

TRANSNET



delivering freight reliably



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**Executive Manager: Procurement
Transnet Capital Projects
CESA Infrastructure Indaba 07 November 2016**

EPC & EPCM Services within Transnet

Type of Service	Description of the service	Type used at Transnet
Engineering Procurement & Construction	<ul style="list-style-type: none"> The Contractor is expected to conduct engineering design services; Procure all the construction related materials; and Construct the works in order to deliver asset to Transnet. 	<ul style="list-style-type: none"> Transnet only uses this option for specialized services such as signaling; and Any other service where there is a lack of expertise.
Engineering	<ul style="list-style-type: none"> A Consulting company is expected to only deliver Engineering design services only; and Hybrid maybe used with integration of Transnet Resources within the Team. 	<ul style="list-style-type: none"> This decision maybe based on specific skills not being available in -house Project Execution Team being available to manage physical construction
Engineering & Construction Management	<ul style="list-style-type: none"> Transnet may decide to only outsource the Engineering design & Construction Management (supervision) of the designs only. 	<ul style="list-style-type: none"> This decision maybe based on availability of Procurement Resources to procure all the Contractors and/or materials i.e. Berth Deepening Project
Engineering, Procurement & Construction Management	<ul style="list-style-type: none"> In certain MEGA Projects, the entire EPCM Services are outsourced with only oversight services being provided by Transnet. 	<ul style="list-style-type: none"> Transnet provides oversight services due to number of reasons ranging from capacity, capability and urgency.

Transnet Infrastructure Development/Opportunities

Freight Growth Expected

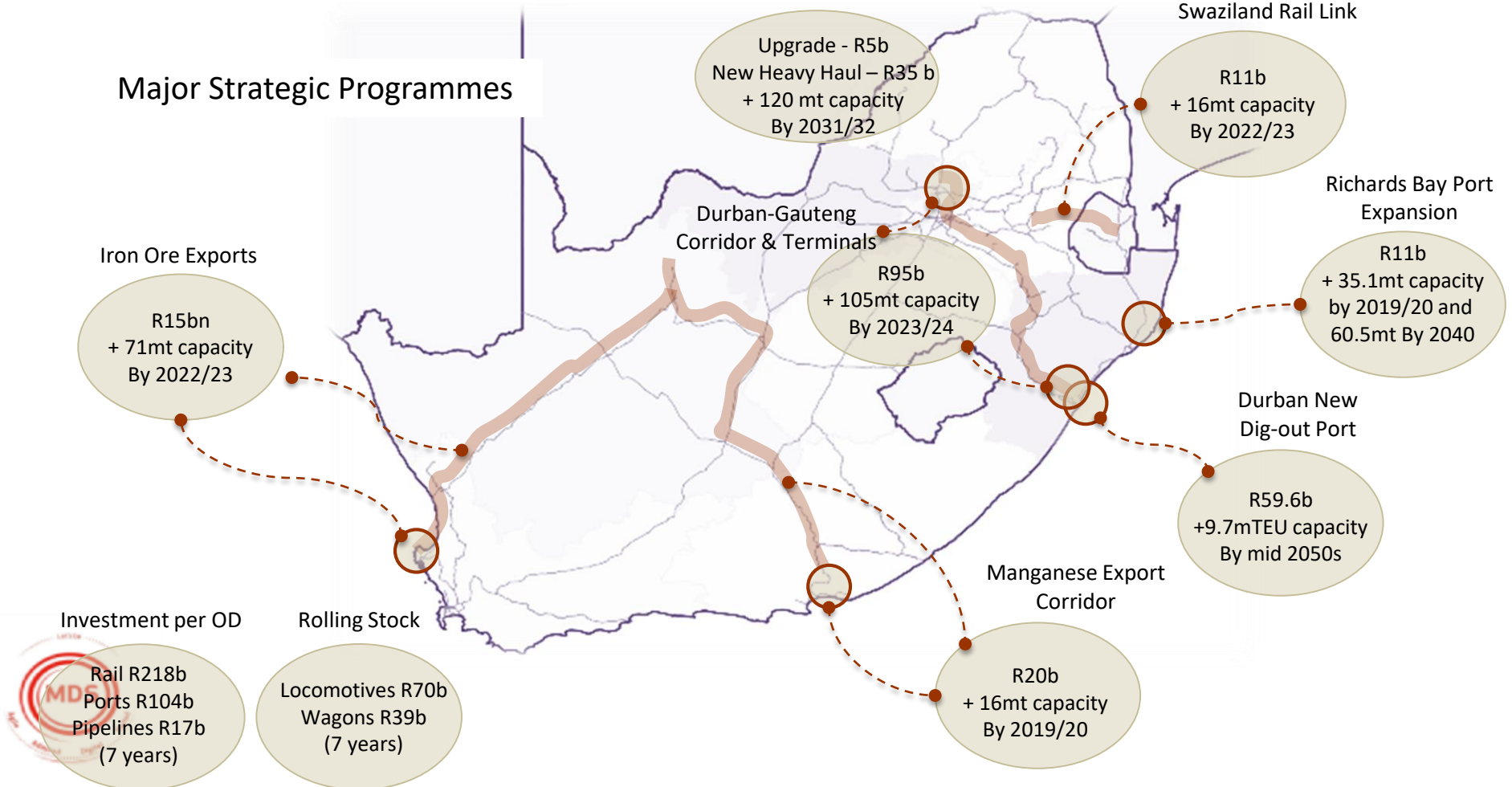
- 761mt 2013 -> 1 970mt 2044
- Port + 133% Rail + 172% Pipelines + 127%



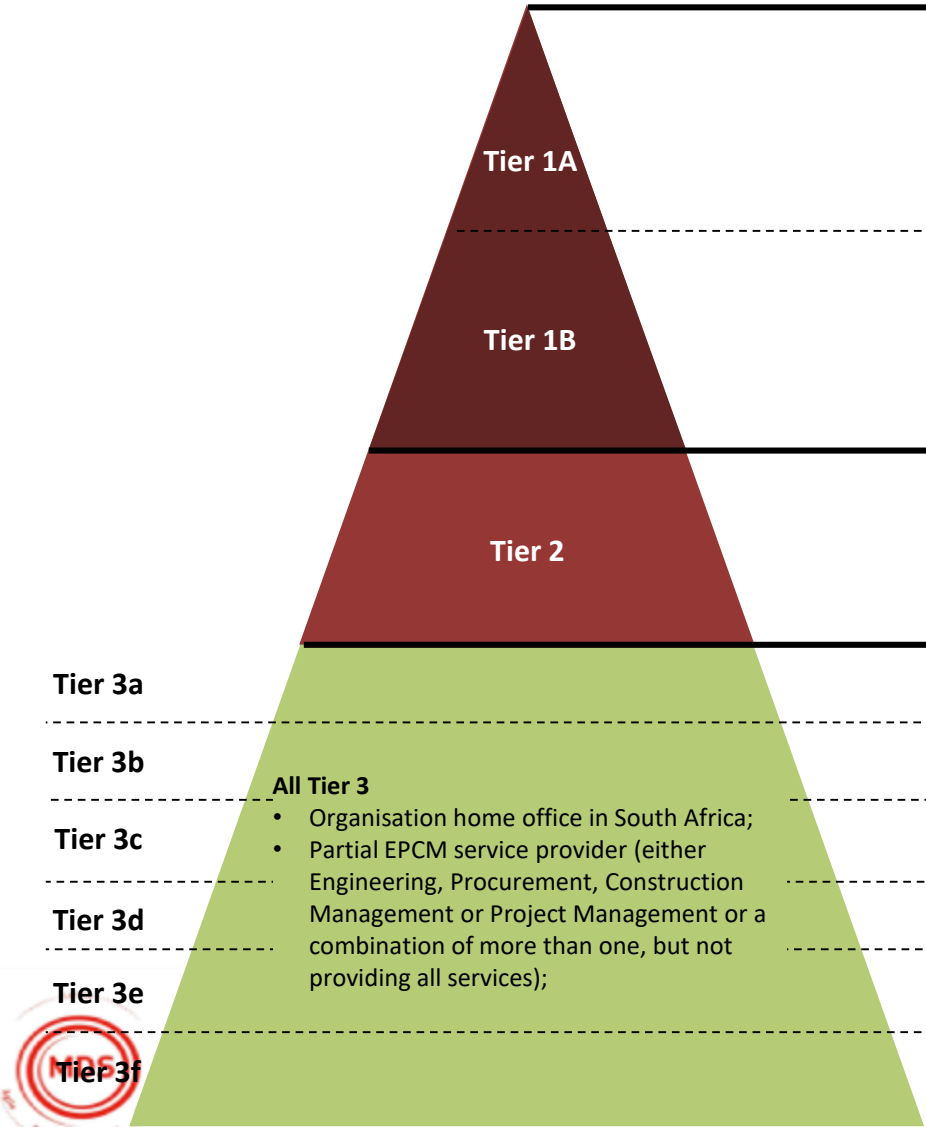
Capital Expansions Needed

- R339b in 7 years
- R910b in 30 years

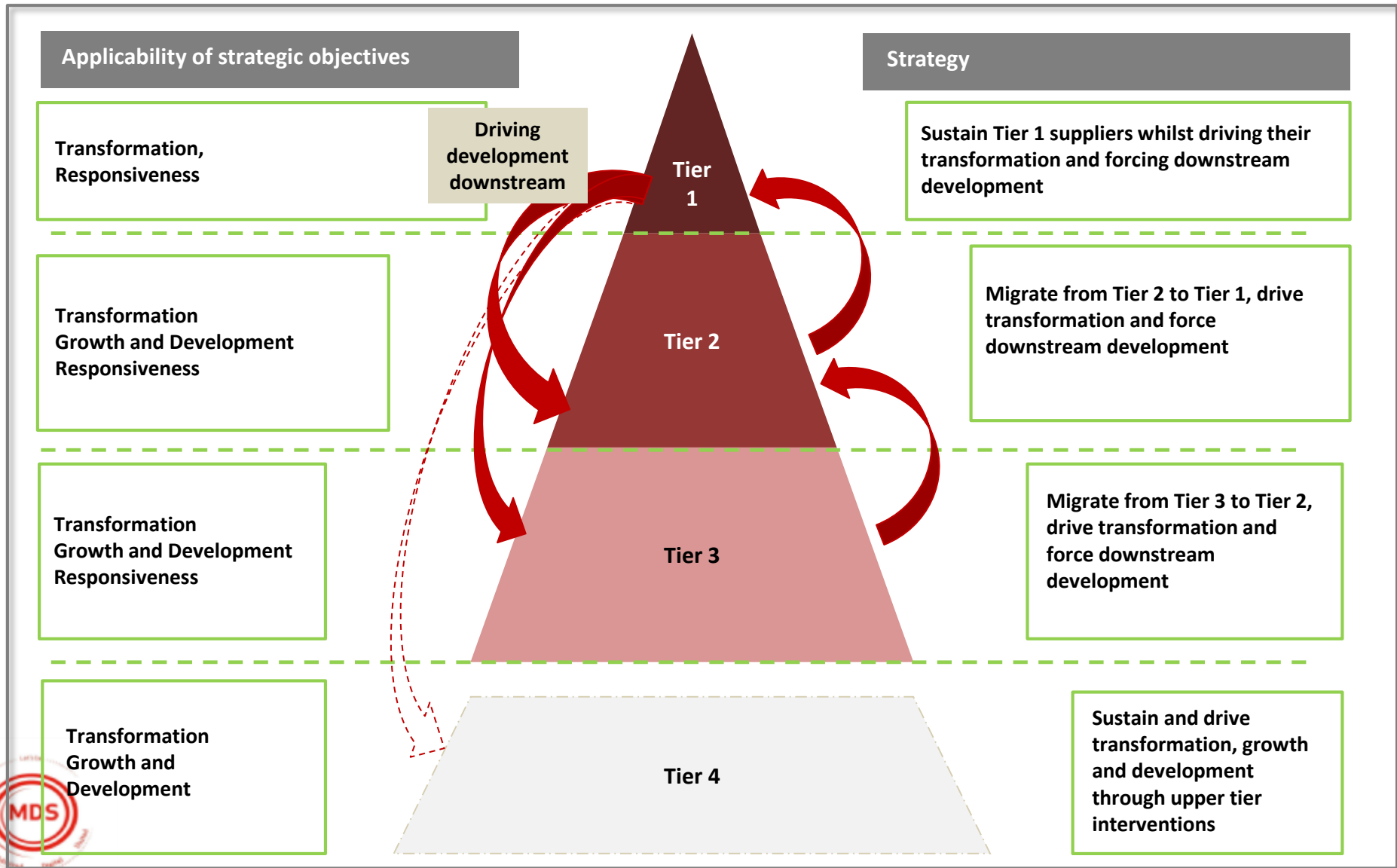
Major Strategic Programmes



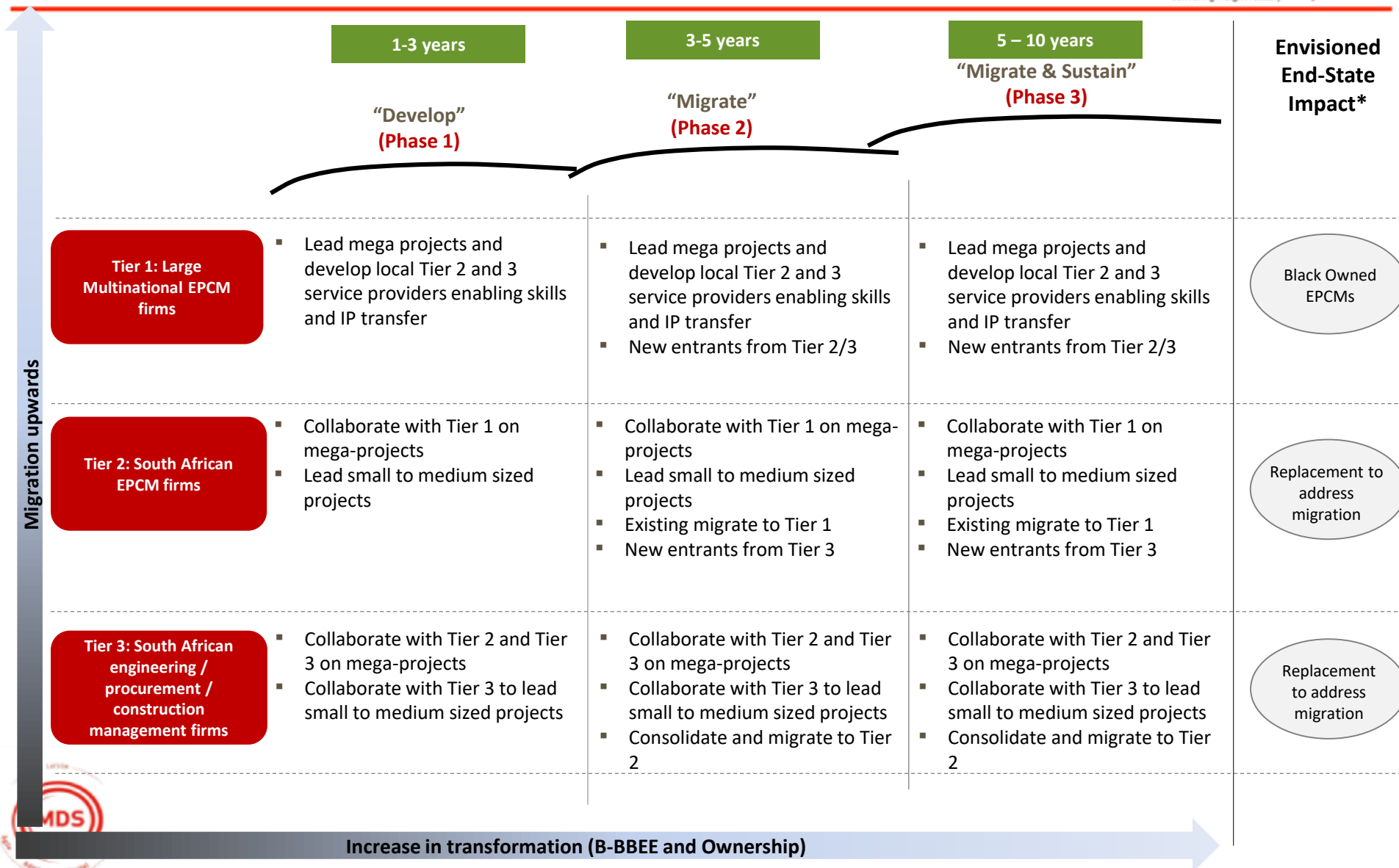
EPCM Capacity and Capability Building within SA

Allocation Criteria		Prequalification requirements
 <p>Tier 1A</p> <p>Tier 1B</p> <p>Tier 2</p> <p>Tier 3a</p> <p>Tier 3b</p> <p>Tier 3c</p> <p>Tier 3d</p> <p>Tier 3e</p> <p>Tier 3f</p> <p>All Tier 3</p> <ul style="list-style-type: none"> • Organisation home office in South Africa; • Partial EPCM service provider (either Engineering, Procurement, Construction Management or Project Management or a combination of more than one, but not providing all services); 	<ul style="list-style-type: none"> • Multinational Organisation with home office outside of South Africa; • Operations office within South Africa; • Complete multidisciplinary EPCM service provider; 	<ul style="list-style-type: none"> • Commitment to improve Black Ownership to at least 51% within 1 year. • Commitment to subcontract or form joint ventures to a minimum of 30% of individual contract / work package values
	<ul style="list-style-type: none"> • Multinational Organisation with home office outside of South Africa; • No operations office within South Africa; • Complete multidisciplinary EPCM service provider; 	<ul style="list-style-type: none"> • Black ownership of greater than 51%; • Commitment to subcontract or form joint ventures to a minimum of 30% of individual contract / work package values
	<ul style="list-style-type: none"> • Organisation home office in South Africa; • Operations provided within South Africa; • Complete multidisciplinary EPCM service provider; 	<ul style="list-style-type: none"> • Greater than 51% Black Ownership;
	<ul style="list-style-type: none"> • Revenue of greater than R50m; 	<ul style="list-style-type: none"> • Revenue of > R25m but <R50m;
	<ul style="list-style-type: none"> • Revenue of > R10m but < R25m 	<ul style="list-style-type: none"> • Revenue <R10m
	<ul style="list-style-type: none"> • Less than 51% Black Ownership; • Revenue <R10m 	<ul style="list-style-type: none"> • Commitment to improve Black Ownership to at least 51% within 1 year.
	<ul style="list-style-type: none"> • Start-up company less than 1 year old 	<ul style="list-style-type: none"> • N/A

EPCM Capacity and Capability Building within SA Cont.....



EPCM Capacity and Capability Building within SA Road Map





MDS Objective	Transnet Objectives	Support from Industry (i.e. CESA)
Financial & Socio-economic impact	Stimulation of economic growth, transformation & empowerment and commercial aspects	Efficiency Require support to project execution efficiencies, projects to be delivered on budget, schedule & ensure cost reduction instead of Cost Overruns
Capital Execution & Planning	Seamless support and integration for the effective execution of capital project & delivery	Value Creation Capacity and capability to be continuously built. Identify risks on behalf of Clients and advise accordingly and find mitigation measures.
Volumes & Customer Satisfaction	Ensuring procured items are delivered within agreed service levels to enable Transnet to efficiently and effectively engage in revenue generating outbound logistics <i>and creating capacity ahead of demand</i>	Integration Service driven relationships and ensure collaboration and delivery of capacity-ahead-of-demand needs are met.
Operational Efficiencies & Productivity	Ensuring that material & service requirements are predictively anticipated to ensure the operational requirements are met, availability & reliability are improved	Quality Governance policies & procedures adhered to and excellent quality goods /services /works to contribute to cost reduction and operational efficiency
Finance & Funding	Ensuring that the capital application is efficient through the pooling of demand and through the sourcing principles that guide procurement of capital & operating items	Transformation Positive contribution to the economy through leveraging on work packages to benefit targeted groups e.g. owned by PWDs, BWO, BO, BYO, EMEs
Regulatory & Key Stakeholder Engagement	Wide engagement with shareholder, regulators, collaborators and other stakeholders to ensure compliance, alignment and continued positive impact on SA economy	Compliance Ensure compliance to internal and external regulatory rules of engagement in order to comply with legislation i.e. observe all license/permit conditions.

Corruption and Transparency in Procurement

Challenge

Corruption

Transnet Processes or Activities

- This is a huge challenge worldwide, it is our endeavor to ensure that we work with Teams that have integrity, honesty with values and ethics to ensure combating of corrupt activities;
- Procurement law is very clear and unambiguous;
- Transnet has clear policies and are adhering to the following policies;
 - CIDB Standard For Uniformity;
 - Transnet Procurement Policies and Procedures;
 - All legislations and regulations from National Treasury; and
 - Local content for designated sectors.

Transnet Mitigations or Intervention

- Establishment of Cross Functional Sourcing Teams;
- Ensuring that PPPFA Regulations are upheld;
- Upskilling of Procurement Resources;
- Each criteria is evaluated by three resources during technical or function Evaluation and there is adjudication by the governance structures for award of business; and
- The Standard for Infrastructure Procurement & Delivery Management policy by National Treasury will assist

Corruption and Transparency in Procurement

Challenge

Transparency

Transnet Processes or Activities

- Stakeholder Engagement i.e. Business Chambers, Municipalities, Provincial Treasury, NAFCOC, Public Works etcetera;
- CFST Members and Adjudication Committee sign declarations of interest every time they partake in a tender process;
- Our Tenderers are also required to ensure that they declare any relationships they may have with employees of Transnet whether they are part of tender process or not;
- Almost all our tenders follow a competitive process in line with section 217 of constitution;
- The evaluation methodology is always stated in our tenders; and
- If there are any risks identified with a Tenderer those are communicated including possibility for disqualification if it will get to that.

Transnet Mitigations or Intervention

- There is quality assurance within Procurement Department;
- High Value Tender Audit Teams are in place to ensure compliance to tender processes and policies;
- Transnet Internal Audit, Transnet External Audit;
- The Standard for Infrastructure Procurement & Delivery Management policy by National Treasury will assist
- Transnet has fraud line to report any fraud;
- There is Transnet Ombudsman to deal with all complaints;
- There is also a Promotion of Access to Information Act (PAIA) request that an aggrieved tenderer can follow;
- Promotion of Administration and Justice Act (PAJA).

Thank You