

**Annexure MMAM10**

**TRANSNET SOC LTD**

**ACQUISITIONS AND DISPOSALS COMMITTEE MEETING**  
**NUMBER 7-16/17FY**

**HELD AT JOHANNESBURG**

**DATE: 2017-02-13**

Boardroom 4901  
49<sup>th</sup> Floor Carlton Centre  
150 Commissioner Street

**PRESENT:**

1. Mr SD Shane Chairperson
2. Mr SI Gama Member (Group Chief Executive)
3. Ms LC Mabaso Member
4. Mr ZA Nagdee Member
5. Mr GJ Pita Chief Financial Officer
6. Mr M Sigonyela GM: Office of the Group Chief Executive
7. Mr N Sillinga Chief Legal Counsel
8. Mr E Thomas Chief Supply Chain Officer
9. Ms L Beaumont Company Secretary
10. Ms B Ndlovu Deputy Group Company Secretary
11. Mr R Nair Chief Executive: TRF
12. Ms S Mackay Chief Procurement Officer: TRF
13. Ms MA Mosidi Group Chief Information Officer
14. Ms L Sangqu Chief Information Officer: TRF
15. Mr K Reddy Chief Capital Officer
16. Mr M Shongwe GM: Capacity Development Services: Group  
Capital

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FEMALE SPEAKER: Ja.

CHAIRPERSON: You know, it will finish before lunch.

FEMALE SPEAKER: Ja, it is okay.

CHAIRPERSON: I hope so. Okay... (intervenes)

MR PITA: The NMPP Meeting is here and we will stop that meeting once this meeting is, we are happy that it is concluded in (inaudible). We will wait and make sure we finish everything according to... (intervenes)

CHAIRPERSON: I understand what you are saying, they are having  
10 a NMPP meeting here with you guys?

MR GAMA: Yes.

CHAIRPERSON: Oh, I understand.

MR PITA: We will stop that (inaudible) meeting (indistinct).

CHAIRPERSON: Right. No exactly, I have got it. Okay, thank you everybody. I am drawing everyone's attention to item 5.4. We have had an opportunity to review the documentation, it is quite detailed and included in the supplementary pack. I think for practical suggestions, who is presenting on this?

MR THOMAS: It is myself and (inaudible) support.

20 CHAIRPERSON: Right, fire away.

MR THOMAS: All right, thank you Chair. In August 2015 the Board approved this (inaudible) strategy for IT dated services, for us to get these services on the four pillars of the IT. We issued the RFP in November 2015 that closed in January 2016. We had 50 people attending the compulsory site (inaudible) things. Once the tender was

closed, we had line responses to the RFP. After the line responses we went through, then the procurement process kicked in and they did the administrative and substantive responses plus exercise.

Seven of the nine bidders passed on the substantive responsive stages, then tender moved into technical evaluations which is basically the responses of the bidders to all the technical questions and the technical cross-functional evaluation team sat down and have reviewed all the submissions from the bidders. There was a 70% minimum pass mark on the threshold and all seven  
10 bidders passed the test of the legal exercise.

When they commenced with the commercial exercise, it was identified that there are, there were numerous assumptions made by the bidders, so the procurement team sat down with the business team to get an understanding of what is the reason behind there being numerous assumptions being made by the bidders and a decision was taken that a complete set of information needs to be made available to all of the bidders who had passed at that stage for them to get access to the data room.

The data room contained a lot of detail regarding the current  
20 services that Transnet was receiving and the type of services, the number of (inaudible) that needed the services, *et cetera, et cetera* and they also had a closing (inaudible) with all the bidders where any potential questions as a result from the data room exercise could be answered, so that the bidders could provide and revised the pricing for the tender.

At that stage the pricing was then ranked once we felt that the pricing was comparable and our first ranked bill at that stage was T-Systems, second rank was Ubuntu with a 13% price differential, third place was Gijima with a 20% price differential. At that stage because of the delays that took place as a result of giving them access to the data room for them to be able to revise pricing, we had to extend the validity period of the RFP. We got the right approvals and the RFP was then extended.

The second place bidder Ubuntu, they came back to  
10 Transnet and indicated that they have to withdraw their bid due to the fact that they could not keep their pricing firm. Obviously Ubuntu did have a right to provide revised pricing at that stage so that they could stay in the running but they chose and they went to withdraw that bid. At that point in time then just to ensure that the organisation's risks were covered, we moved then the third place bidder into the second place position and we started the process of performing a due diligence exercise which was to facilitate a risk assessment which constituted in terms of reference checks, site visits and interviews.

The risk assessment process was facilitated by Bardner(?)  
20 who was an expert advisor to Transnet Business on this process and basically revised office who then basically requested out of this process and then on August 2016 the revised office came in. And at this point with the (inaudible) revised office and the outcome of the risk assessment facilitated by the duo diligence risks that were of concern, were raised by the cross-functional evaluation team which

were concerning. And also you will see in paragraph 26 of the submission, in their final submission, the one bid of Gijima made the statement where it says:

"Gijima understands the complexity of a transition project, it is therefore imperative that the transition as is (Indistinct) six months. Enhancements and (inaudible) plus will be done after the transitions in the organisation period."

And this is obviously, was a bleeding factor in terms of the  
10 risk assessment result that came out from the exercise. If you can basically go down to on page 8 where we have got on paragraph 32, there is a visual representation of the risk assessment that came out of the processes. In paragraph 33 we have got the T-Systems' risk assessment where the risks and the likelihood of the risks being impacted, were categorised as where or unlikely and in paragraph 32 the risks, certain of the risks on Gijima's done by the Bardner and the CFSETs evaluation had certain of the moderate, major and high risk impacts items having in moderate, likely and almost certain assessment provided from the likelihood or perspective.

20 This raised obviously a concern and the CFSET team realised that you know, we are sitting with a very, very risky scenario in the organisation and an investigation was then implemented to say from an objective criteria perspective, are these risks significant enough for the business to propose the award to a second placed bidder? So the CFSET team and the ISO (inaudible) team had

approached Group Governance for them to review the position and that governance opinion is attached in your packs, you know for us to understand are these risks significant of nature and if our process is going to provide for us to be able to manage and effect these risks in an award process for the organisation.

The governance opinion, they even looked at certain court cases and the outcomes of these cases recommended that we needed to engage with Gijima and asked them in writing to respond to the risks as prescribed by the CFSET team with Bardner. They  
10 responded in writing to these risks and the theme was that the assessment of the risks was, did not sufficiently cover the risks. The team then went and engaged with Group Legal to get their opinion whether the team could recommend an award that we contract to the second place bidder due to the fact of the risks which is an objective criteria, being too high for the organisation to accept.

Group Legal, their opinion is also annexed to the documentation you received, provided the feedback that we are justified and the decision can be legally defended in a court of law for us to be able to award the second place bidder. The team then also  
20 went to Group Risk and Compliance and asked them to review the process followed, review the risks identified in the process and also to have a look at the responses.

Their review is also attached to the documentation and they basically gave an indication that they support the view that the, of the CFSET that the risks raised are high and should business decide

(Inaudible) these risks, that should be followed by a process of risk acceptance and accountability must be established, so they also supported that the bid could be awarded to the second place bidder. In terms of the audit process of HCT on the transaction, the HCT process, all the audit reports go for having (Inaudible).

We had a bidding (inaudible) but that was resolved in November, we got a (inaudible) report up to the negotiation stage and the final recommendation stage is also being currently. In terms of the cross-function evaluation team recommendation, at that point in  
10 time was to say in following the procurement process, identifying the problems that exist with risks from an objective criteria perspective as well as based on the support received from Governance, Legal and Group Risk, the recommendation was to award the contract to the second place bidder based on the objective criteria of risk.

The Group CIO's office was concerned with this recommendation and she felt that these risks could be managed and engaged with the executive of the organisation which then said let us engage with each supplier one further time, have a clarification, a further clarification meeting regarding these risks to see what can be  
20 done. The questions regarding the risks was issued to Gijima in writing and a clarification meeting (Indistinct) where all of these items was discussed.

The bidder also then provided the clarification in writing. The document also describes the clarification *in camera* there, the risk management areas or the items of how they were going to manage

these risks was also discussed. A lot of it is focused on the implementation of controls that is obviously (inaudible) operations but the believe that their controls would provide any use on that. From the outcome of these processes, they rescheduled risk just to ensure that ADC has got a view of the high end of risks that existed before and then the rescheduled risk that remained after the clarification session.

One of the areas that (inaudible) asked us to do is to ensure (inaudible) around the pricing risk that we had, that the pricings were  
10 not for the services as requested which will then be to the bids, actually being not responsive. We have got feedback from the bidder that the prices that they offered were for these services as bid for. The original risk that still resides there is that the pricing is that they offered was substantially low.

They came in, they dropped their prices from 1.8-million to 1.3-million and these risks exists for us that you know, the justification does not quite sound correct for them to have dropped their prices by such a significant margin because we believe that they should surely have provided the best pricing at the data room stage. There is also  
20 the determination risk which exists which can impact Transnet because of the size of the investment that they need to make, which they can potentially claim back from the organisation but obviously could contract clauses and contract management can manage that.

With contract management we will also manage the pricing risk issues that are coming out from that, so that is formed on the

outcome of the clarification session, the recommendation for the contract awards supported by the office of the Group Chief Information Officer is for the recommendation based on the production of the risks to Gijima who is the first rank bidder. In terms of supply and development, the first rank bidders (inaudible) the commitment is 46%, the second rank bidder committed 57% of the contract bidding for supply and development. I will take any questions.

CHAIRPERSON: I am going around the table. Let us start with the  
10 Committee, (inaudible) the Committee.

MALE SPEAKER: Ja Chair, (inaudible).

MR NAGDEE: Ja, I have a few questions. I think the first question I have, you know I have gone through this and then without mocking the process okay, and I will deal with those items separately, all right. First of all it is wrong to say that they were the second place bidder, they were actually the third place bidder. The fact that Ubuntu Food moved out or withdrew, the withdrawal made them the second place bidder, but they were actually the third place bidder.

The second point I want to make is that hindsight is a  
20 wonderful science, okay, and I also questioned them dropping their price. I know how outsources work, I have been in this industry for a long time and for them to justify their pricing based on scope or whatever, and they did not understand it, they had lots of opportunities to understand, you have had that separate meeting with them to understand.

Okay, you had a separate meeting with all the bidders for them to have a data centre, for them to understand and then to come back, at that stage they did not change the price. It is only afterwards when they knew they were the second bidder, okay that is when they came back and changed the pricing. And I look this foot in the door thing, because that is exactly what it is. They knew what the other priced, everybody in the industry knew what the pricing was of the various bids okay, and that is where they priced themselves. So I am suspicious of that.

10 I will be honest with you, I am being suspicious with that, but my third point which I think is the most important point, okay let me elaborate on that as well, is that when I read this it did not and I am going to be brutally honest and say, it looks like Gijima were given so many opportunities to fix things, to mitigate the risks you know, and there is no opportunity for anybody else to... They were given so many opportunities here to fix whatever risks, whatever issues they had, whatever.

20 You know when you do a tender evaluation, your first submission is your first submission, you did not give any other opportunity to the other bidders to adjust their pricing, to justify certain things, but it looks like Gijima were given lots of opportunities right down to Supply Chain having a separate meeting with them. Why did you have a separate meeting with the second bidder but not the first bidder? Just one of the bidders, so and that is why I say the process is also a challenge for me.

But the most important thing for me, the most important challenge that I have, the most important issue I have is around the risk of changing from one supplier to another and I am not for one moment suggesting that the incumbent automatically went... There should be an element of process which I agree with a 100% and the process was followed, but I do not see apples being compared here and to me the risk is very bad here.

The risk of changing from one supplier to the other is a major issue and especially coming with the price that they have, you know it  
10 is like a building contractor, when you ask you guy to build the house he will give you a price and you say no, cut this and I cut it down, cut it down there, because somewhere down the line you are going to lose, okay, and you are cutting yourself short because what I do not like here, I am going to cut down there, okay, because of an advisement.

So I am very concerned that the risk of moving from one, from the company to a new company where they have reduced their price, okay so what are we losing, what are we going to lose? Yes, you have given your, they have given us assurances if you like, that  
20 they will actually, that that will not happen. I see that, okay, they have given assurances as an example here, but I am still, I am not comfortable. I promise you I am not comfortable at all with their responses and answer there, and their approach. I have got other questions but I am going to allow the team to make some comments as well before I move to other questions.

CHAIRPERSON: Chair?

MS MABASO: I am not going to go through the risks that had been provided here, but I just want to just *prima facie* I am looking at, looking at the document and looking at those, these two scenarios, and so these two companies, Gijima and T-Systems are like Zainul said it, they are not the second preferred, they were the third. We are a state owned company and our primary mandate is the people. We have business but we have the developmental mandate.

We, Transnet, looking at the way Gijima all of a sudden they  
10 tricked and changed their price all of a sudden, I do not know what  
the change of heart, good people said because it is as Zainul said,  
they just realised that we are a SOC, I do not know and they changed  
it, but I do not know, but you look at, I have been reading some of  
these paragraphs, consistently it says, page 9 paragraph 35... Okay  
let me just start, page 9 paragraph 9:

"The period Gijima responded to Transnet in writing on  
7 September 2016"... (Intervenues)

MALE SPEAKER: Paragraph 9?

MS MABASO: No, paragraph 35, page 9. Paragraph 35 they say:

20 "The period Gijima responded to Transnet in writing on  
7 September 2016, the Gijima respond did not  
adequately address the risk that we addressed, as a  
result the CEFET requested that Group Legal provide  
counsel on the way forward."

It is one, it is the same thing that has been repeated.

Paragraph 38:

"Recommendation from governance was for Transnet to send a request for clarification to Gijima in order for make a representation on how they intend to manage the risk that were identified by CEFET in the event where Gijima failed to properly address the identified risks. The CEFET may award the tender to the second ranked bidder only where it is lawful."

You can continue but this is the document that we have as a  
10 Committee. If you are a member of the Committee and you have this document, honestly I would not go with Gijima based on what has been presented before us. I would not prefer Gijima. We run the risk, it says that should we terminate, we have to pay how much (inaudible)? Something thousand, a million?

MALE SPEAKER: 64.

MS MABASO: Yes, how can we guarantee or not? We are running a risk of running a risk, that the risks are so many, we are running a risk of we can terminate and then we will have to pay that amount. For me it is just *prima facie* it is big no, no. It is a big no, no. Yes?

20 MS MOSIDI: Chair, thank you. Can I... I will try to address all the concerns that the members have raised, but I just want to give a background of this tender.

MS MABASO: Yes.

MS MOSIDI: What it is. This is an outsource of our infrastructure environment. By that I mean our helpdesk is outsourced, our data

centre or our mainframes are outsourced, we just have one mainframe which is actually utilised by TFR. Our data-based, our disaster recoveries, they are all outsourced. The quantum of what this (inaudible) is actually consumed of this project, are totally different, they differ completely and by that I mean the biggest component of this tender is actually the data services, one.

Helpdesk makes only about 8% of this particular tender, so if somebody reduces on the helpdesk side for example, it is actually not even a risk Chair, because like I said it just comprises 8% of this particular tender, it is not covering everybody else in that same market surely. So Chair, the risk of the price for example that have been raised, it is not a risk that is not mitigated if I can use that word, because when you look at where we are as an organisation and where they are as practitioners as well, they know that in the mainframe space for example, costs are going down so fast, so fast that when you start talking cloud computing and talking of over 70% of cost savings, so that is why for us it has not been such a risk that we could not actually manage.

However, the section that the Chair read, that was before we confirmed with Gijima ourselves, because I was fortunately given an opportunity to have a discussion with Gijima just to understand these risks. If you look at the first one that Mr Thomas raised, I cannot remember what section it was, but that is where he talks about CMO and CMO plus, it is correct. You can only transition to the current mode of operation in six months.

There is nothing wrong with it, it is how do you then transition the money and Chair, that is why for us it is also very urgent that we conclude the process so that we can have adequate time to transition. So that particular section, it is exactly what it is, you should transition and be at a current mode of operation because you are not the current incumbent, six months is good enough for you to do it.

However, just to add to that Chair, when we had a discussion with Gijima and we came with our own reputable partners, I think it was Vodacom and IBM, IBM gave us the assurance that they have  
10 done what we call a soft order of the equipment, so if you go into a data centre and you find empty racks, it is not strange because you cannot actually fill up your racks without the client.

It is just in the practice of an industry, you will fill up a rack once you have a client and IBM confirmed and it is on record with Mr Thomas that they have done their soft order already, so that is actually not a risk anymore because they even said to us, initially we said to you four weeks we will need to actually put the equipment in place and they said we are now down to two weeks if you want it, because already we have scoped and we have staged the  
20 technology, we can actually just plug it and can get it going. My biggest concern was in the transition Chair, as Mr Naldoo rightfully points out... (Intervenues)

**MR NAGDEE:** Nagdee.

**MS MOSIDI:** And that we have looked at. Sorry?

**MALE SPEAKER:** Nagdee.

MS MOSIDI: Ja, you know, when you see people like you, you use to say Naidoo. [Laughs].

MR NAGDEE: Ja. [Laughs].

MS MOSIDI: Sorry. So Chair, yes, It is just and when you see the way the memo has been written, it has been a cumulative way of writing the memo. Right at the end we are at a point where we have looked at all those risks. I have had an opportunity to spend some time with and in the presence of Procurement, (Inaudible) tender and the governance people where we actually interviewed Gijima and it  
10 was for us to satisfy ourselves.

Procurement and myself, we put questions together to them and they responded and we felt the adequate response from them and I think all of this that you raised here, were actually responded to by Gijima and we are aware now, I think we are comfortable that the risks as you see them, yes pricing for example you look at the two that are remaining in the document. If you look at the pricing one from Gijima, I am not surprised that they could actually reduce it.

If we look at the industry practice Chair, everyone wants an  
20 outsource contract because of the big margins in the outsource contract, so if somebody reduces, yes there is a real fact it in, we should actually and that is what we do not just want to do, to Dropbox, to drop and drag and drop and drag, they want to look at total service to (Indistinct) for that service. So the drop in price, I think from where I am sitting it is something that I actually welcome.

We have done, just being my last point Chair before I... We

have done what I have called a price diagnostics of a current tender and whilst we can say that we have been reducing our contract by 4%, the actuals on the current one, it has actually gone up by 9% on an annual growth rate and Chair, it is about contract management. So my point with this is that for you to mitigate whatever risk you have with such a big outsource, you need to actually manage it effectively and tightly, otherwise you will always, always never be able to do what we call wiring, you will never be able to find it out because these contracts, when we put them together, we wire them together and you

10 have to be able to go through the maze of saying what is this wiring about?

And this is what we have done now. So Chair, all I am saying, at the end whilst I see the risks that had been raised, that had been documented, we have had an opportunity to mitigate the risk to understand exactly how the transition is going to happen and to actually satisfy ourselves that we will be able to deliver the service that we need to deliver. So Chair, I will stop there and I will take our point as written.

MS MABASO: Can I ask you something Makano? I just, just hold on,

20 I want to ask her something.

MALE SPEAKER: (Inaudible), just on... (Intervenes)

CHAIRPERSON: No, Mabaso have something to say.

MS MABASO: Can I ask you something Makano? Let us check out the prices with both companies, with both bidders. Which one is more riskier? If I would say Makano, if you tell me this is the one, I will say

you bet your life, you will bet your position and say, I can bet my position here, I put my life on the line, this is the one, which one would you say?

MALE SPEAKER: If the prices were the same?

MS MABASO: Yes.

MALE SPEAKER: Ja.

MS MOSIDI: Chair, I would go, you see I believe in our procurement processes and our procurement processes gave me the confidence that Gijima can actually do what they can, because even if you look at  
10 the evaluation process, the difference between the two has been just a fraction, it has been 0.21, 0.25, so they were almost neck on neck. There is no big variance between the two, so I have got my comfort in that the procurement processes were actually dated enough and then if you look at the partners that I have in Gijima, if you look at IBM and you look at Vodacom, you look at Vodacom on the internet Chair, they lead in terms of UIT technologies, they lead in terms of their own mainframes.

So you have the comfort that this particular consortium will actually reinforce the black company as in the Gijima company so my,  
20 I will put my head on the block for Gijima.

MS MABASO: Despite the fact they were number three, despite the fact that we have worked with IT, with T-Systems, you still vouch that you will vouch for them?

MS MOSIDI: Chair yes, because like I say we have cumulatively, this memo is cumulative. I could have written this memo in one page.

MS MABASO: Okay.

MS MOSIDI: Because as an executive team, we have looked at all the risks and everything now has been put aside. The last recommendation is the old (inaudible) recommendation. So yes, as we evaluate, for example Eddie will tell you initially the Audit Report was read.

MS MABASO: Okay.

MS MOSIDI: Initially, so people polish up until we end up with a green Audit Report, because you start understanding better.

10 MS MABASO: Yes.

MS MOSIDI: Chair, believe me, I am the one who would be so risk averse because I put my head on this if we cannot transition properly, but if you think about what we have done and Eddie, you will remember, HVT was so red, we went back (inaudible) but at the end we polished it up as well and remember by then it was still Gijima, it was still T-Systems before we actually... (Intervenues)

CHAIRPERSON: Ja, so you have answered the question. Mr Silinga?

20 MR SILINGA: Thank you, Chair. Chair let me just, there are quite a number of questions that were asked by the Chair and Mr Naksama, Makano, has not been able to come. You know, there had been many opportunities that were given to Gijima to fix and its tender document. You must remember that in terms of per the Constitution section 217 and the PFMA, one of the elements that are required of us when we go on tender, is a fair process and there are others, of

course, equity and so forth.

And in the past it has always happened where you identify a risk, you say no, this company or this bidder technically and so forth and so forth, has got some significant points, we have managed to shortlist it but there are risks that we have identified. You cannot unilaterally just say no, we condemn you because there are these risks. It is incumbent upon a state owned entity like Transnet to deliver a fair process, to go back and say there are these risks, how are we going to mitigate them? This is what was done here. We  
10 went back, then they wrote back.

It would appear and remember when then there was a latest clarification, it did not mean that they added some more documents, they were asked to clarify based on the documents you have given us. It may have been a misunderstanding on the part of our team on what was presented to them documentarily, as to what it means. When it was clarified to them around last month, the whole team was happy and no further documents were added, it was just a question of a verbal clarification.

What you mean when you present a document that says A,  
20 B, C? So that one is not an unusual process, we have done it in the past. Actually we did it even when the other IT what-do-you-call, IT tender in the previous years. Coming to the payment for 64 and we terminate, we should be very careful there. There we say when you terminate at Transnet's convenience, meaning Gijima has done nothing wrong and remember they go into business, they plan, they

incur expenses and so forth, in six months' time we say not that they have defaulted or anything, no breach on their side but for our own convenience, whatever that convenience would be, we want to buy, basically we are saying we want to buy you out of this contract, you have done nothing wrong, so there is nothing, I do not think there is anything but it would be unfair to the tenderer if we were to say we terminate, kiss goodbye whatever expenses or whatever investment you have made to this, sorry baba, we will see you later, it cannot be like that, this is business. Thank you, sir.

- 10 MR GAMA: Ja Chair, I think the, if I listen to the Committee correctly, the issue here is really and it boils down to the whole motion of risk appetite in terms of what the Committee is prepared to accept in terms of risk and for me, I do not think that anyone has got what-do-you-call it, a crystal ball in terms of what may eventually happen. It is really there are two things, you could say the teams have highlighted the risk, Gjilma in terms of coming up with their best and final offer, they did reduce their price and they came down to a lower price. T-Systems have also incidentally reduce the price.

- 20 If you look at what we have been paying in the past, in the past five years we have paid them about 2.5-billion. They have also reduced their price to about 1.5, I do not have the actual number in front of me, to about 1.5-billion. So you could say you want the lowest price but there is some residual transitional risk which Makano says is manageable, so there is a 200-million differential between the two entities and over a five-year period which is maybe what, 40-

million four times fives...

CHAIRPERSON: Ja.

MR GAMA: Ja, 40-million a year, so it is up to us to say we want to accept the savings of 40-million but maybe with some transitional risk or we say we will save at least a billion in terms of the second rank bidder but we have worked with them and if so, are there any additional things that... Because at the moment we are issuing a letter of intent, it means we need to still negotiate with whatever party, to make sure that what we have is the kind of service level that is at a  
10 level that we want.

So if the risk is not acceptable, we can go to the second party. If the risk, everything, the risk and the price is acceptable, then we stick with this one, so it is really up to the Committee to give us guidance in terms of what is the acceptability of risks and residual risk, the issues of risk are interesting because they are also probably not very objective, it is not a straight science. In that (Inaudible) we need guidance from yourselves.

CHAIRPERSON: Can I comment? GCE, thank you. I am going to give everybody a bit of background. You are sitting with a Committee  
20 that includes the GCE and the GCFO as Board members, because in addition to their day jobs they are also Board members and they (inaudible). We wear fiduciary risk, we wear publicity risk. The Chair and I specifically, and Mr Pita may also become famous, Mr Nagdee and Mr Gama escaped thus far, but we have been tarred with certain brushes in the press.

We represent a Board of Directors, diminished at the moment, we have one member who is sick, we have one member that was promoted to the GED position and to DPE and we have a very risk of this Board. Unfortunately guys, when it hits the newspaper that the ADC and its Chair or the Chair of the company, it is GCE authorised a transaction, it is our names that appear in the press. We are being unable as an organisation to protect our Board from fame without fortune.

I sit at a table with people in my community, they think that I  
10 am a crook and the decision that was recommended by the executive is very nice, but we are the guys that wear the risk, we wear the risk. In the end we are the guys that are going to wind up with the repercussions of a disaster and I was going to use a more of a (inaudible) word which I will not and with no disrespect, we are led down a path where we are going to wind up in mitigation. Mr Sillinga is a busy guy, he is going to be more busy because we are going to get sued by Gijima or we are going to get sued by T-Systems.

That is where we are at, that is what you guys are saying to us and that is going to be the outcome. I want to go back a step. T-  
20 Systems' business which supplies us with our IT services was a production creation of the great Maria Ramos, of a business called arivia.com. Mr Pita will correct me if I am wrong. Arivia.com was our internal IT Department to get it merged, to get Eskom's IT Department, they have been there for seven years cumulatively.

They are the disingenuous, dishonest thieving outsource

partner that is incumbent versus the dishonest, disingenuous thieving  
outsource partner which we can switch to, being Gijima and I am not  
special about this, you can throw Anderson Consulting now, what do  
they call these guys, Accentia, you can throw Main Consulting,  
McKenzie, any of these consultant scum, you can throw them all into  
the pot and this is recorded so I know where it is going to go, at least  
when I get Quintin and he has got it this time, they are going to have  
our version of it.

Now we are to ask the GCE's question, not a risk of this  
10 Board, we are a scarred Board. Every decision that we have made,  
we have worn the repercussions of...

[End of recording]

MEETING ADJOURNS

**TRANSNET SOC LTD**

**ACQUISITIONS AND DISPOSALS COMMITTEE MEETING**  
**NUMBER 7-16/17FY**

**HELD AT JOHANNESBURG**

**DATE: 2017-02-13**

Boardroom 4901  
49<sup>th</sup> Floor Carlton Centre  
150 Commissioner Street

**PRESENT:**

1. Mr SD Shane Chairperson
2. Mr SI Gama Member (Group Chief Executive)
3. Ms LC Mabaso Member
4. Mr ZA Nagdee Member
5. Mr GJ Pita Chief Financial Officer
6. Mr M Sigonyela GM: Office of the Group Chief Executive
7. Mr N Silinga Chief Legal Counsel
8. Mr E Thomas Chief Supply Chain Officer
9. Ms L Beaumont Company Secretary
10. Ms B Ndlovu Deputy Group Company Secretary
11. Mr R Nair Chief Executive: TRF
12. Ms S Mackay Chief Procurement Officer: TRF
13. Ms MA Mosidi Group Chief Information Officer
14. Ms L Sangqu Chief Information Officer: TRF
15. Mr K Reddy Chief Capital Officer
16. Mr M Shongwe GM: Capacity Development Services: Group Capital

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SOUND FILE : ADC 13 Feb 2017(3)

CHAIRPERSON: ...the issue, if and when this memo gets to the *Sunday Times* as the last memo did and they pull up the bubbles that are on this page here and they say look, Shane had been assisted by the Chairlady, Mr Nagdee and the CEO, they chose the bubbles that were here instead of the bubbles that we hear, we are uninterested in risk, I could not care about the cost. I will give you an interesting thing, if it cost an extra R1-billion in the over five years, I could not care. I will tell you why, I will tell you why, do you know what our turnover is in this whole (inaudible)? Do you know what the number is for the year, estimated about?

MALE SPEAKER: 65-billion.

CHAIRPERSON: R65-billion. Over five years we are going to assume just to (inaudible) like that far, my maths is not good five sixes have got 300, five fives are 25, five, 5600, give me a number, over 600-billion, guys for us to saving, to be debating to be spending time on saving R200-million over five years when a company that will over their period turn over 600-billion, it does not matter. What I always say here, bring me things that are important. The other day they schlepped in here, a contract, some property deal for R15-million or R20-million because it was more than a ten-year contract, you know.

Guys, we have got to focus on the numbers and we have got to focus on the risk. We cannot afford to be famous again. We have got these mongrels, mongrels I say, there are seven-year (inaudible),

they have been here forever. These oaks them, you know them, you are relatively new to the environment. It is a risk freely, it is not a risk of this, it is a risk, three options, they cannot shut our mainframes down, they cannot lose our data, they cannot confuse our people, they cannot switch off the electricity, they cannot shut down the...

As you correctly point out, the one mainframe that we have got, am I right, that they manage our mainframe, they manage our memory, they are our memory or do I miss something? Is that more or less correct?

10 MALE SPEAKER: Data.

CHAIRPERSON: Data and all of the data that is stored, so I am very loathed, even though this may be the right solution from a commercial perspective, I am loathe for us to wind up in litigation with T-Systems. That is my motivation. I could not care, ag I hate them all. The fact that we, even Maria was stupid enough to do it, no disrespect to anybody who might have been involved in the process, the fact that we do not have control of our own IT infrastructure, in my opinion, my humble opinion, is stupid.

20 But it is too late, it is what it is. That is where we are, they have got us by these they have, that is the fact. To go and source to Gijima or anybody else in my opinion, would be tantamount to suicide. That is my perspective on it, that is the newspaper article that I will rather have, a notice of disrespect to Gijima who are not alien to suing their customers. I will say that again slowly, they are not alien to suing their customers, okay. I am happier with the risk of getting

sued by Gijima who did not get a contract then us getting rid of the incumbent that we helped to create, I think it is suicide.

That is point one. We can get into some of the details, because I am in business, that is what I do primarily for a living, I am not an IT expert, I am not any... When somebody drops their price by 500 large, that is because somebody told them something, no other reason.

MS MABASO: True.

CHAIRPERSON: Now I am not accusing anybody of anything, but if  
10 you would like to do a forensic investigation into that, I think that you would find that I might be right, okay. I know that there were accusations that senior management were predisposed to the allocation or the retention and I am going to come to what my perception of this tender was in a second of T-Systems and I will tell you this, that if I was a senior executive in this organisation, I would be predisposed towards keeping the incumbent because I have got very big challenges here in terms of keeping my 65-billion on track, keeping my EBIDTAR in place, keeping my governance in place with my bond holders, keeping the minister happy.

20 The last thing that I want to do guys, with due respect, is change my mainframe supplier and my data supplier and my IT supplier, the last thing that I would want to do. I will tell you what my understanding of this thing was, my understanding at the time of putting this thing out to tender was that we wanted to keep T-Systems honest. That was actually the motivation.

Now I am saying it, it can be quoted, but I am not an expert and I am not an executive, so you might tell me that I am talking rubbish. We put this thing out to make sure that we were not paying T-Systems 2.5-billion where we should be paying them 1.5-billion.

MS MABASO: Ja.

CHAIRPERSON: The result of this process is, we are paying them a billion less over the period of it, which I get. To reiterate, I could not care about it, I can only care about the risk of can you imagine the headline? Transnet, because guys understand one thing, we just put  
10 a 182 locomotives into commission, the only locomotive they wrote about in the newspaper... (intervenes)

MS MABASO: Two.

CHAIRPERSON: Were two locomotives that have got vibrations that do not work. Now how do you underrate (inaudible)? The fact is, if we go and change our mainframe and somebody sends an e-mail from their personal e-mail address because the Transnet e-mails have crashed, can you imagine that now guys? Can you imagine for all of us? The risk does not add up to me and that is really what my...  
I do not know T-Systems, I would not know T-Systems if they were to  
20 bump in the street other than the Gijima's documented case against the Technology SETA, I do not know Gijima, I could not care about Gijima, I could not care about any of these people but for my risk point of view, this thing is suicidal and it takes consideration, therefore from a legal point of view, no disrespect to Legal, no disrespect to Risk.

What they said to us is this, if you read these opinions, they said guys, we are happy with the risk of changing, we are happy with the risk of not changing. We are happy with the legal implications of changing, we are happy with the legal implications of not changing. That is how I read it. You want vanilla ice-cream, you want chocolate ice-cream, we could not care. Either way, you are good to go. You are probably not going to get free points from either of them and we concede that.

We are saying as a Board, a Board that has been embattled  
10 because the Chair managed to get into that preposterous report, managed to get into the newspaper on a number of occasions including, relating to one ADC submission which we, which somebody sitting at this very table, different people at the time, must have leaked. Somebody must have leaked it somewhere, so I am not confident Makano, that we can deliver on a smooth transition.

Our contract management in this place, excuse my French, is *kak*. It is *kak*, it is terrible. Or I accuse you all of it, you are all useless at it because the contract may be good, Mr Silinga has done his job beautiful, the person managing the contract has not been good  
20 until now. You might be the new good manager of contract chain, of contract management, you may be, but I cannot take that risk. I cannot take that risk on so many levels.

I on behalf of this Committee, my recommendation and in the end we are going to have a vote here and we are going to either recommend with Gijima or T-Systems and we are then going to take

that recommendation to the Board, is that correct? And we know where the Board is in terms of this. I have got two more points and then I am going to hand over, I apologise for being somewhat verbose, my apologies. The next thing is, I think I have said... I could go into them.

There is one question that I have, I have got a question. This drop in the prices, can we drill down into the dropping of price in a second? It also fascinates me when somebody reduces the original bid by 500-million as to where they drop that. Could I ask the following question, do we know what the drop was? How much was the drop, in which areas and what was the original bid, what was the new bid and what was the T-Systems bid just out of interest? You know, the number? (Inaudible) am I making myself clear?

MALE SPEAKER: It can be point 80.

CHAIRPERSON: Point?

MALE SPEAKER: 80.

CHAIRPERSON: 80.

MALE SPEAKER: But it only gives you the Gijima price, eight-zero.

CHAIRPERSON: Paragraph 8.

20 MS MABASO: Paragraph what?

CHAIRPERSON: The estimated sale, this one?

MALE SPEAKER: Ja, 80.

MALE SPEAKER: We have got 32 that... (intervenes)

CHAIRPERSON: No, I want, I am asking something different I think, I am asking if you reduce your price by 500-million, where did you

reduce the 500-million? What... (Intervenes)

MALE SPEAKER: There was something that talked about the 51...  
(Intervenes)

CHAIRPERSON: Ja, the 51 and the 32%.

MALE SPEAKER: Ja.

CHAIRPERSON: What was that and how, and what was...  
(Intervenes)

MS MOSIDI: It was on the data centre you know, that I have just...  
Eddie just check it and that is why Chair, I mentioned that only 8% of  
10 the helpdesk, if you reduce it there, it is really just about ticketing, it  
is... Then when you look at the mainframe, (Inaudible) are coming  
down all the time. They know it, they are the mainframe side, so that  
is why I was saying the risk is actually mitigating Chair, because the  
two, you can take the two, I think if I remember... (Intervenes)

CHAIRPERSON: What are the numbers?

MR THOMAS: Okay, so Gijima's original bid was 1.8-billion.

CHAIRPERSON: Okay.

MR THOMAS: Then we had the data centre session where they then  
provided for us billing and their price went up to 1.898. T-Systems'  
20 price at that point was 1.556.

CHAIRPERSON: Okay.

MR THOMAS: On the pricing of the final session between the two, on  
the helpdesk services, Gijima's price after the data room was 226-  
million and it dropped to a 104-million which is a move of 122-million.

CHAIRPERSON: Okay.

MALE SPEAKER: What was T-Systems?

MR THOMAS: T-Systems was a 156-million and it stayed the same, there was no movement on it.

CHAIRPERSON: Okay.

MR THOMAS: On the other services that was help and service desk, on end user computing the Gijima's original price was 227 and dropped by only 5-million to 222. T-System's price was 371 and it dropped to 351. On the collaboration services Gijima was 188 and they dropped to 153 which is a 34-million drop. T-Systems was 168  
10 and that increased to 170. On the relationship management services, Gijima was 65-million and had increased to 66. T-Systems was 76.9 and it stayed the same. On the data centre services, Gijima's revised price after the data room was 1.09-billion and it dropped to 751-million. T-Systems was 770... (intervenes)

MALE SPEAKER: It was what?

MR THOMAS: It was 1.091-billion... (intervenes)

CHAIRPERSON: A quarter 1.1-billion, ja.

MR THOMAS: And it dropped by 340-million to 751-million.

CHAIRPERSON: So that was the call centre, what do you call it?

20 MR THOMAS: That was the data centre.

CHAIRPERSON: The data centre?

MR THOMAS: Yes, and T-Systems was 779 and they dropped to 785.

CHAIRPERSON: No, they went up to 785.

MR THOMAS: Ja, it went up to 785. They had increased by R6-

million.

CHAIRPERSON: So miraculously they both got to 7... That is the big job, that is the 350-million.

MR THOMAS: Yes.

MR GAMA: So that was the data centre there?

CHAIRPERSON: The big numbers, the data centre.

MR THOMAS: The data centre and then one of the service desk offerings, one of the people offerings.

CHAIRPERSON: Is it possible that they would have had access to or  
10 did they legally have access to what the other bidder was at, price wise?

MR THOMAS: They should never have legally had any access to...  
(intervenes)

CHAIRPERSON: So these oaks wind up, so the final was 785 versus?

MR THOMAS: 785 versus 751.

CHAIRPERSON: From 1.1-billion to 751, that is a 350 bar move, 340 bar. Wow, somebody in your office hacked the laptop?

MR THOMAS: They definitely did not have that.

20 CHAIRPERSON: Okay, I have said my piece, Chair.

MS MABASO: No, I just wanted to ask, you see you mentioned that with T-Systems we, from 2.5-billion to 1.6, we are saving how much? A billion?

MR GAMA: A billion, ja.

MALE SPEAKER: Is it 1.6 or 1.5?

MR PITA: It is 1.5.

MALE SPEAKER: It is 1.5, 1-billion.

MS MABASO: It is a billion. Can it be accounted for them as...

MALE SPEAKER: Savings?

MS MABASO: Yes.

MALE SPEAKER: It is a savings.

CHAIRPERSON: It is documented in that... (intervenes)

MALE SPEAKER: They both said it.

CHAIRPERSON: I think the Chair is asking, can they come and  
10 actually charge us 2.5?

MR SILINGA: No, no, they cannot because the... (intervenes)

CHAIRPERSON: It is a fixed contract.

MR SILINGA: They have now, the process has now indicated to us  
that they ate quite a bit in the past five years but they are willing to  
take less.

CHAIRPERSON: All right.

MR SILINGA: So that is the outcome of the process, there is a billion  
that we are saving, so it means they were charging us in the last five  
years close to 600-million, but they are willing to charge us 400.

20 CHAIRPERSON: Okay, and I think Makano made a point there, the  
data costs had come down?

MR SILINGA: Ja, but effectively as we were going to be extending  
the contract, they had not (inaudible). She says they have been  
charging us 9% more, so the processes have... Well she is being  
saying we should have been getting minus four instead of plus nine.

CHAIRPERSON: But can we, and is there any chance of sharpening their pencil more if we were... So... (intervenés)

MR SILINGA: In the one that you have got extended, no. Have we finished negotiating, the nine month extension?

MR THOMAS: So the nine month extension will be working on the key principles, we have not finalised the final prices but we are expecting some form of reduction. But just in terms of a normal tender process, even on the... So the process bidders go through is, they bid a good company price to be able to be shortlisted and then  
10 when you go into the final negotiations, you can still achieve a further 10% on the prices, because they do (inaudible) into these transactions. So we do believe that whoever the final bidder is, we should be able to reduce those prices through negotiations and...

CHAIRPERSON: I want to wrap this up unless any... Makano, would you like to respond?

MS MOSIDI: Yes Chair, I just want to make some comments because I think it is important that we transform this environment. If you have given us the mandate that we need to do Chair, to actually reduce the cost because if you read this tender, there are six guided  
20 principles, it is to innovate in this environment, we did not have it for seven years, it is to reduce cost. It is there in the tender. We have not reduced cost. The analysis that we have made, it has given us year and year increase, 9% it has increased.

And even now when you are going to sharpen pencils for the nine months, I know that they are going to ask that they will reduce by

4%. It has not, okay, so if (other official language) Chair, you are going to call us, sorry I used Sotho there, you are going to hold us accountable for the cost, those six principles we have not seen any movement in the past seven years. What I did know Chair, is that this tender was to test and to keep T-Systems honest if I had known...  
(intervenés)

CHAIRPERSON: That is my assumption, I am sorry, it is me.

MS MOSIDI: If I had known, then we would not have taken this energy to make sure that we get the right (inaudible) a competent bidder and just say look, now we have reduced the price and we would have left it to Procurement. I actually thought it was time to refresh, to get new partners inside Transnet so that we can actually achieve the innovation that we would like to achieve. You want to have a competent partner and I am confident that in the context that we have that we have recommended to the Board, we will actually achieve those. I am very confident about that. However...  
(intervenés)

CHAIRPERSON: I have got (indistinct), sorry, finish.

MS MOSIDI: Yes, yes Chair, so just in summary I am saying the six guiding principles of this tender, we have not achieved for the past seven years. I would not want to be here, I am ambitious, I might be soft but I am quite ambitious, I would like to win and if they have not done so for the past seven years, these six principles, I do not know why I think they will be for the next seven years, but had they won the tender, probably we will take something and see what we can do with

it.

**CHAIRPERSON:** Can I say to you then if the Board (inaudible) you which we would be prepared to admit to, we need to say to you look, and at an operational level you have got to go and keep the softer rear and get them into gear and we will help you to do that, because if they are not delivering, we are just saying that at a macro level to go and make these kind of changes and the kind of risk factors that we are carrying, soft risk factors but also the hard risk factors, he has got (inaudible) issues at the moment.

10           Anything that is going to risk us shutting the systems down, is going to be such that we as a Board, we are going to be crucified and we just, that is our overriding principle. We are risk averse, I sit every day and my wife asks me, are you going to be in the newspaper again? When are you going to be in the newspaper so that I can avoid all our social arrangements. I am sure that you... (intervenes)

**FEMALE SPEAKER:** Tell me please, they have not put your face?

**CHAIRPERSON:** Exactly, so we are at super risk of this and we are super sensitive to the fact that we are now looking to give you all the GCE a job to do that we do not (inaudible) what you do. We accept  
20   that. My perception was that Maria created a perception that this Aviara transaction was going to last, excuse my Latin, it is not great, *ad infinitum*, that was the perception that I had about that dealer originally and I might be wrong but Eskom and Transnet both gave those kind of undertakings at the time.

Maybe they are not relevant anymore, but we just from a risk

point of view are very nervous of it and it is not to headstream you guys and it is not, it is to say look, we have got this (inaudible) wagon, if we need to improve it, if we need to buy it new tyres and pull it harder and kick its donkeys more, whatever we have got to do, we are happy to support you in it but I do not think that you know, any sharp movements at the moment we are going to wind up cutting ourselves.

**MALE SPEAKER:** Chair, can I just make sure we are correct in terms of the objectives of taking the process? I mean I do not think  
10 anybody in Transnet ever believed that the contract must carry on for infinity. The fact from a process point of view it is always about the market, testing the market and I think it boils down to fairness, equity, transparency, cost effectiveness and (inaudible). I think going out in the market and by getting R1-billion, one, and another saving and another, shows that you are ticking the box around competitors, you keep everything (inaudible).

Then from a process point of view, risk had been identified. You know, the governance had been (inaudible) and I look at paragraph 37, it talks about use of objective criteria was (inaudible) in  
20 the RFP as a standard clause in section 1, paragraph 10. It is a disclaim of our RFP, so from a few risk (inaudible) processes, we highlighted the risks and then management believed that and the process must believe that the risks can be mitigated, the extent to which we can mitigate then is still objective criteria. If we believe that the risks are too high, obviously the Board can make the decision on

this. The one part that I just also want to highlight though, is from a transformation point of view. I do not want the Board to get the idea that we have done no transformation over the last seven years...  
(intervenes)

CHAIRPERSON: No, we do not.

MALE SPEAKER: As well from my point of view, my understanding is that they have met all these (inaudible) development on. We have not penalised anybody and in fact, there has been black owned businesses coming into the industry and I know that Mr (Inaudible)  
10 you had asked us that previously when we presented that, so I do not want to give you an impression that there is no supply being put it. All I am saying is, from a process point of view we have followed the process.

If there is risk that is still sitting in the Board's mind, we can obviously make a call and we have come to this conclusion based on these various steps. I must admit though the contract management has been (inaudible) for us and we cannot just (inaudible) in the ICT area, I do not want to say that Makano's area is especially better than contract management. That is not the case, I think it is a pervasive  
20 risk across Transnet which is something we need to, GCE you and I need to be pushing hard on to make sure that we fix it. So Chair, I just wanted to make those points and also you know, from a risk point of view, the pricing risk is always going to be there.

We can mitigate, we can get the suppliers that will tell us that there is no risk. Pricing is always going to be there. I can remember

a contract that we discussed the other day over Imperial with the fleet. When we went and entered into the contract, they were significantly lower than everyone else and now they have got and cancelled the contract. There is always pricing risk there, whatever contract you are looking at. So we can mitigate it up to a point but they also can come to you and say that they will (inaudible) to cancel.

CHAIRPERSON: No, I think that the Imperial contract is a very good point because we did this deal with Imperial, we gave it to the lowest bidder, not nice guys either by the way, the truth it sound like I they  
10 do not like anybody, maybe I do not but they have cancelled us and we had no, what-do-you-call it, a recourse. They said look guys, you are right, we did not quote you that price, now that we have looked at it, actually we are not going to make any money out of it and we want out. I think that the other mitigation here from leaving these mongrels versus the new mongrels is that they make nice money out of us, that is what that more or less admit that it sounds like.

It sounds like if we can manage them and they have made money already, the lower price may actually work for these five years in our favour. So you know...

20 MS MABASO: (Inaudible) how about the (inaudible) taking?

MR SILINGA: Ja, in terms of the SD, I think they have two numbers, 46% on one and another one... (intervenes)

CHAIRPERSON: 57.

MR SILINGA: On 53 or 57, ja. That is 53. Eddie, can you check because we always try and... (Intervenes)

CHAIRPERSON: Paragraph 77,

MR PITA: 77.

CHAIRPERSON: Paragraph 77.

MR THOMAS: Chair yes, just in terms of that, Gijima's SD offer is 46% and T-Systems is 57%. Now we do have the situation you know, whereas the GCFO mentioned on the incumbent, they have SD obligations and part of their SD obligations is, they have actually predated a black owned data centre owner, so we do have a South African black owned company who is a data centre owner with  
10 equipment, *et cetera*, that are on the Gijima side.

They have got big International OEMs, they have got IBM and they have got Vodafone and neither of them actually have the black ownership of a data centre within the South African environment and I think that might be the differential in terms of percentages coming through on the office from the percentages on their contracts. We have not gone into the details of their SD plans, because that we will engage with prior to the finalisation of the final contract.

CHAIRPERSON: Does anybody have anything to add? Otherwise then I want to try and wrap this up because we have run a bit over it  
20 and I am going to go around GCE. Anything that you want to add?

MR GAMA: No, I think you will see my annotation was around...

(Intervenues)

CHAIRPERSON: SD.

MR GAMA: Supply and development, because I think it is an important aspect.

MS MABASO: Ja.

CHAIRPERSON: But Chair?

MS MABASO: No, I am (indistinct).

CHAIRPERSON: Mr Nagdee?

MR NAGDEE: I have (indistinct), no I am fine (indistinct) Chair.

CHAIRPERSON: No, I am going to wrap it up now. Would you like any other responses, comments, anybody? I do not want anyone to accuse to not have had their say.

MS MOSIDI: Can I?

10 CHAIRPERSON: Yes.

MS MOSIDI: Just for the last time.

CHAIRPERSON: Ja.

MS MOSIDI: I know you are very averse to newspapers and I...  
(Intervenes)

CHAIRPERSON: You have got no idea, you cannot imagine.  
[Laughs].

MS MOSIDI: I am as well Chair and I can just imagine this headline that says Transnet award the biggest contract to the most expensive, not necessarily black owned organisation. It is just a line that I see as  
20 we speak... (intervenes)

CHAIRPERSON: I doubt that, ja.

MS MOSIDI: Whilst Gijima is a home (inaudible) company which is (inaudible) and it was cheaper and it won and it could not. It is just a comment to say I am also so averse to these comments because I think they do not stand well in terms of their intention of us as a

community for our country.

MS MABASO: I think Makano, I hear you but we have been in the media, you do not know, you do not understand how it is. Even your child, you look at him, you are just wondering what is he thinking about you, you understand? So you come to the Board meeting and you are looking at other Board members who have not been on the media just wondering what are they thinking about you, you understand?

What I am trying to say, we have gone through all those  
10 emotions, but at the end of the day it is not about the most expensive or the cheapest, it is about the risk that is being imposed and for me really, I am not comfortable with Gijima, I really am not. I really am not. Thank you.

CHAIRPERSON: I think that you are right there, I think that that headline is going to come but I think the worst headline is to say that we our IT system fell over. The incompetent Transnet, now its IT system fell over and I mean that is the worst headline in saying that we awarded a contract. I think that all of our contract awarding  
20 processes are questionable anyway, that is the implication, that was the implication of the newspaper articles, so I suppose it is versus changing and making a major change.

I want to say one last thing, that procedurally we are going to take this recommendation to the Board, we as the ADC are going to recommend against remaining with the incumbent. Colleagues, is that correct?

MS MABASO: Say it again.

CHAIRPERSON: We are going to recommend remaining with the incumbent.

MALE SPEAKER: Yes.

MS MABASO: Yes.

CHAIRPERSON: We are going to say that management's recommendation per the submission, was to go with Gijima and we are going to ask the Board to confirm more or... Is that procedurally where we are up to?

10 MS MABASO: Ja.

CHAIRPERSON: Garry, GCE, do we have the right? We do not have the right to authorise this on our own or we do?

MR PITA: No, you need to recommend it to the main Board.

CHAIRPERSON: Just to be clear, we are going to recommend staying where we are for risk purposes. GCE?

MR GAMA: Ja, but the purpose of having a Board and committees, is because we as management might do things and you are bringing in a different independent perspective. This is beyond the authority of the management, so as a Committee you may overrule the management in terms of what the management comes with and then you can then ask the management to submit to the Board a...  
20 (Intervenes)

CHAIRPERSON: A vast.

MR GAMA: A devised, things that you do not need to then go and say to the whole Board, management said this and ADC said this. So

it now, it is a submission that says the ADC recommends the following to the Board.

CHAIRPERSON: I think for good order, thank you for the clarification. For good order I think we should add to this memo then for the Board, so that it says that ADC have overruled management. We are okay with it, we have done it before, we have done it on the NMPP which is just such a disaster, you know this is not the first time we have done it, we have made drastic changes in terms of (inaudible).

ADC has made great changes in terms of, by way of  
10 example NMPP and so our recommendation is going to be to remain with the incumbent and we would ask Mr Thomas to update the memo to that effect. Obviously we have got between now and next week if any material changes occur or anything, I would hope that this does not wind up in the press, I suspect that it will and what undertakings, I understand that there was a meeting, a final meeting with Gijima where they arrived with lawyers and recorders and all kinds of things. Is that correct?

MR THOMAS: Chair yes, that was at the last clarification meeting we had. They had their (inaudible) there including their external lawyers  
20 as well as some public procurement experts.

CHAIRPERSON: So let me just say one thing for you Mr Thomas, I speak for the Chair and she can add... (intervenés)

MR SILINGA: Did we make any proclamations, like as (inaudible)?

MR THOMAS: No, we did not.

CHAIRPERSON: Ja, but also, just from a procedural point of view,

why on earth would a supplier arrive with external lawyers? What is that about?

MS MABASO: Intimidation.

CHAIRPERSON: Why would they come and get lawyers and why would we entertain their lawyers?

MS MABASO: Yes.

CHAIRPERSON: I would love to bring my lawyer to the ADC meeting, I would love to, it would be fantastic.

MS MABASO: Why? Seriously, why?

10 CHAIRPERSON: Why would I like to? I would like to.

MS MABASO: And is it procedural here at Transnet that when you do such a thing, your lawyers must come and then they do recordings? Is it normal?

MR THOMAS: So it is normal for us from a procurement perspective to record the sessions and... (intervenes)

CHAIRPERSON: You are recording?

MR THOMAS: So we record, we always records all our sessions and then they requested that they can also do a recording and they will bring their recording device with. So there was no, there is no  
20 sufficient grounds for us to actually deny them that right.

CHAIRPERSON: And external lawyers?

MR THOMAS: We often find that suppliers do involve their lawyers in a process to assist them during the processes.

CHAIRPERSON: Can I make a suggestion? Can we, we will look at that as a procurement process.

MS MABASO: Ja.

CHAIRPERSON: Because I think that as a Board, we are uncomfortable with people arriving with their lawyers.

MS MABASO: Yes.

CHAIRPERSON: Because to me, it just smells of something that is looking to pick up a fight with you. I love lawyers Mr Silinga, at present companies included, but I think that having, I mean Mr Silinga is just internal counsel for the very reason.

MS MABASO: Yes, it is some sort of an intimidation, né.

10 CHAIRPERSON: I do not know about that, I mean it just gives, it does not give a warm fuzzy feeling to me.

MS MABASO: Ja, it does not.

CHAIRPERSON: And it leaves me to believe that we will have such a headline, but in any event we are to reiterate, this decision is based on risk averseness, it is not, I want to reiterate this one last time, I now need time to can say it, I hate all these consultants, they are all terrible and if it was my life over again, I would have told Ms Ramos not to sell off her IT Department, but that is life. So that is where we are and it is, the risk aversion that this is about and when the press  
20 calls us on, it means we will, you know, that is our overriding principle.

MS MABASO: And the other thing Eddle, if you allow this one party to bring their lawyers, the other part will say I love those ones, you understand? So please, I do not know how to, whatever you are going to amend but really, some other parties will also say, you know

what, I want to bring my lawyers because you allowed Gijima to come with their team of lawyers. It is not a standard thing here at Transnet, so we have to do something about it. I do not know whatever you are going to do.

MR GAMA: In future, you cannot tell them not to do it now.

CHAIRPERSON: Ja.

MS MABASO: No, no, not know... (Intervenues)

CHAIRPERSON: We know that.

MS MABASO: I am talking about the future.

10 MR THOMAS: We all definitely will have a look to see what can we do to address that.

CHAIRPERSON: Okay. Everybody, I must say that usually thank you for your energies and your time and to reiterate, it was my personal opinion that the mechanism of putting out the RFP was to keep everybody honest. It is not to say that if somebody would have arrived with half the price we would be able to have the same discussion, but then within a tender of 20% splitting distance and the size of the organisation and the risk that we are carrying, and I am sure that we are not *ad Idem*, that happens from time to time, it is the  
20 nature of an organisation, it has happened with us before I think on occasion, but we do appreciate everybody's energies and efforts in the process. Are we still going to aim to finish before lunch, madam?

MS MABASO: I think the NMPP people are here, just finish with them and then we go can go on lunch.

CHAIRPERSON: Okay, we are going to do then item 6.4 which the

NMPP update. Thank you very much. Makano, thank you.

MS MOSIDI: Thank you very much.

MS MABASO: GCE?

MR GAMA: I think we may as well finish everything, there is not much left.

MS MABASO: The other item is the Supply Chain Management item.

FEMALE SPEAKER: Okay.

MS MABASO: Just to...

CHAIRPERSON: That is your, Mr Thomas.

10 MR GAMA: The one for NMPP is for noting, is it not?

FEMALE SPEAKER: Yes, Chair.

CHAIRPERSON: I think just...

MR GAMA: Let me just indicate to the Board members, we are going to have a deep dive I think on the 9 March and we have set aside more than an hour, maybe two hours to deal with the NMPP, so there is not any need for us at this point, because they are not asking for money; it is just their normal report for us to delve into detail, but I must just say that there are skeletons riddling out of the...  
(intervenes)

20 CHAIRPERSON: In the (inaudible).

MR GAMA: But ja.

MR THOMAS: Chair again, I think the GCE is right, it is something that we want to put up... (intervenes)

MR GAMA: And we have a Steering Committee with NMPP.

MR THOMAS: Ja, and contract management also seems to be the

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**ACQUISITIONS AND DISPOSALS COMMITTEE MEETING  
NUMBER 7-16/17FY**

**13 FEBRUARY 2017**

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➤ Some words/phrases were inaudible due to the following reasons:

1. Unfortunately not all speakers were positioned close enough to the microphones/recording device.
2. Noises caused by persons coughing and paging through documentation drowned out the voices of the speakers.

➤ Transnet is a very large entity; terms/abbreviations/names of employees/projects of which could not be traced via the Internet, were spelled phonetically.

➤ Speakers were not introduced on record. In some instances Mr Chair would mention the following speaker's name/surname, but not at all times and reference was then made to "Female Speaker" or "Male Speaker".

  
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