



EXHIBIT BB 19

HENK BESTER



**JUDICIAL COMMISSION OF INQUIRY INTO ALLEGATIONS OF STATE CAPTURE,
CORRUPTION AND FRAUD IN THE PUBLIC SECTOR INCLUDING ORGANS OF STATE**

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**IN THE JUDICIAL COMMISSION OF INQUIRY INTO ALLEGATIONS
OF STATE CAPTURE, CORRUPTION AND FRAUD IN THE PUBLIC
SECTOR INCLUDING ORGANS OF STATE ("THE COMMISSION")**

STATEMENT

I, the undersigned,

HENK BESTER

do hereby state that:

1. I am an adult male civil engineer and a citizen of the Republic of South Africa.
2. The facts contained in this statement are both true and correct, and within my personal knowledge, unless the context provides otherwise.
3. As is evident from the contents of this statement, the events that I deal with span several years and occurred many years ago. There may be aspects of the statement where I don't recall the exact dates and/or verbatim what was said at the time. In those circumstances, I give approximate dates and set out events as I remember them to the best of my ability.
4. I was requested by the Commission to attend an interview to discuss my involvement in the Manganese Expansion Project (MEP). This statement was prepared pursuant to a request by the Commission to provide a statement in

respect of the procurement, evaluation and negotiations with Transnet and in particular relating to the MEP to the extent that I was personally involved. Accordingly, this statement deals with the process relating to the evaluation, negotiation and awarding of the following tender and/or contracts and matters relating thereto:

4.1. Phase 1 of MEP (Phase 1); and

4.2. Phase 2 of MEP (Phase 2).

INTRODUCTION

5. I am a qualified professional civil engineer and an expert on railways.
6. I joined Transnet in 1990 in the Freight Rail division (then called Spoornet). I was appointed as assistant engineer in George Koch Track Testing Centre after which I moved to Saldanha, and later to Cape Town and Worcester as district engineer and senior district engineer.
7. I left Spoornet at the end of 1998 and thereafter I joined R&H Railway Consultants (R&H) where I became Managing Director. I worked for R&H for 10 years and thereafter I joined Hatch Consulting ("Hatch") in 2008.
8. I joined Hatch as a senior engineer, then later became the Global Director and Managing Director Rail responsible for Africa, Australia and South America. Hatch is a global engineering company with expertise in rail in the mining, infrastructure and energy sectors. Its head office is based in Canada with offices around the globe including South Africa.



9. During my years at Hatch, I was involved in numerous projects for Transnet including an appointment as the project manager tasked with investigating various ports for manganese exports. These included Port Elizabeth and Saldanha and options to expand capacity for manganese on the railways for tonnages beyond 6 million tons per annum ("Mtpa") to 16 Mtpa and beyond (as much as 22 Mtpa).
10. Hatch Goba (later became only "Hatch" in South Africa and will be referred to as "Hatch" in my statement) was appointed by Transnet Freight Rail (TFR) in 2009 as an extension to the HatchMott and Goba Contract (commonly referred to as HMG) to assist in options for exporting manganese to Port Elizabeth for volumes up to 12 Mtpa. This project was a precursor to Phase 1 (which I will discuss later in my statement) and included projects such as the manganese 5.5 Mtpa expansion project specifically relating to Hotazel Yard.
11. I was appointed as the project director and lead engineer to assist Transnet in preparing the documentation for execution by Transnet in-house. During this time Hatch developed a very good relationship with TFR and together worked on options and a solution for ultimately exporting 16 Mtpa to the Port of Ngqura.

MANGANESE EXPANSION PROJECT (MEP)

12. In essence, the project entailed relocating the existing manganese terminal from the port of Port Elizabeth to the port of Ngqura and expanding the terminal throughput capacity from a capacity of approximately 6 Mtpa to 16 Mtpa.



13. Transnet was the promoter and sponsor of the project. The project was to be funded off Transnet's balance sheet and the business case was prepared in line with Transnet's financial hurdles of internal rate of return (IRR), net present value (NPV) and affordability.

Phase 1 of MEP

14. During 2012 TFR approached Hatch to assist in developing a phased approach for the MEP. According to TFR, budget constraints were foreseen should the project be executed in a single phase as opposed to splitting the project into various execution phases. At the time the entire project was projected to cost in excess of R25 bn rolling stock included. Rolling stock refers to the locomotives, carriages, wagons or other vehicles used on a railway. In this instance the rolling stock refers to wagons.
15. Due to the foreseen budget constraints, TFR decided that the project would be split into Phase 1 and Phase 2. It is my understanding that TFR prepared a motivation for the confinement of Phase 1 of the project to Hatch on an EPCM (engineering, procurement and construction management) basis. The Commission's investigators furnished me with a copy of TFR's motivation for the confinement of Phase 1. Prior to this I had not seen TFR's motivation. It is also my understanding that the reason for this motivation had to do with the considerable amount of time it would take to engage and procure other parties to work on the project. The TFR motivation is annexed as "HB1".
16. In its Confinement Request for Quotation (RFQ) to Hatch, Transnet included a clause that required 50% of the contract value to be spent on Supplier



Development (SD) initiatives. In broad terms, this meant that 50% of the value of the work had to be subcontracted by Hatch to Qualifying Small Enterprises (QSE) or Exempted Medium Enterprises (EME). At the time a QSE was a business entity with a turnover of between R10 million and R30 million and this was measured using the QSE Scorecard. An EME at the time was a business entity that was exempt from measurement in terms of the Department of Trade and Industry's Codes of Good Practice for Black Economic Empowerment (BEE). The EME automatically qualified as a 100% contributor towards BEE and this offered small South African businesses the opportunity to grow as a result of BEE irrespective of the make-up of the shareholding.

17. This 50% requirement was in conflict with Former President Zuma's announcement in his State of the Nation Address at the time that all public sector tenders should have a 30% SD component. I struggled to understand how Transnet expected the main contractor to agree that 50% of the work would be done by SD partners. Although SD was a novel concept at the time, I doubt that any main contractor would agree to take on 100% of the risk but only do 50% of the work. It was also for this reason (as I deal with later) that Hatch was hesitant to contract with SD partners that it did not know.
18. On 19 July 2013, I received a call from Mr. Nalen Padayachee ("Padayachee") who indicated that he was from PM Africa to discuss Phase 1. He gave no details as to what the discussion would entail. I agreed to meet with him on 22 July 2013 at the Hatch offices in Woodmead. Padayachee came to the meeting with a gentleman he introduced as Mr. Dave Reddy ("Reddy"). According to Padayachee, Reddy was from a company called Development and Engineering

Consultants (DEC). I did not know Reddy or his company prior to this introduction. Reddy informed me that "Number 1" sent him to form part of the Hatch team in executing Phase 1 of the project. I asked Reddy who he was referring to as "Number 1". His response was: "I cannot divulge but you can figure it out." I pause to mention that during every subsequent meeting where Reddy was present, he used to say: "Number 1 sent me" or "I spoke to Number 1 last night" or "Number 1 is not happy" etc. He never divulged the identity of "Number 1". I initially thought "Number 1" was a reference to President Zuma but I later suspected, through discussions with Reddy and others, that "Number 1" was probably a reference to Mr. Brian Molefe ("Molefe") as in "Number 1 at Transnet". I must state that no one expressly said "Number 1" was Molefe; it was merely the impression I got whenever reference was made to "Number 1".

19. During this meeting (on 19 July 2013), Padayachee and Reddy indicated that their respective companies would form a joint venture if they worked with Hatch on Phase 1. Padayachee further explained that they (him, Reddy and their respective companies) knew everything about the project and the people "high up" in Transnet. I understood this to mean executives such as the CEO, CFO and COO, but they were not specific as to who they were referring to as the people "high up". Padayachee further indicated that they (being him, Reddy and their respective companies) knew about the potential confinement of Phase 1 to Hatch and wanted to be included as a primary SD partner on the project. I explained to them that Hatch has various companies to consider as SD partners and that any approach in respect of SD would be dependent on the various regions where the work would be undertaken. I also explained that for Hatch, the concept of SD is about growing black-owned companies in resources, skills and technology.

20. In this vein, I enquired what type of work Padayachee and Reddy's companies could contribute towards the project should they be considered as a potential SD partner. Reddy indicated that they (I assumed he was referring to both companies) have access to a lot of engineers in India who could assist with railway engineering. I explained to them that SD is not about the development of companies and individuals outside of South Africa. I also told them that Hatch certainly would not need railway engineering support but rather other disciplines such as quantity surveying, general civils etc. Reddy then indicated that this should not be a problem as PM Africa and DEC have access to resources in all fields of engineering.
21. Upon the conclusion of the meeting it was agreed that Padayachee would send me a Memorandum of Understanding (MOU) which Hatch would consider and give an indication of its willingness to use PM Africa and DEC as potential partners for SD in the future. On the same day, I discussed with Mr. Alan Grey ("Grey"), who was the Managing Director (Industrial Infrastructure) at Hatch, what transpired at the meeting and informed him that PM Africa and DEC would send an MOU for Hatch to consider. Whilst the meeting did not sit well with me, there was nothing strange about a company approaching me or any executive at Hatch to discuss potential business opportunities. What concerned me was the constant reference to people "*high up*" in Transnet. I was not sure whether these individuals were just "playing big" and name dropping to secure a deal with Hatch.
22. On 25 July 2013, I received a draft MOU from Padayachee by email and I sent the document to Grey the next day (26 July 2013) for review. At this point Grey and I became very uncomfortable with the nature and tone of the conversations

with Padayachee and Reddy. They were aggressive in their approach and the contents of the MOU made it clear that they wanted to be the sole SD partner. Hatch took a decision that any MOU concluded with DEC and/or PM Africa would be on a non-specific and non-exclusive basis as would be applicable for any potential SD service provider. In other words, as Hatch we would not agree to include these companies specifically on the MEP. The terms of the MOU would be in general terms. I annex hereto Padayachee's email and my email to Grey as "HB2" and the MOU from Padayachee as "HB3".

23. On 26 July 2013, I met with Mr. Rudie Basson ("Basson"), Transnet Capital Projects (TCP) Project Director at the time, to inform him of the visit I had from Padayachee and Reddy and the apparent insight they seemed to have into Transnet matters as outside companies. Mrs. Deirdre Strydom ("Strydom"), the Project Manager at TFR at the time, was also present at the meeting. Basson indicated that he was surprised that Padayachee and Reddy met with me; he said he (Basson) knew all about them (Padayachee and Reddy). Basson said that he had an earlier discussion with Mr. Anoj Singh ("Singh"), Transnet's Group Chief Financial Officer (GCFO) at the time. As GCFO Singh was responsible for signing the confinement for Phase 1 prior to Molefe giving final approval as the Group Chief Executive at the time.
24. Basson told me that Singh wanted a confinement approval condition included which stipulated that PM Africa and DEC should form part of the SD component for Phase 1. According to Basson, him and Mr. Gerhard Bierman ("Bierman"), CFO of TCP, told Singh that it would not be advisable to stipulate specific companies to be used in SD initiatives. Basson said this condition was

subsequently dropped. It was thus surprising to Basson that Padayachee and Reddy would approach Hatch because according to Basson he understood the matter to be closed. As Hatch, we were also guided by Strydom as we considered her to be objective. She made it clear that her advice to us was not to sign the MOU.

25. Later that same day, I received a call from Basson who requested that Hatch sign the MOU with PM Africa and DEC. Basson did not give me a reason for this request and I would be speculating if I were to say I knew the reason. I can only imagine that there must have been push back when he informed Singh of what I had told him about Padayachee and Reddy approaching Hatch; and Singh must have insisted that the MOU be signed. I called Grey, who was in Cape Town at the time and informed him of the discussion with Basson and that Hatch needed to finalise the MOU in order to send it back to Padayachee and Reddy. At this stage, Grey had amended the draft MOU to a version that was more comfortable or palatable for Hatch. Grey emailed me later that day attaching the revised MOU with the following statement:

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

26. I annex Grey's email as "HB4" and the revised MOU as "HB5".
27. The main differences between the MOU that Padayachee sent me (HB3) and the revised MOU that Hatch sent (HB5) were the following:

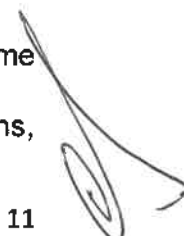
- 27.1. the revised MOU specified that the parties would co-operate where applicable, whereas the initial MOU proposed partnering;
- 27.2. the revised MOU made it clear that whatever arrangement the parties agreed on, it would be on a non-exclusive basis whereas the suggested proposal in the initial MOU was that there would be exclusivity.
28. Whilst the initial MOU does not specifically mention Phase 1, it must be read in the context of what had transpired prior to receiving the initial MOU. At this stage, Padayachee and Reddy had made it clear that MOU would be in respect of Phase 1. Therefore, when I considered the initial MOU and the revised MOU it was within that context. On the same day, I signed the MOU on behalf of Hatch and mailed it to Padayachee and copied Reddy. I annex the email as "HB6". It was important to convey that Hatch would not agree to any specific project. I stated the following:

"Pse note that 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. It will be in form of sub consultant agreement with scope,*
 3. *SD targets etc. etc."*
29. On or about 1 August 2013, I received a call from Padayachee who indicated he would like to see me again. We agreed to meet on 5 August 2013. At the meeting Padayachee and Reddy advised that the confinement approval was imminent but Hatch needed to sign an addendum to the MOU (that Hatch had amended)

before confinement could be finalised. It was clear that they were not happy with Hatch's proposed amendments. I understood this to mean either that Singh would not approve the confinement in order for Molefe to give final approval, alternatively both Molefe and Singh would not give the necessary approvals. Either way, the confinement would not be approved unless the proposed addendum to the MOU was signed. They (Padayachee and Reddy) gave me the proposed addendum titled Addendum 1 annexed as "HB7". I indicated to them that I could not sign it before discussing it with the relevant Hatch personnel. The proposed addendum stipulated that PM Africa and DEC would be the primary SD partners to Hatch for Phase 1.

30. On 6 August 2013, I discussed the addendum with Grey. We were both not comfortable with the situation and decided that Hatch would not sign the proposed addendum. The meetings with Padayachee and Reddy and the perceived insight that they had into Transnet business was cause for concern for both Grey and me. Later that evening I called Strydom and advised her of the situation. She was the appointed project manager from TFR and I reported directly to her from a client perspective. It was extremely important for us to have a relationship of trust with her.
31. It was also agreed within Hatch that we would inform Strydom of all developments as to avoid questions being asked why we are raising issues for the first time at a late stage. At this stage I was very fearful that physical harm would come to me and the other executives at Hatch. The tone of the interactions with Padayachee and Reddy gave me a sense that they would go to extreme measures to secure the SD portion of the contract. In one of our conversations,



Reddy mentioned that "Number 1" was not happy with the decision that we had made regarding the SD partner component of the contract. I assumed this was a reference to Hatch's refusal to sign the initial MOU.

32. I subsequently understood from Strydom that she contacted Mr. Johan Bouwer ("Bouwer") of Transnet and advised him of the situation. I don't remember Bouwer's title but he was in operations and I think his title was Operations Lead or something to that effect.
33. I called Reddy and indicated to him that Hatch would not be signing the proposed addendum to the MOU and that I would be sending him an email to that effect the next morning. Reddy told me that "Number 1 would not be happy with this". My response was that it was our final decision. Reddy made a number of attempts to reach me later in the evening but I did not take his calls. The following morning (7 August 2013), Grey and I drafted an email to Padayachee and Reddy which I sent to both of them. I annex the email as "HB8". In the email, we stated the following:

"Further to my telephone conversation yesterday evening (with Davé) I wish to confirm that we are not comfortable signing the Addendum 1 to our MOU which you have sent to us for consideration on Monday 5 August 2013, which would confirm the DEC PMA JV as the primary SD partner for the Transnet FEL 3/4 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 explained to you in our first meeting, Hatch Goba 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 maximize opportunities of skills development, localization, 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.”

34. On the morning of Wednesday 7 August 2013, Grey and I met with Strydom at Woodmead to advise her more fully on the situation. This resulted in Strydom calling Mrs. Cleopatra Shiceka (“Shiceka”) General Counsel of TFR at the time. Shiceka requested that we (Grey, Strydom and me) come to the Carlton Centre immediately to brief her. We met Shiceka at the Wimpy at Carlton Centre and provided her with a full debrief of what transpired up to that date. Shiceka indicated that Hatch had done the right thing to elevate the matter at TFR. We showed Shiceka the proposed addendum by Padayachee and Reddy, which she photographed using her iPad. Shiceka then indicated that she will inform the right

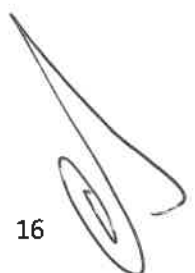


- people at Transnet and that Hatch should not take any further steps. She further advised that Hatch should send her in due course an affidavit via email to her private Gmail account setting out exactly what transpired to date.
35. However, I was later informed by Strydom that the matter was elevated to Singh who considered the matter closed and that no further action is to be taken. This was the same message that Strydom told me she received from Bouwer.
36. Pursuant to this, on 7 August 2013, Hatch's Head of Legal at the time, Xandra Blacklaws ("Blacklaws"), did background checks on PM Africa and DEC. She was unable to find any results on PM Africa at the time. I annex the email from Blacklaws as "HB9".
37. On 19 August 2013, the confinement was approved by Transnet. At the time, Hatch did not have sight of the approved document however I was given a copy of the document by the Commission's investigators in preparation of this statement. I annex the approval as "HB10".
38. On 22 August 2013, Hatch was informed by our project Manager, Mr. Greg Tew ("Tew") that Mr. Velile Sikhosana ("Sikhosana") from TCP, who replaced Basson, that TCP would issue a RFQ to Hatch for the confinement of Phase 1. I annex the email from Tew as "HB11".
39. On 27 August 2013, a full tender document was issued to Hatch. The closing date was 4 September 2013. A tender declaration form or supplier code of conduct declaration was included in the tender document that Hatch had to complete and sign as part of the tender submission

40. On 2 September 2013, various meetings were held with Grey, Blacklaws and me regarding this matter and any implications related to the signing of this declaration. Later (on the same day), we (Grey, Blacklaws and I) had a meeting with Mr. Rory Kirk ("Kirk"), Hatch's managing director, to review the events up to this point and formulate Hatch's position on the matter bearing in mind Hatch's total commitment to ethical and transparent behaviour. In other words, was this a "*reportable*" matter in our view.
41. I do not have the tender declaration form that would have formed part of the bid documents at the time, however, I have obtained a recent TFR tender document and the wording is the same to the best of my recollection. I annex the tender declaration form as "**HB12**". In essence, the document required Hatch to declare:
- 41.1. Transnet had supplied and Hatch had received appropriate tender offers to any or all questions which were submitted by Hatch for tender clarification purposes;
- 41.2. Hatch had received all information that it deemed necessary for the completion of the tender;
- 41.3. At no stage had Hatch received additional information relating to the subject matter of the tender from Transnet sources, other than information received from the designated Transnet contact(s) as nominated in the tender documents;

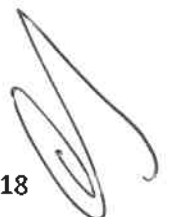


- 41.4. Hatch was satisfied, insofar as Hatch is concerned, that the process and procedures adopted by Transnet in issuing the tender and the requirements requested from tenderers in responding to the tender were conducted in a fair and transparent manner;
- 41.5. any direct relationship between a family member and/or owner / member / director / partner / shareholder of Hatch and an employee or board member of Transnet;
- 41.6. to the extent that Hatch was aware or becomes aware of any relationship between it and Transnet which could unfairly advantage Hatch in the adjudication process, Hatch would notify Transfer immediately in writing.
42. To the best of my recollection, Hatch's position was the following:
- 42.1. Hatch had acted correctly during the process;
- 42.2. there was no basis or proof that any fraudulent or collusive activity had taken place on the part of Transnet officials;
- 42.3. there was no corroboratory evidence that the statements made by Padayachee and Reddy regarding Transnet's processes and their "privy" relationship have any substance;
- 42.4. Padayachee and Reddy's behaviour is a cause for concern and warranted the elevation of the matter to Transnet;



- 42.5. the matter was elevated to the relevant Transnet officials through the correct channels and Hatch acted responsibly in this regard;
- 42.6. Hatch will not engage with Padayachee and Reddy on Phase 1 nor their respective companies going forward;
- 42.7. any influence Padayachee and Reddy claimed to have had with Transnet regarding the award of the contract appears to have had no basis, especially in view of the fact that the confinement had been approved without Hatch having to conclude the MOU on Padayachee and Reddy's terms;
- 42.8. there was no basis or justification to advise the Transnet fraud hot line as there was no documented evidence of any wrongdoing on the part of Transnet officials; and
- 42.9. accordingly, Hatch concluded that the Supplier Code of Conduct would be signed and would remain the basis of all Hatch's dealings in the future as it has been in the past.
43. There were several encounters with Reddy thereafter where we tried to get a better understanding of his company's skills, capability, relationship with Transnet, its offices etc. One of the senior engineers at Hatch, Mr. Rob Astell ("Astell") visited Reddy's offices in Fourways to establish, firstly if offices exist and secondly to get a feeling of his employees, systems and procedures and any other intelligence that could inform Hatch of the culture fit between the two companies.

44. However, it has to be said that at the time Hatch already included QSE/EMEs in our proposal to TFR. These were companies that Hatch was familiar with and at the time these companies were already doing a project with Hatch for the Industrial Development Corporation of South Africa (investigating a new steel manufacturing plant near Middelburg. The companies that were already included were Asceng, Aspire, EDS and MMQS for Phase 1. I annex hereto as “**HB13**” email correspondence between Hatch and Transnet regarding the appointment of the SD partners.
45. Hatch indicated to Reddy at the time that our submission was already well advanced and resourced with mainly Hatch employees and supplemented with QSE/EME companies that we have worked with for some time on other projects and it would be very difficult to find “space” for him and his resources.
46. Various meetings were held between Hatch and Reddy to discuss his involvement or rather non-involvement which culminated in a meeting with Transnet’s Chief Procurement Officer, Mr. Garry Pita (“Pita”). To the best of my recollection, these meetings were held before the award of the confinement.
47. To the best of my recollection the meeting with Pita, which was set up to include Singh, was held on 22 October 2013. I annex a meeting invite from Pita as “**HB14**”. This meeting was attended by Grey and me and started almost an hour late after Singh had not arrived. Pita said that Singh requested that he speaks to us as he (Singh) was busy. But we could see him (Singh) pacing up and down in his office and even pass us on his way to the restroom.



48. Having regard to what had transpired up to this point, Hatch (and in particular Grey and I) wanted Transnet to nominate a SD partner in writing and this was in specific reference to DEC. If DEC was appointed as an SD partner, it had to be something that came directly from Transnet and not perceived as a decision that Hatch made of its own accord. During the meeting with Pita we were firm on this point. Pita told us that Transnet cannot instruct us in writing to appoint a particular partner as a SD partner, but we insisted that Transnet would have to do so if it wanted us to partner with DEC or any SD partner for that matter that was not of our own choosing.
49. Pita was very aggressive and came short of physically attacking me for not appreciating Transnet's insistence on Hatch using a specific company as its SD partner. It has to be said that at the time it was strange that Pita himself got involved in the confinement of Phase 1. All the procurement in respect of the major projects was done through TCP's procurement department and not Transnet Group. It was definitely not the practice as I knew it. In any event, the meeting concluded with us insisting that we receive written instructions otherwise the project will be resourced according to skills and capabilities available within Hatch and sub-contractors of its (Hatch) choosing.
50. SD would make contracts 30 percent more expensive. Hatch agreed with the aim of SD but the implementation was new to Transnet and Hatch. The biggest disagreement was that Hatch held the position that Transnet either nominate an SD partner or partners and do so as part of the award or Hatch would use its own SD partners. Transnet was extremely aggressive with Hatch in this regard. They wanted Reddy to be part of our contract at all costs. Hatch remained steadfast

that it would not work with an SD partner selected by Transnet unless the nomination by Transnet was included in the contract.

51. On 21 November 2013, Molefe signed off on the memorandum, noting the award of the confinement of Phase 1 to Hatch. I annex the memorandum as “HB15”. Hatch was only notified of the award on 5 December 2013. I annex the email as “HB16”. Phase 1 was completed successfully.

Phase 2 of MEP

Period up to award of Phase 2 (January 2014-November 2014)

52. The procurement of the EPCM for Phase 2 Port and Rail was done through an open market bidding process and two tenders were advertised, one for Port and one for Rail. Each of the tenders comprised two offers with separate scopes to be completed:
- 52.1. Offer 1 - FEL3b Detail Engineering Design work to 100% and compiling tender documentation for critical and long lead and construction packages; and
- 52.2. Offer 2 - FEL 4 Completing the remainder of the EPCM activities, the procurement execution and construction management of the project.
53. On 27 April 2014, Transnet advertised the tenders for Phase 2, namely Rail Phase 2 Hotazel to Ngqura and Ngqura Manganese Export Terminal (NMET) through a competitive bidding process.



54. Prior to Transnet advertising the tenders for Phase 2, I contacted Reddy to discuss his knowledge of Transnet employees and thought it possible to arrange a meeting with Singh to discuss the outstanding invoices due to Hatch in the Transnet New Multi Product Pipeline (NMPP). Hatch had assisted Transnet on a section of the NMPP. We were having great difficulty in receiving payment of our invoices from Transnet for work done, in particular Transnet's habitual failure to pay invoices in accordance with the payment terms. If we were lucky payment would be made within 90 days but not less than that. At one point we had an amount of R20 million outstanding for many months. This created huge problems for obvious reasons especially in respect of cashflow and payment of salaries.
55. During the prior discussions with Reddy (during Phase 1) I had mentioned that we were having great difficulty with receiving payment timeously from Transnet on NMPP. Reddy asked why we did not just approach Singh who was the GCFO. Hatch had attempted to do so but we were not successful in securing a meeting with Singh to discuss these issues. I thought that perhaps Reddy would have better luck in securing a meeting for us. At the time Mr. Craig Sumption ("Sumption"), CFO of the infrastructure division at Hatch (now the CFO of Hatch Africa), had sent numerous emails to Singh requesting a meeting to discuss the outstanding invoices, without success. Reddy told me that it was possible for him to arrange the meeting as he had a very close relationship with Singh and that he will arrange the meeting.
56. Pursuant to my request to Reddy he called me and told me that Singh would meet with us but outside Transnet offices, at a restaurant in Melrose Arch. The



meeting was confirmed and Mr. Craig Simmer ("Simmer") from Hatch's infrastructure division and Sumption accompanied me to the meeting.

57. Upon my arrival at Melrose Arch, as I walked towards the restaurant, I was met by a gentleman who introduced himself as Mr. Salim Essa ("Essa"). He said that he was there to meet with us as part of the discussion with Singh and needed to see if the restaurant "*is clean*". I asked him where Singh was and he said that he will call him when he (Essa) is ready. I asked Essa whether he, himself works for Transnet and he responded that he "*is doing a lot of things*" or something to the effect of "*I have a lot of businesses*". He clearly had no intention of answering my question in detail. I was surprised at the time that as soon as Essa called Singh, Singh arrived a few minutes later.

58. The meeting centered around outstanding payments from Transnet to Hatch for work performed on the NMPP and what Hatch could do better to assist in expediting payments. According to the payment terms, Hatch was to be paid within 45 days of submitting invoices to Transnet but at the time there were invoices that were outstanding for more than 100 days. The meeting was very superficial in that Singh did not offer any insight into the reasons for the late payments and/or systems or communication that could potentially improve the payments. In hindsight, Singh was probably disappointed with the meeting. I had the distinct impression that he (Singh) had hoped that discussions were going to center around Hatch working with Reddy and his group rather than to resolve Hatch's issues of outstanding payments. Throughout the meeting I also got the impression that Essa was the boss and Singh was the subordinate.



59. Soon after this meeting, I received a call from Reddy informing me that Essa requested a follow up meeting with me in Melrose Arch. I informed Grey and Sumption of the call and a meeting date was set. Unfortunately, I cannot remember the date of the meeting. The meeting was held at JB's Corner in Melrose Arch and in attendance was Essa, Reddy and me.
60. At this stage, Hatch had already prepared its submission for Phase 2 as part of a joint venture called H2N Siyathuta JV, which consisted of Hatch, Aurecon, Mott McDonald and Siyathuta ("the H2N JV"). The H2N JV submitted two bids in respect of Phase 2; one for Rail and one for Port NMET.
61. It was a bizarre meeting. It appeared to me that Essa was a regular in the restaurant as everybody seemed to recognise him. He (Essa) carried several cellphones with him and during the meeting he received numerous calls, which interrupted our conversation as he continuously walked out to take calls. I became very annoyed with his behaviour.
62. Essa told me that Hatch must include his company (whose name he did not mention at the time) in our Phase 2 tender submission. I told him that we had already finalised our group including our SD partners) and that there was no way of now including his company in the submission.
63. He insisted that we should include his company and said that "*they*" have a lot of power. Having regard to my previous encounters, I understood "*they*" to be Essa and Singh but it could also have included other individuals within and outside Transnet. Essa mentioned that they (Essa and Singh) will increase the contract value after award and that we should include about R80 million (I cannot

remember the exact value but it was an enormous figure) as an initial value. He further indicated that the R80 million will increase to something ridiculous in the order of R350 million or beyond. He further said that the contract value (for Phase 2) will eventually increase to over R2 billion. If I remember correctly, at the time, our submission for Rail was valued at approximately R800 million.

64. I was shocked and told him that what he was saying was ridiculous. I asked him what will he do for that money? He responded that I should not worry about this and that we could sort this out later. I explained to him that I know the budget of the project and the cash flow constraints of TFR, and that the figures he mentioned were ridiculous and that he does not know what he was talking about. But he (Essa) just laughed it off.
65. Essa further indicated that he can provide me with the submitted tender documentation from all the other bidders. He told me that "they" have already decided that the new boss of Eskom will be Molefe and that an announcement will be made in the newspapers soon. I cannot say who he was referring to when he said "they" because at the time I did not know about the Guptas. In hindsight, he must have meant the Guptas. I need to highlight that at this stage, I was not aware of who Essa was. Sumption, Grey and I only learnt who Essa was after the announcement of Molefe's appointment to Eskom was made public and the news regarding Essa and the Gupta's became public.
66. The meeting concluded with me once again telling Essa that there was no way that Hatch could include him in its submission but he nevertheless indicated he

will be in contact. I immediately went back to the Hatch offices and informed Grey and Sumption about this meeting and the nature and tone of the discussion.

67. Reddy called me some time after this meeting and asked for an answer to Essa's proposal. I told him under no circumstances will Hatch include Essa in its bid. At the time Hatch did not know who Essa was outside of the aforementioned two meetings.
68. As previously stated, our bid for the Rail project was approximately R800 million. The bid that came second was more than R150 million more expensive than the H2N JV's bid. The H2N JV's bid for the Port project was approximately R500 million. Notwithstanding that the H2N JV's bid was the cheapest, we were informed by Transnet during the negotiation phase that they (Transnet – Singh in particular) believed that it was a risk to award both contracts to a single consultant. However, we pointed out to Transnet at the time that our consortium consisted of three major consultants, namely Hatch, Aurecon and Mott McDonald. This tender was ultimately awarded to another bidder.
69. The H2N JV included several SD partners which included Reddy and some of his employees as part of our 30% SD commitment. At the time the JV members were of the view that Reddy had some resources that could be used within the project without risking the project or the JV members. During the Phase 2 tender Hatch discussed with the other JV members the issue and events that surrounded Phase 1 regarding Reddy and his company DEC. The JV members agreed that considering the massive task of SD during the next phase (Phase 2) where SD commitments would be in the region of R250 million to R300 million,

we would have had to include almost every SD partner we know or have knowledge of. The H2N JV concluded contracts with each SD, including Reddy's company, DEC. The H2N JV also called for a meeting with the SD partners.

70. I vaguely recall that we first had a meeting with one SD partner from Mott McDonald called Mr. Sello Semanya of SFC Engineers. We informed him about our previous experience, being that when you work with SD partners, they have ambitions to do most or all of the work in respect of the SD component and it creates conflict amongst the SD partners. Therefore, we wanted the SD partners to decide amongst themselves. We requested that all the SD partners form a consortium and decide who amongst them would be part of the group. We (the H2N JV) did not want to direct or influence the SD partners but rather wanted them to decide and come back to us regarding their composition. We felt that this was a transparent process. It is my understanding that each SD company suggested names and DEC was one of the companies that eventually formed part of the group of SD subconsultant partners.
71. On 30 November 2014, Molefe signed a letter that awarded the Rail tender to the H2N JV. The Port NMET project was awarded to FLAG (consisting of Fluor, Aecom and Gibb). I suspect that the appointment of FLAG was due to Essa's involvement. This suspicion is based solely on my limited interactions with Essa during the tender process. It is quite possible when Hatch refused to include him in its submissions that Essa found other ways of benefiting from this project. My suspicion seems reasonable given the subsequent bad outcome of the Port NMET project.

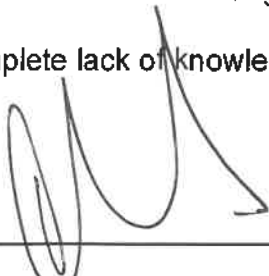
Contract negotiations (Dec 2014- June 2016) and McKinsey's involvement

72. During the negotiations for the Rail contracts, which took the better part of a month, a lot of strange events occurred. During the latter part of the negotiations Hatch discovered a cable that was running underneath a door to a nearby room. The negotiations were held outside of Transnet offices at Astrotech Conference Centre. We found the room filled with a team of McKinsey staff who were listening in on all the negotiations. Hatch was unaware at the time that McKinsey was listening to the negotiations or that McKinsey had any involvement in the process.
73. In attendance at the negotiation meetings was Mr. Edward Thomas ("Thomas") who was a very vocal person at the negotiations and who Hatch perceived as being very negative towards the H2N JV. We could not understand why Thomas was so negative towards us and it ultimately escalated to a point where I instructed my team that we will not be going ahead with the project and we packed up and left the negotiations. Mrs. Corlia Jansen van Rensburg ("Van Rensburg"), Chief Procurement Officer for TCP, called me a day or two later and requested us to return to the negotiations. Upon our return Pita met with us, and requested that we "*calm down*".
74. Another strange and disturbing incident that occurred was when Sikhosana called me at the time of negotiations and told me "*they will f...k you up, you should be careful, as we [H2N JV] were dealing with very powerful people within Transnet*" or something to that effect. I was shocked for obvious reasons.



75. After negotiations but before the project kicked off in early 2015, the senior people of the H2N JV were invited to a meeting with Singh and Pita in the Carlton Centre. In attendance on behalf of the H2N JV were me, Alli Naidoo (COO of Mott MacDonald) and Mr. Dempsey Naidoo (CEO of Mott MacDonald) and an executive of Aurecon. At this meeting Singh told us that we were “*very lucky*” to have been awarded this contract and he will watch us very closely. All our directors viewed Singh’s comments as very negative and could not understand why he was against our appointment. It may have been because we didn’t include Essa in our bid. After this meeting, the H2N JV hosted a small celebratory function and invited senior representatives of Transnet such as Singh, Pita, Sikhosana and Mr. Mohammed Mahomed. During his speech, Singh made negative comments about the H2N JV and criticized our team before the project had even commenced.
76. During the execution of the Phase 2 project, McKinsey was always present on what we were told was a “*review*” basis. We could never understand what “*review*” McKinsey was undertaking but we were told by Transnet employees such as Basson, Strydom and Mr. Dirk Engelbrecht, to name a few, that McKinsey was directly appointed by Singh. At the time we were also told that McKinsey enjoyed a much better relationship with Singh than internal Transnet employees had with Singh and that McKinsey had, for instance, direct access to Singh’s office and were almost permanently employed for various projects, for millions of rand, by Transnet. I also recall that Transnet employees always complained amongst themselves that they could never get access to Singh’s office as there was always a “*McKinsey person*” in his office or a “*McKinsey person*” would just burst into his office unannounced.

77. Hatch had no relationship with McKinsey that I am aware of as they were seen in a very negative light. Whenever Hatch was appointed, McKinsey would also be appointed on the same project but not through a competitive bid process as far as I am aware.
78. Whenever there were formal feedback sessions with Transnet officials about the project, Hatch as the consultant would not be invited yet McKinsey, who knew nothing about the project, would attend these meetings. McKinsey would also send junior staff to meetings chaired by me for the sole purpose of asking about technical matters, which in my view they should have known. This further demonstrated the complete lack of knowledge about the project. When I raised this with Transnet personnel, they informed me that it was an aspect that Hatch had to accept because McKinsey was appointed by Singh.
79. On Phase 2, McKinsey's contract value to "oversee" the Project was in the region of R340 million, yet nobody on the Transnet management team knew what McKinsey's brief or deliverables were. Furthermore, McKinsey would ask questions in the manganese management meetings that demonstrated a complete lack of knowledge on their part.



HENK BESTER

DATE: _____

17/09/2020

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 tail, located in the bottom right corner of the page.

“HB1”

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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 Mkwanzu	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.

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2

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

SADC 13/01/29 January 2013

GROUP COMPANY SECRETARY – CONFIDENTIAL AND PRIVILEGED



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3

Resolution No/
For Attention

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

3

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8

Resolution No/
For Attention

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



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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:

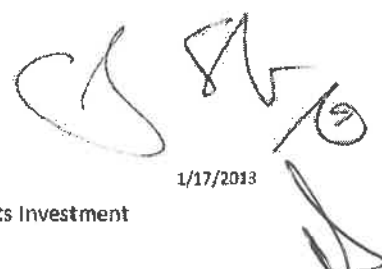
1. The aim of this submission is for the Transnet EXCO to recommend to the Transnet Board Acquisition and Disposal Committee the capital estimated at **R2.38 billion** (escalated) for an initial 'No-regrets' rail infrastructure investment in support of the overall Manganese ore expansion programme from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



- 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.

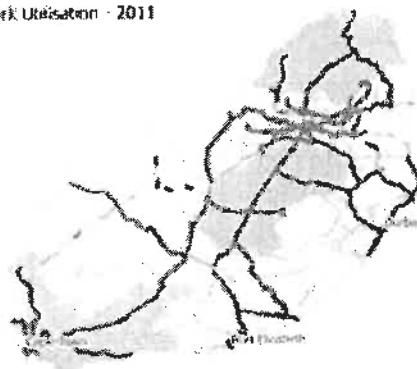
PROJECT MOTIVATION:

- 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

1/17/2013

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:

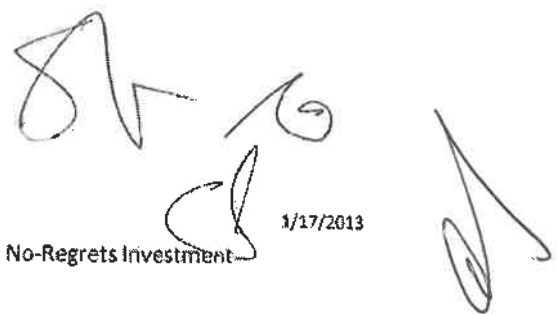
- On 17 October 2012 the Transnet EXCO unconditionally recommended the 'No-regrets' investment in support of the 16Mtpa expansion programme to the Transnet Board for approval:

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"

Handwritten signatures and initials in black ink, including a large stylized signature and several smaller initials.

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



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

For Attention/
Resolution No

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 (on behalf of Mr SI Gama)
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.

PRIVILEGED AND CONFIDENTIAL

7

For Attention
Resolution No

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

PRIVILEGED AND CONFIDENTIAL

18

For Attention
Resolution No

pack.

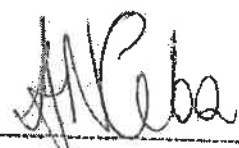
12 CLOSE

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”

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

Importance: High

HB 2

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

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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“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, consisting of a series of loops and curves, 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



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*

“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>

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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

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 script that appears to be the name 'Alan Grey'.

“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**.

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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.



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>

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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



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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“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.





Signed at **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>

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 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



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Fax: +27 (0) 11 239 5876

Mobile: +27 (0) 73 146 9804

14 Harrowdene Office Park, Western Service Road, Woodmead



“HB10”

HB10

Transnet SOC Ltd
Registration No
1990/000900/30

Carlton Centre
150 Commissioner Str
Johannesburg
2001

P.O. Box 72501
Parkview
Johannesburg
South Africa, 2122
T +27 11 308 3000

TRANSNET

**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

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- 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.

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

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.

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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 Gama
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”



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 POTENTIAL, QUALITY AND WATER TABLE CONDITIONS WITHIN TRANSNET FREIGHT RAIL DEPOTS IN THE WESTERN CAPE

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

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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 BBBEEE 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>

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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: 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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“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”

Transnet SOC Ltd
Registration No.
1990/000900/30

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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.

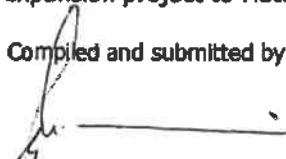
CONCLUSION

- 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:

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

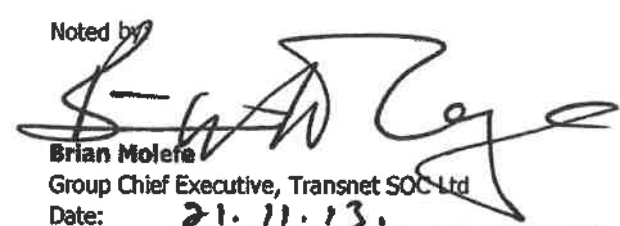
Recommended / Not recommended by:


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



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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



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