVICES TO CONDUCT A FEASIBILITY STUDY TO DETERMINE SUSTAINABLE GROUNDWATER AQUIFER ZONES THAT ARE SUSTAINABLE IN TERMS OF POTENTION, QUALITY AND WATER TABLE CONDITIONS WITHIN TRANSNET FREIGHT RAIL DEPOTS IN THE WESTERN CAPE

- 6. We accept that any dispute pertaining to this tender will be resolved through the Ombudsman process and will be subject to the Terms of Reference of the Ombudsman. The Ombudsman process must first be exhausted before judicial review of a decision is sought. (Refer "Important Notice to respondents" below).
- 7. We further accept that Transnet reserves the right to reverse a tender award or decision based on the recommendations of the Ombudsman without having to follow a formal court process to have such award or decision set aside.

For and on behalf of duly authorised thereto
Name:
Signature:
Date:

IMPORTANT NOTICE TO RESPONDENTS

- Transnet has appointed a Procurement Ombudsman to investigate any material complaint in respect of tenders exceeding R5,000,000.00 (five million S.A. Rand) in value. Should a Respondent have any material concern regarding a tender process which meets this value threshold, a complaint may be lodged with Transnet's Procurement Ombudsman for further investigation.
- It is incumbent on the Respondent to familiarise himself/herself with the Terms of Reference for the Transnet Procurement Ombudsman, details of which are available for review at Transnet's website www.transnet.net.
- An official complaint form may be downloaded from this website and submitted, together with any supporting documentation, within the prescribed period, to procurement.ombud@transnet.net
- For transactions below the R5, 000,000.00 (five million S.A. Rand) threshold, a complaint may be lodged with the Chief Procurement Officer of the relevant Transnet Operating Division.
- All Respondents should note that a complaint must be made in good faith. If a complaint is made in bad faith, Transnet reserves the right to place such a bidder on its List of Excluded Bidders.

“HB13”

HB13

From: Mmadiboka Chokoe Transnet Corporate JHB <Mmadiboka.Chokoe@transnet.net>
Sent: Friday, 08 November 2013 13:50
To: Tew, Greg; Gomolemo Mahange Transnet Group JHB; Mzonyana Sidinana 0129399; Victor Best 0002207
Cc: Bester, Henk; Simmer, Craig; Garry Pita Transnet Corporate JHB; xola.sithole@asceng.co.za; Grey, Alan; Sumption, Craig; Harvey Marole Transnet Corporate JHB; Bella Maja Transnet Corporate JHB
Subject: RE: Hatch Goba response to the 6th of November SD clarification request. (Email 1 of 2)

Hi Harvey

Please see the mail below. I would be comfortable if Aus Bella and her team goes to check the BEEE credentials of the companies below

cid:image005.jpg@01CE134A.62A0B510

Mmadiboka Chokoe
Executive Manager
Group Intergrated

Supply chain Management
Transnet SOC Ltd

cid:image006.jpg@01CE134A.62A0B510(011) 308 1209

cid:image007.jpg@01CE134A.62A0B510083 444 0062

cid:image008.jpg@01CE134A.62A0B510(011) 308 3967

cid:image009.jpg@01CE134A.62A0B510mmadiboka.chokoe@transnet.net <mailto:mmadiboka.chokoe@transnet.net>

www.transnet.net <<http://www.transnet.net/>>

From: Tew, Greg [mailto:gtew@hatch.co.za]
Sent: 08 November 2013 01:08 PM
To: Mmadiboka Chokoe Transnet Corporate JHB; Gomolemo Mahange Transnet Group JHB; Mzonyana Sidinana 0129399; Victor Best 0002207
Cc: Bester, Henk; Simmer, Craig; Garry Pita Transnet Corporate JHB; xola.sithole@asceng.co.za; Grey, Alan; Sumption, Craig
Subject: RE: Hatch Goba response to the 6th of November SD clarification request. (Email 1 of 2)

Importance: High

Dear Mmadiboka, the information that you requested.

T2.2-8: Schedule of Proposed Sub-consultant

Name and address of proposed Sub-consultant

Nature and extent of work/service

Previous experience with Sub-consultant

B-BBEE level

% Black Ownership

1

ASCENG

Office E, 1st Floor

Building 16 The Woodlands

Cnr. Kelvin & Woodlands Drive

Woodmead

2191

Multidisciplinary Engineering Consulting and Project Management Company

Yes, we have worked with Asceng on two projects, Masorini and Transnet energy management project

2

100% BO

0% BWO

2

EDS



EDS Offers a unique combination of services designed to provide customized solutions to the Renewable Energy, Mining and corporate sectors. Our experience within the B-BBEE consulting, organizational transformation, economic development and strategic facilitation enables EDS to provide a holistic service to our clients

Yes, we have worked with EDS on four projects. They completed community needs assessments and developed and managed thereafter the agree community based projects.

1

100% BO

80% BWO

3

MMQS

QS and Contract Admin

2

100% BO

0% BWO

4

ZD Projects

Engineering and Project services

Yes, we have worked with ZDP on various public infrastructure projects

1

100% BO

100% BWO

5

Aspire

Engineering and Project services

Yes, we have worked with ZDP on various public infrastructure projects

2

100% BO



100% BWO

Regards

Greg Tew MSc Mech Eng, PMP

PDG - Project Manager

<http://www.hatch.ca/images/HatchGobaLogo.gif>

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Fax: +27 (0) 11 612 9613

Cell: +27 (0) 82 331 4975

No. 14 Harrowdene Office Park, Western Service Road, Woodmead, Johannesburg, South Africa

www.hatch.co.za <<http://www.hatch.co.za>>

From: Mmadiboka Chokoe Transnet Corporate JHB [mailto:Mmadiboka.Chokoe@transnet.net]

Sent: 08 November 2013 11:22 AM

To: Tew, Greg; Gomolemo Mahange Transnet Group JHB; Mzonyana Sidinana 0129399; Victor Best 0002207

Cc: Bester, Henk; Simmer, Craig; Garry Pita Transnet Corporate JHB; xola.sithole@asceng.co.za

<mailto:xola.sithole@asceng.co.za>; Grey, Alan; Sumption, Craig

Subject: RE: Hatch Goba response to the 6th of November SD clarification request. (Email 1 of 2)

Greg

Please send me your BBBEE partners credentials rather than referring me to a document. I want you to commit to your BBBEE credentials in writing please

cid:image005.jpg@01CE134A.62A0B510

Mmadiboka Chokoe
Executive Manager



Group Intergrated

Supply chain Management
Transnet SOC Ltd

cid:image006.jpg@01CE134A.62A0B510(011) 308 1209

cid:image007.jpg@01CE134A.62A0B510083 444 0062

cid:image008.jpg@01CE134A.62A0B510(011) 308 3967

cid:image009.jpg@01CE134A.62A0B510mmadiboka.chokoe@transnet.net

www.transnet.net <<http://www.transnet.net/>>

From: Tew, Greg [mailto:gtew@hatch.co.za]

Sent: 08 November 2013 10:40 AM

To: Mmadiboka Chokoe Transnet Corporate JHB; Gomolemo Mahange Transnet Group JHB; Mzonyana Sidinana 0129399; Victor Best 0002207

Cc: Bester, Henk; Simmer, Craig; Garry Pita Transnet Corporate JHB; xola.sithole@asceng.co.za <mailto:xola.sithole@asceng.co.za> ; Grey, Alan; Sumption, Craig

Subject: RE: Hatch Goba response to the 6th of November SD clarification request. (Email 1 of 2)

Importance: High

Good Morning All it appears that the email with attached letter was not received by Transnet.

I have therefore separated the letter into two separate (.pdfs) namely 13-3223-CO-ZA01-10007-1.pdf and 13-3223-CO-ZA01-10007-2.pdf and will send the 2nd part of the letter on a 2nd email.

Mmadiboka please can you confirm receipt of both emails.

Kind Regards

Greg Tew MSc Mech Eng, PMP

PDG - Project Manager

<http://www.hatch.ca/images/HatchGobaLogo.gif>



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From: Tew, Greg

Sent: 07 November 2013 04:31 PM

To: 'Mmadiboka Chokoe Transnet Corporate JHB'; Gomolemo Mahange Transnet Group JHB; 'mzonyana.sidinana@transnet.net'; 'Victor Best 0002207'

Cc: Bester, Henk; Simmer, Craig; Garry Pita Transnet Corporate JHB; 'xola.sithole@asceng.co.za'; Grey, Alan; Sumption, Craig

Subject: Hatch Goba response to the 6th of November SD clarification request.

Importance: High

Good Afternoon Mzonyana

Attached (13-3223-CO-ZA01-10007.pdf) is our response to the clarification per the email below.

Kind Regards

Greg Tew MSc Mech Eng, PMP

PDG - Project Manager

<http://www.hatch.ca/images/HatchGobaLogo.gif>

Tel: +27 (0) 11 239 5432

Fax: +27 (0) 11 612 9613

Cell: +27 (0) 82 331 4975



No. 14 Harrowdene Office Park, Western Service Road, Woodmead, Johannesburg, South Africa

www.hatch.co.za <<http://www.hatch.co.za>>

From: Mmadiboka Chokoe Transnet Corporate JHB [mailto:Mmadiboka.Chokoe@transnet.net]

Sent: 06 November 2013 03:27 PM

To: Tew, Greg; Gomolemo Mahange Transnet Group JHB

Cc: Bester, Henk; Simmer, Craig; Garry Pita Transnet Corporate JHB

Subject: RE: Email Summary of our discussion in order that Hatch Goba can respond

Dear Greg

Please clarify the following:

1. 30% S/C –Which commodities are you S/C? To whom? What's the BBBEE Level of the companies you are subcontracting to? What is the Value of the S/C its commodities? Who are your SD partners? What is their BBBEE credentials? Do your BBBEE partners include designated groups ,i.e. BWO,BYO,BDO?
2. Please clarify the community projects that ESD will be handling? What exactly does it entail? Who is ESD? What is their BBBEE credentials? Please send us all their details.
3. In terms of the Skills Development, what is the Total Value of the programme itself? Please clarify!
4. In terms of mentorship, can you kindly breakdown the amount in terms of the hours the mentor will be spending with the Mentee, and state clearly what the rate of the mentor is.
5. In terms of IP, can you kindly quantify the R2,5 mil, as we are struggling a bit with understanding how your IP is calculated.

cid:image005.jpg@01CE134A.62A0B510

Mmadiboka Chokoe
Executive Manager
Group Intergrated

Supply chain Management
Transnet SOC Ltd

cid:image006.jpg@01CE134A.62A0B510(011) 308 1209

cid:image007.jpg@01CE134A.62A0B510083 444 0062

cid:image008.jpg@01CE134A.62A0B510(011) 308 3967



cid:image009.jpg@01CE134A.62A0B510mmadiboka.chokoe@transnet.net

From: Tew, Greg [mailto:gtew@hatch.co.za]
Sent: 06 November 2013 02:41 PM
To: Mmadiboka Chokoe Transnet Corporate JHB; Gomolemo Mahange Transnet Group JHB
Cc: Bester, Henk; Simmer, Craig
Subject: Email Summary of our discussion in order that Hatch Goba can respond

Good Afternoon Mmadiboka and Gomolemo,

Following the 2 telephone conversation that you had with myself earlier today I request that you please put your queries/requests to me in writing (email) in order that Hatch Goba can respond to all of your queries/requests.

There were numerous items raised and I eager that we respond to all items.

Kind Regards

Greg Tew MSc Mech Eng, PMP

PDG - Project Manager

<http://www.hatch.ca/images/HatchGobaLogo.gif>

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No. 14 Harrowdene Office Park, Western Service Road, Woodmead, Johannesburg, South Africa

www.hatch.co.za <<http://www.hatch.co.za>>



NOTICE - This message from Hatch is intended only for the use of the individual or entity to which it is addressed and may contain information which is privileged, confidential or proprietary. Internet communications cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, arrive late or contain viruses. By communicating with us via e-mail, you accept such risks. When addressed to our clients, any information, drawings, opinions or advice (collectively, "information") contained in this e-mail is subject to the terms and conditions expressed in the governing agreements. Where no such agreement exists, the recipient shall neither rely upon nor disclose to others, such information without our written consent. Unless otherwise agreed, we do not assume any liability with respect to the accuracy or completeness of the information set out in this e-mail. If you have received this message in error, please notify us immediately by return e-mail and destroy and delete the message from your computer.

A handwritten signature in black ink, consisting of a stylized, cursive script that is difficult to decipher but appears to be a personal name.

“HB14”

Subject: FW: Discussion with Alan Gray from Hatch
Location: Anoj office
Start: Tue 2013/10/22 13:15
End: Tue 2013/10/22 13:45
Recurrence: (none)
Meeting Status: Not yet responded
Organizer: Garry Pita Transnet Corporate JHB
Importance: High

HB14

49th floor - GCFOs office

-----Original Appointment-----

From: Garry Pita Transnet Corporate JHB

Sent: 22 October 2013 12:35 PM

To: Garry Pita Transnet Corporate JHB; Melody Botya Transnet Capital Projects JHB; Anoj Singh Corporate JHB; Carol Phiri Transnet Corporate JHB

Subject: Discussion with Alan Gray from Hatch

When: 22 October 2013 01:15 PM-01:45 PM (UTC+02:00) Harare, Pretoria.

Where: Anoj office



“HB15”

MEMORANDUM

www.transnet.net

TO : Brian Molefe, Group Chief Executive, Transnet SOC Ltd

FROM : Charl Möller, Group Executive, Transnet Capital Projects

DATE : 12 November 2013

SUBJECT : **FEL 4 EPCM SERVICES FOR PHASE 1 OF THE MANGANESE 16mtpa TFR PROJECT TO HATCH GOBA CONFINEMENT AND AWARD STATUS UPDATE FOR NOTING**

PAGES : 4

PURPOSE

1. To inform the Group Chief Executive, Transnet SOC Ltd on the status of the confinement and award of the Engineering Procurement and Construction Management (EPCM) services for FEL 4 Phase 1 of the Manganese 16mtpa TFR expansion project to Hatch Goba (Pty) Ltd (hereinafter Hatch Goba).

BACKGROUND

2. Approval to confine and award the EPCM services for FEL 4 Phase 1 of the Manganese 16mtpa TFR expansion project to Hatch Goba was granted by the Group Chief Executive during August 2013.
3. A proposed amendment to the approved confinement mandate, to decrease the Supplier Development percentage from 50% to 30%, was requested from the Group Chief Executive on 18 September 2013 (Refer to Annexure A) and returned with questions from the Group Chief Executive, which is addressed below.

DISCUSSION

4. A request for proposal was submitted to Hatch Goba, following which a number of clarifications and negotiations ensued, finally resulting in the submission of their best and final offer on 13 September 2013.
5. All material requirements and conditions specified in the approved confinement were met, save for the Supplier Development (SD) prequalification percentage required. The approved confinement contained a 50% SD prequalification requirement, while the Hatch Goba's final offer only provides for 30% SD. Provision of the required 50% SD prequalification attracted a premium of approximately R102million.

6. Following the Group Chief Financial Officer and Group Chief Executive's question on the SD premium, further negotiations ensued and the 50% SD prequalification has now been met, with no premium.
7. Further negotiations led by Mr. G. Pita, Group Chief Supply Chain Officer, followed, wherein Transnet's requirement that Hatch Goba sub-contract 30% of the EPCM bid price to emerging black owned companies was met by Hatch Goba on 31 October 2013, as follows:

	Name and address of proposed Sub-consultant	Nature and extent of work/service	B-BBEE level	% Black Ownership
1	ASCENG Office E, 1st Floor Building 16 The Woodlands Cnr. Kelvin & Woodlands Drive Woodmead 2191	Multidisciplinary Engineering Consulting and Project Management Company	2	100% BO
				0% BWO
2	EDS	EDS Offers a unique combination of services designed to provide customized solutions to the Renewable Energy, Mining and corporate sectors. Our experience within the B-BBEE consulting, organizational transformation, economic development and strategic facilitation enables EDS to provide a holistic service to our clients	1	100% BO
				80% BWO
3	MMQS	QS and Contract Admin	2	100% BO
				0% BWO
4	ZD Projects	Engineering and Project services	1	100% BO
				100% BWO
5	Aspire	Engineering and Project services	2	100% BO
				100% BWO

8. All criteria as per the confinement granted in August 2013 has now been met in full after clarifications regarding certain measurements of Supplier Development components as presented by Hatch Goba.
9. Transnet firmly believes that the true value of the Supplier Development portion to the emerging EPCM black owned company is approximately 40%, therefore an additional 10% value on their bid offer. Discussions in terms of the Supplier Development measurements will continue, but suffice to state that Hatch Goba Supplier Development commitment is of high value given the value of this confined contract.

10. The following Supplier Development commitment was received from Hatch Goba:

Supplier development category	Value of commitment	Percentage of Bid price value (R219 697 142.28)
Job creation and preservation	R 13 484 410.13	6.14%
Skills development	R 18 109 298.09	8.24%
Rural integration and Regional development	R 3 951 878.74	1.80%
Small business promotion sub-contracting to an Emerging EPCM Black owned Company and EME's and QSE's	R 74 426 925.50	33.88%
Total	R109 971 512.46	50.06%

11. In response to the Group Chief Executive's additional question raised regarding dates, the request for proposal (RFP) was issued on 26 August 2013 and an original bid (best and final offer at the time) was received on 13 September 2013. Thus the procurement activities took place within one month and therefore the bid offer by Hatch Goba remains relevant and negotiable. In terms of the High Value Tender process, the internal auditors, SekelaXabiso deemed the process satisfactory.

FINANCIAL IMPLICATIONS

12. The confine and award mandate for the EPCM services for FEL-4 phase 1 of the 16mtpa Manganese expansion project was approved at a value of R220million. Hatch Goba's best and final offer was submitted at R219,697,142.28 which includes a 50% SD Commitment.

BUDGET IMPLICATIONS

13. The R220 million for the EPCM services in the FEL-4 stage of Phase 1 is included in the approved EPCM value for the project.

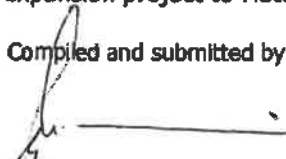
CONCLUSION

- 14. The confinement mandate has been met in full with both the 50% SD prequalification and bid offer within the budget at R220m.
- 15. The award of the EPCM contract to Hatch Goba will be concluded by sign-off by the Delegated Authority in terms of the TCP Project Commercial Levels of Authority Framework and the award will be tabled for Noting by the TCP National Acquisition Council.


RECOMMENDATION

- 16. The GCE note the status of the confinement and award of the Engineering Procurement and Construction Management (EPCM) services for DEL 4 Phase 1 of the Manganese 16Mtpa TFR expansion project to Hatch Goba.

Compiled and submitted by:


Gerhard Bierman
Chief Financial Officer, TCP
Date: 13/11/2013


Recommended / Not recommended by:

✓

Charl Möller
Group Executive, TCP
Date: 2013.11.13

Recommended / Not recommended by:


Peter Volmink
Executive Manager, Transnet SOC Ltd
Date: 13/11/13

Recommended / Not recommended by:


Edward Thomas
Executive Manager, Transnet SOC Ltd
Date: 13/11/13

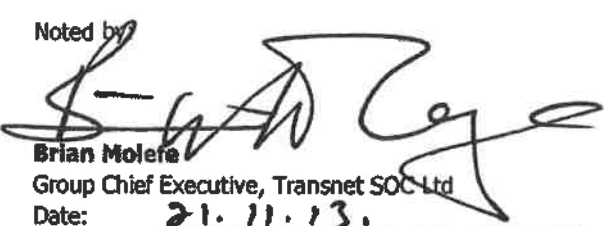
Recommended / Not recommended by:


Garry Pita
Group Chief Supply Chain Officer, Transnet SOC Ltd
Date: 13/11/13

Recommended / Not recommended by:


Anoj Singh
Group Chief Financial Officer, Transnet SOC Ltd
Date: 19/11/13

Noted by


Brian Molefe
Group Chief Executive, Transnet SOC Ltd
Date: 21.11.13.



“HB16”

From: Bester, Henk
Sent: Thursday, 05 December 2013 15:48
To: Grey, Alan
Subject: Fwd: EPCM services for FEL 4 of the Manganese 16mtpa Rail Phase 1

HB16

Sent from my iPhone

Begin forwarded message:

From: "Mzonyana Sidinana 0129399" <Mzonyana.Sidinana@transnet.net>
Date: 05 December 2013 7:55:21 AM SAST
To: "Bester, Henk (henk.bester@hatch.co.za)" <henk.bester@hatch.co.za>
Cc: "Tew, Greg (gtew@hatch.co.za)" <gtew@hatch.co.za>, "Victor Best 0002207" <Victor.Best@transnet.net>, "Velile Sikhosana Transnet Capital Projects JHB" <Velile.Sikhosana@transnet.net>
Subject: EPCM services for FEL 4 of the Manganese 16mtpa Rail Phase 1

Morning Henk

The EPCM services for FEL 4 of the Manganese 16mtpa Rail Phase 1 has been awarded to Hatch Goba.

Please contact Mr Velile Sikhosana for the scheduled meetings that Hatch Goba needs to attend them urgently.

TCP is currently drafting the contract and hope to be finalised by sometime next week.

Kind regards

Mzonyana Sidinana

Procurement Lead: Procurement and Contract Management



Description: cid:image001.gif@01C894FC.2A56F330 021 940 1868

Description: cid:image002.gif@01C894FC.2A56F330 084 581 8855

Description: cid:image004.gif@01C894FC.2A56F330 Mzonyana.Sidinana@transnet.net
<mailto:Mzonyana.Sidinana@transnet.net>

Description: Description: cid:image002.gif@01C8162D.2259F7C0

A handwritten signature in black ink, consisting of a stylized, cursive script that appears to be the initials 'M.S.' or similar.

A handwritten mark or signature in the bottom right corner, consisting of a vertical line that curves into a loop and then extends upwards and to the right.