EXHIBIT BB4(f).2

YOUSUF ISMAIL LAHER

STATEMENT & ANNEXURES IN RESPONSE TO A RULE 3.3 NOTICE

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

2nd floor, Hillside House
17 Empire Road,
Parktown
Johannesburg
2193
Tel: (010) 214-0651
Email: inquiries@sastatecapture.org.za
Website: www.sastatecapture.org.za

INDEX: EXHIBIT BB4(f).2

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

WITNESS STATEMENT OF YOUSUF ISMAIL LAHER

I, the undersigned,

Yousuf Ismail Laher

Do hereby state that:

1. The facts contained in this statement are both true and correct, and within my personal knowledge, unless the context indicates otherwise. The events to which this statement relates, occurred many years ago. It is possible, even likely, that with the passage of time, my memory of actual detail is less than perfect.

2. I was previously requested in February 2019 by the Commission to provide a statement in respect of the procurement and evaluation processes followed by Transnet in the awarding of certain high value tenders to specific entities where I was personally involved in such processes.

3. I was also advised by the commission that I would testify and present my evidence before the commission on the 28th of May 2019.

4. Subsequently, due to evidence that Mr. Callard presented to the commission, I was advised on the 24th of May 2019 that I would no longer be required to present my evidence to the commission.

5. I was provided with a rule 3.3 notice by the Commission on the 21st of May 2019 ("the notice").

6. In the commissions notice, I was advised by the commission that paragraphs 60, 64, 67, 197 and 211 of Mr. Callards statement implicates or may implicate me. It is unfortunate that Mr. Callard has tainted my reputation in a public forum by making a number of unwarranted allegations against me. It is also unfortunate that I received the notice after Mr. Callard had already provided his evidence.

7. My statement deals specifically with Mr. Callards allegations referred to in the notice, and also with facts surrounding my involvement.

8. I wish to provide the commission with additional information that I believe will provide context to the statements made by Mr. Callard and will eliminate confusion, misunderstanding, negative inferences, and will also refute the allegations of impropriety levelled against me by Mr. Callard.

9. I request permission in terms of rule 3.4. to present evidence to the commission, both verbal and by way of this written submission. I also request condonation for late filing for the reasons as captured in my notice to the commission dated 31 May 2019 (refer annexure YL 33).

10. I request permission to present both my original statement and its annexures dated 15 April 2019 as well as this statement and its annexures.

11. My failure to deal with any other allegations in Mr. Callards statement must not be understood as the admission of the correctness thereof. In this regard, should my statement not address allegations in Mr. Callards statement that the chairperson requires clarity on, I would be grateful if I were given a reasonable opportunity to deal with those aspects (if any).

12. This statement should be read together with the statement I provided to the commission dated 15 April 2019, together with all its annexures.

INTRODUCTION

13. I am a qualified Chartered Accountant.

14. I have been employed at Transnet since September 2005.

15. My current position is that of Executive Manager (Enterprise Wide Business Services) in the Finance department of Transnet Freight Rail (TFR).

16. During my employment at Transnet I held various positions within the Finance department, including positions in financial reporting, management reporting, working capital, payroll, procurement, operations finance, taxation and governance and compliance.

100 Locomotive Tender

17. I was not involved with the capital acquisition and approval process. Nor was I involved in the business case process for these locomotives. Neither was I involved in the decision to procure via confinement or any of the approval processes related thereto.

18. I deal with paragraphs 60, 64 and 67 of Mr. Callard's statement in the paragraphs that follow:

Pertinent facts related to the 100 locomotive deal

19. During the 1064 negotiations process during February and March 2014, I was informed by Mr. Singh the Group Chief Financial Officer (GCFO) that the board had approved a confinement to purchase 100 locomotives from CSR (refer Annexure YL 23). At that stage I was not aware of this event.

20. During February or March 2014 (I cannot remember the exact date), Danie Smit and I were told by Mr. Singh to provide financial support to the co-chairperson, Mr. Jiyane, the TFR Chief Procurement Officer (CPO), with the 1st round of negotiations with CSR around price. This process was held at the Webber Wentzel offices in Illovo. The negotiation sessions were recorded.

21. The negotiations were co-chaired by Mr. Singh, GCFO and Mr. Jiyane, TFR CPO.

22. I understood that the co-chairpersons reported to the sub-committee of the Locomotive Steering Committee. The sub-committee of the Locomotive Steering Committee would make the final decisions on matters negotiated including price.

23. Mr. Singh and Mr. Jiyane ran the overall negotiation process and reported back to the sub-committee of the steering committee.

24. The negotiation sessions included representatives from Transnet Internal Audit (TIA), Supplier Chain Services (SCS), the co-chairpersons as well as the Finance support team. I am not certain if external and internal legal counsel were present.

25. The negotiation process primarily entailed offers by the bidder, and responses to such offers by Transnet. For the most part, the Transnet responses were communicated through the co-chairpersons, but other members of Transnet's negotiating team also responded directly to bidders during the sessions.

26. Mr. Singh requested that I prepare a reasonability calculation of what the expected price of the 20E locomotive would be, that was purchased from CSR in October 2012, adjusting the 2012 price for inflation, forex movements and any other items that would impact the price. I prepared a reasonability calculation which I provided to Mr. Singh and Mr. Jiyane (refer annexure YL 24). I arrived at a calculated figure of approximately R 41 million if the price of the 20E locomotive was escalated for: inflation and foreign exchange fluctuations from October 2012 to February 2014, adjusted for variations for design, additional steel costs, set up costs, hedging costs, duties and options (the cost of the variations, additional steel, hedging costs, duties and options was obtained based on an initial CSR offer that Mr. Singh provided).

27. During the negotiations the Chairperson pitched a price at R 38.5 m. CSR requested R 49 m and refused to come down. I never agreed to accept CSR's price offers. I also never had the delegation to agree to any pricing. During my involvement in the negotiation process no decisions were taken at the meetings and the final price that was agreed to was not agreed to in the meeting during which I was involved.

28. Subsequently, a day or two later (I cannot remember exactly) Mr. Singh told us that the Group Chief Executive (GCE) (Mr. Brian Molefe) has agreed upon the payment terms and a price of R 44 m and that the lawyers must draft the contract accordingly.

29. I pointed out to Mr. Singh that the Mitsui quote was cheaper. I was told by Mr. Singh that the decision to go with CSR was already approved by the board and the reasons

therefore are explained in the memo submitted to the board in January 2014 (refer paragraph 70 of annexure YL 23).

30. During the negotiations, I raised a concern of the high cost of the locomotives directly with the bidders during the negotiation sessions. I also raised a concern about the incorrect exchange rates used by the bidder.

31. I raised my concerns about the seemingly high price of the locomotives with Mr. Singh. I particularly pointed out that CSR were using the incorrect exchange rate to determine the increase in price due to foreign exchange fluctuations since the 95 electric contract was signed. I pointed out that the rate used by CSR was unnecessarily adding approximately R 2.4 m to the price. His response was to advise me that it is a negotiation process on final price and in the context of the negotiations; it is the final overall price that is important. He explained that the pricing was acceptable in light of the rigorous negotiation process and the risk the bidders were willing to accept.

32. In light of the seniority, expertise, experience and ability of Mr. Singh, I deferred to his explanations and judgement on the issues that I had raised.

33. In 2014, post the negotiation process, Mr. Singh explained to me the principle elements of items he would like included in a memorandum, detailing the reasons why the price had increased from the business case submission. He also explained to me the detail of the format in which he wanted the numbers presented. Mr. Singh requested that I type these into the draft of the memorandum prepared by the Transnet Group Capital department.

34. I received a draft of the memorandum from Mr. Niresh Budhai from the Transnet Group Capital department. I typed the updates to the memorandum as required by Mr. Singh. On numerous occasions, over a period of approximately one to two months Mr. Singh

edited the memorandum and told me to type up his edits (refer some of the handwritten notes attached as Annexure YL15 of my April 15 statement to the commission of notes he made for the 1064 memorandum on the same subject. Many paragraphs from the 1064 memo were incorporated into this memo as well). Mr. Singh was very pedantic with the wording in the memo. I trusted his knowledge and complied with his instruction to me to include his edits in the memo. A copy of this memorandum dated 23 May 2014 is attached to this statement as Annexure YL 25.

35. Mr. Singh told me to contact Mr. Callard and request that he update the Net Present Value (NPV) number that was required for the memo. I sent the draft memo to Mr. Callard. This is the memo he refers to in paragraph 64 of his statement. Mr. Callard prepared the NPV for the original business case and duly provided the updated NPV for the memo. At no stage did Mr. Callard raise any queries with me about the draft memo or its contents including the issues he raises in his statement to the commission about the use of Yen to "rebaseline" the price, the increase in ETC or the pricing of the locomotives (refer annexure YL 37).

36. Mr. Singh was integrally involved in the business case and confinement process and explained to me the reasons for the increase in price from the business case to the final contracted price based on his knowledge of the business case and the final contracted pricing. Mr. Singh told me to prepare a "walk forward" calculation from the business case price to the final contracted price. The walk forward would entail taking the price as reflected in the business case of R 34 m and adding or subtracting any elements that impact the price, to that price in order to end up at the final contracted price. Mr. Singh explained that the assumptions used to determine the business case price must be re-baselined from those in the business case to the date of contract signature (March 2014) and thereafter the price must be walked forward to the final contracted price with CSR using the information as provided by CSR. This method of re-baselining was not

unreasonable. Singh explained that the assumptions used in the business case was a Rand /Yen rate of 0.09823 and that the base price in the business case was based upon a price obtained from Mitsui in May 2013. Singh explained that the business case was based in Yen and as such the price must be escalated for the Yen movement from business case submission (refer annexure YL 23 page 20) to the date of contracting in order to show the impact of the change in the Rand/ Yen rate on the business case price. I pointed out that there would be more than one currency involved however he indicated that the business case was premised on the Yen rate and thus the entire price must be escalated for the change in the Yen rate (refer item A in table 1 of page 4 on Annexure YL 25). I prepared the calculation accordingly. To the extent that Mr Callard is insinuating in paragraph 67 of his statement, that the calculation was incorrect, it is clear from the above that he misunderstood the basis of the calculation.

37. Mr. Singh also indicated that the Business case price was based upon economic forecasts obtained 10 months ago in May 2013. As such the price must be escalated for 10 months to the date of contracting. I questioned whether this was not already included in the business case price as I was not involved in the business case pricing, and he pointed out to me that it was not. I complied with his instruction to insert the escalation costs for 10 months (refer item B of page 4 on Annexure YL25).

38. Mr. Singh provided the guidance for the remaining elements that made up the price of R44 million (items C, D, E and F of table 1 on page 4 of Annexure YL25) primarily based on representations made by CSR during the negotiations or documentation provided by CSR during the negotiations. I was not party to this final negotiation and agreement on the final price. Table 1 was prepared for the memo in April / May 2014 after the price of R 44 m was already agreed to in March 2014 by the subcommittee of the locomotive steering committee.

Advance payments for both the 1064 and 100 locomotive deals

39. In the paragraphs that follow I deal with paragraphs 141 to 152 of Mr. Callards statement. Although I have not been implicated by Mr. Callard in these paragraphs, I would like to provide some further input on the matter raised. It is common knowledge that the management of Transnet's long term and short term funding and cash flow is a function of the Transnet Treasurer reporting to the GCFO (Singh). I cannot recall whom the Transnet Treasurer was during the period when the advance payments were made for the 1064 and 100 locomotive deals.

40. I was not involved in the management of Transnet's cash or funding. During the 1064 and 100 locomotive transaction, Mr. Singh told the negotiating team that Transnet had the funding available and that the advance payments were affordable. I did not have the delegation to accept the advance payment proposals from bidders. It is my understanding that the locomotive subcommittee of the steering committee was delegated to and would have accepted the advance payment proposals as part of the package deal including the price offered by bidders.

41. The Quantum of the advance payments would have put a strain on Transnet's funding and cash position should the rail volumes as envisaged in the Market Demand Strategy (MDS) not have materialized.

42. I note at paragraph 60 of Mr Callards statement that Mr Callard says that he was shocked with the extant of the upfront payments. At no stage prior to 2018 did Mr Callard contact me regarding this and he did not express any shock or surprise to me.

March 17 Negotiation Spreadsheets

43. In the paragraphs that follow I deal with paragraphs 206 to 215 of Mr. Callards statement:

44. There were two sets of spreadsheets, one for diesel and one for the electric tender. All the spreadsheets including the March 17 spreadsheets were made up of different worksheets. Examples of the worksheets are "base cost", "base cost excluding TE" and "negotiations". In most cases the numbers within the worksheets were obtained directly from bidder proposals. In some instances the worksheets contained calculations made by the finance support team. Where this was the case the data used by the finance team was obtained from bidder submissions (see annexures YL 27, 28, 29, 30).

45. The March 17 "negotiation" worksheets were developed to keep track of pricing as submitted by Bidders during the negotiations. Numerous spreadsheets were created during the negotiations period (February to March 2014) as updated pricing proposals were received from bidders (refer Annexure YL 26). I will explain the detail when I provide oral evidence. The spreadsheets were prepared in order to keep track of and record the proposals as received from bidders from time to time.

46. The March 17 spreadsheets contained the final versions of these worksheets.

47. From the worksheets that made up the March 17 spreadsheets, those marked "Base cost", "Base cost (excluding options)", Base cost (Excluding TE)" were worksheets developed during the evaluation phase. The worksheets marked "negotiations" was developed during the negotiation phase. The worksheet marked "Media 17" was prepared as a fact sheet for Mr. Molefe on the day of the media announcement on the 17th of March 2014.

48. The finance support team was made up of six people during the evaluation phase. Subsequent to the evaluation phase the finance support team was made up of two people (Mr Danie Smit and I). All six members of the finance evaluation team had access to and were authors of the worksheets marked "Base cost" , "Base cost excluding TE"

and "Base cost excluding options" during the evaluation phase. The worksheets marked "negotiations" were completed by Mr Smit or me or the two of us together.

49. The master version of each of the March 17 spreadsheets was stored on the "master" computer that was kept by Ms. Mdletshe and any edits to the spreadsheet during the evaluation phase and negotiation phase were made on the "master" computer. I was one of the authors but not the primary author to those worksheets. Mr Callard is accordingly incorrect when he states at paragraph 211 that I was the primary author of the two excel spreadsheets of 17 March 2014.

50. As it relates to the make-up of the pricing as captured on these spreadsheets, these would have been obtained or calculated directly from Bidders tender submissions or clarifications received during the evaluation phase for the worksheets marked "Base cost", "Base cost (excluding options)", Base Cost (Excluding TE)" (refer annexures YL 27, 28, 29 and 30 for an example).

51. As it relates to the make-up of the pricing as captured on the "negotiation" worksheet these would have been obtained or calculated directly from bidder submissions during the negotiation phase based on the outcomes of the negotiation process as per the pricing approved by the subcommittee of the locomotive steering committee (refer annexure YL 27, 28, 29 and 30 for an example). The "negotiation" worksheet within the March 17 spreadsheets were finalized after the pricing was already agreed to by the subcommittee of the locomotive steering committee.

52. The March 17 "negotiation" worksheets did not determine the final price. The pricing was already agreed to by the subcommittee of the locomotive steering committee. Bidders presented a breakdown of the price. This breakdown as received from the bidders is what was recorded in the worksheet (refer annexure YL 27, 28, 29 and 30 for

an example). Refer paragraphs 49, 50, 51, 52, 53 and 54 of my 15 April statement wherein I provide more detail on the negotiation process.

53. The impression I gained during the negotiations was that, the co-chairpersons negotiation tactic was very much focused on the overall price and not as focused on the detailed elements that made up the price, such as for example escalation, batch pricing etc. Even though the detailed elements may have been spoken about at various times during the negotiations it appeared not to be Mr. Singh and Mr. Jiyane's main focus. The effect of this was that as much as these components were self-standing components of the negotiations, in the end, it was overall price that the chairpersons focused on. The sub-committee made the final decision on pricing.

54. The negotiations were carried out under stressful conditions due to the deadline imposed upon the negotiation team of initially 2 weeks. The process eventually took four to six weeks.

55. The emails and attachments of Ms Mdletshe are important because all correspondence was routed through her email. I do not have access to Ms Mdletshe's emails and I do not have the capacity to wade through the volumes of files and electronic documents received as part of tender submission to obtain the evidence for every single worksheet within the March 17 spreadsheets and as such only provide examples in my annexures. For the most part the annexures to this statement provide the relevant evidence that I rely upon. Where I have not attached annexures containing evidence it is because they are not readily at my disposal. They are however part of the tender submission documents. Any additional documents required would be available in the tender submission documents.

56. With reference to paragraph 208.1 of Mr. Callards statement. The cost of escalations as captured in the spreadsheet were obtained directly from Bidder submissions (refer

Annexure YL 27, 28, 29 and 30 for an example). Please refer to paragraph 49 and 50 of my April 15 statement for further comment on escalations, detailing this very same issue that I raised during the negotiations where I raised my concerns about the escalation costs. To the extent that Mr. Callard is insinuating that the escalations were inflated, I never inflated any escalations, I simply recorded the breakdown of the locomotive price as provide by bidders based on what was finally agreed to by the subcommittee of the locomotive steering committee.

57. With reference to paragraph 208.2 of Mr. Callards statement. The foreign exchange component as captured in these spreadsheets were obtained directly from Bidder submissions (refer annexures YL 27, 28, 29 and 30 for an example). The adjustment between the sheets were also obtained from Bidder submissions. I will provide more detail when I provide oral evidence. The worksheets used for the evaluations were cross checked by other members of the evaluation team. The evaluation teams' workings were also reviewed/audited by Transnet Internal Audit (TIA) prior to final sign off. The "negotiation" worksheets could not be used to artificially inflate or lower locomotive prices as the worksheet merely recorded the price that had already been agreed to and approved by the steering committee together with the components of the agreed to price. These components were obtained from bidder submissions (refer annexures YL 27, 28, 29 and 30 for examples). To the extent that Mr. Callard is insinuating that the foreign exchange costs were inflated, I did not inflate any foreign exchange costs, I simply recorded the breakdown of the locomotive price as provided by bidders based on what was finally agreed to by the subcommittee of the locomotive steering committee.

58. With reference to paragraph 208.3 of Mr. Callards statement. The cost of reduced batch sizes within the spreadsheet was merely a record of the Bidder submissions based on the outcome of the negotiation process as per the pricing approved by the steering committee (refer annexures YL 27, 28, 29 and 30 for examples). Please refer

to paragraph 51 and 52 of my April 15 statement for further comment on batch pricing wherein which I asked Mr. Singh and Mr. Jiyane whether TFR should not have gone out to all bidders pre-award to ask for a price based on a 50 % batch. To the extent that Mr. Callard is insinuating that the batch pricing adjustment were inflated, I never inflated any batch pricing costs , I simply recorded the breakdown of the locomotive price as provided by bidders based on what was finally agreed to by the subcommittee of the locomotive steering committee.

59. With reference to paragraph 208.4 of Mr. Callards statement. It was not my responsibility or any of the members of the Finance Support team at any stage during this tender to manage local content requirements. My understanding is that this was the responsibility of SCS. A separate team of individuals evaluated local content during the evaluation phase. During the negotiations Mr. Smit and I told Mr. Jiyani and Ms. Mdletshe that based on the pricing provided by CNR (specifically the foreign component of their pricing), they would not meet the local content requirements. Evidence of this is captured in the recordings of the negotiations. A copy of the recordings can be provided. To the extent that Mr. Callard is insinuating that I was responsible for the local content requirements or that the foreign exchange component amounts were inflated, I never inflated any foreign exchange component amounts, I simply recorded the breakdown of the locomotive price as provided by bidders based on what was finally agreed to by the subcommittee of the locomotive steering committee. I was also not responsible for managing the local content requirements.

60. With reference to paragraph 208.5 of Mr. Callards statement. The "side bar" calculation was performed during the negotiations as a scenario as presented by Bidders (refer annexure YL 32 for an example) based upon information provided by bidders at different points in time during the negotiation period (February to March 2014). This

"side bar" calculation has no bearing on the record of the final pricing. I am not aware of the passage talk Mr. Callard is referring to.

61. With reference to paragraph 208.6 of Callards statement. The "Negotiation Price Recon" spreadsheet was prepared for illustrative purposes to show the difference between the initial bids as received from Bidders at the start of negotiations to the final pricing. This calculation has no bearing on the record of the final pricing. This illustrative calculation was initially prepared for SCS for statistical reporting purposes but was eventually not used for any purpose. To the extent that Mr. Callard is insinuating that I reported inexplicable discounts, I did not report the inexplicable discounts he refers to on this spreadsheet, and as explained above this sheet was prepared for illustrative purposes and was eventually not used for any purpose.

62. With reference to paragraph 208.7 of Mr. Callards statement. The "negotiation" worksheets were developed to keep track of pricing as submitted by Bidders during the negotiations. The numbers in this worksheet correlate to the numbers as received from Bidder submissions based on the outcome of the negotiation process (refer Annexures YL 27, 28, 29 and 30 for examples) as agreed to by the subcommittee of the locomotive steering committee. To the extent that Mr. Callard is insinuating that I reverse engineered the spreadsheet to achieve a desired result i.e. a higher price, I never reverse engineered any calculations to achieve a higher price, I simply recorded the breakdown of the locomotive price as provided by bidders based on what was finally agreed to by the subcommittee of the locomotive steering committee. Please also refer to paragraph 57 above with reference to the foreign exchange component Mr. Callard refers to.

63. With reference to paragraph 211 of Mr. Callards statement. Mr. Danie Smit was also a member of the finance support team to the negotiation team. Mr. Smit would also have had access to the spreadsheet during the negotiations. In some instances Mr. Smit read out numbers from bidder submissions for me to input into the spreadsheet. As set out

in paragraph 50 and 51 above, there were more than four worksheets within the spreadsheet. The worksheets marked "Base cost", "Base cost (excluding options)", Base Cost (Excluding TE)" were worksheets developed during the evaluation phase. The worksheet marked "negotiations" was developed during the negotiation phase. All 6 members of the evaluation team had access to this spreadsheet during the evaluation phase. I was one of the authors but not the primary author to this spreadsheet, contrary to the allegation levelled by Mr. Callard in paragraph 211.

64. With reference to paragraph 211.1 of Mr. Callards statement: I deny the insinuation by Mr. Callard that I had somehow deliberately and without just cause withheld information from him or any other person. I had signed a confidentially agreement for this tender and as such could not share any documentation with a third party (including Transnet employees not involved in this tender) unless I received express permission to do so from the delegated authority, which in this case I did not get (refer Annexure YL 38). In January 2018 Mr Callard was not a full time employee of Transnet. As a precaution I pointed out to him that I could not furnish any information to him directly if such information was confidential information. Documentation and the soft copy spreadsheets related to the 1064 tender is and was always maintained by SCS. Access is and was strictly restricted and controlled by Ms. Mdletshe from SCS. From a governance perspective, the rule was that all requests for documentation related to the 1064 tender must be made to SCS (refer Annexure YL 34). We were told by Mr. Jiyane that the documentation related to the locomotive transactions were highly confidential and that no documentation related to the 1064 tender must be shared with anyone without express permission from SCS. I remember telling Mr. Callard that this was the rule and that we would need to arrange a copy through the correct channels. The spreadsheets were eventually provided to Mr. Callard. In any case, I was not in possession of the final signed finance evaluation reports in January 2018. I requested

a copy of the final signed finance evaluation report from Ms. Mdletshe in June 2018 and I only received a copy then in June 2018.

65. Although Mr Callard does not refer to me specifically in paragraph 212, it is important that I clarify the issue of the "options" that he raised. The technical specifications in the tender provided for minimum technical specifications. At evaluation phase some bidders quoted with some additional options included their pricing over and above the minimum technical specification. In order to normalize (standardize) the price i.e. evaluate the price based on the same locomotive with the same specifications for all bidders, where some bidders quoted for options and others didn't, the evaluation team included the price of the option and requested bidders that had not quoted on that component, to do so and in some instances excluded the price of the option. The evaluated price included the normalizing of the price for options to ensure that the evaluation was on an "apples with apples" basis, across bidders (refer example in annexure YL 35). For example all bidders except for bidder 3 included the price of the "fire detection system" in their price. In order to normalize the price for evaluation purposes the cost of the "fire detection system" had to be added to the price of bidder 3. Thus, correctly the price of the options were included or excluded in the price used for evaluation purposes. This basis of normalizing a price is standard practice when evaluating bids. The base cost (BAFO prices) for negotiation purposes excluded the "normalizing" for options (refer annexure YL 31) as the negotiations were premised on the BAFO pricing which excluded options. As such, correctly, the options were not included in the base price of the locomotive during the negotiations and were treated as an optional "add on". Mr. Callards conclusion in paragraph 212.3 is thus incorrect.

66. It bears mentioning that Mr. Callard was also involved in the 1064 business case compilation in 2013, and knew that the business case calculations included forex and escalations. Mr. Callard was requested to update the NPV calculation for the draft memo

to the Board requesting an increase in ETC in May 2014 (refer annexure YL 36). Mr. Callard whilst updating the NPV calculation would have seen that the draft memo recorded that the ETC excluded escalation and forex hedging costs. Mr. Callard withheld this information and did not inform me or anyone else that the basis of the memo was incorrect, knowing that the ETC in the business case actually included escalation and forex hedging costs. Mr. Callard knew this fact whilst we were performing the reconciliation in January 2018 and never told Mr Moola or I about this at the outset of the reconciliation exercise. I only found out in 2018 that the business case calculations actually included forex and escalations after we performed this reconciliation.

Conclusion

67. In summary: I asked the relevant questions and raised the relevant issues with my superiors throughout the process (either through reports prepared as part of the evaluation team, emails or verbally).

68. I acted with integrity throughout, I have been a loyal Transnet employee for a greater portion of my career and have always put the interests of Transnet first. I have always and will always conduct my duties ethically and with the highest level of integrity.

Yousuf Ismail Laher 18/6/19

YL23

YL 23

TRANSNET

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MEMORANDUM

TO: Transnet Board of Directors

FROM: Mr Brian Molefe, Group Chief Executive, Transnet SOC

DATE: 21 January 2014

SUBJECT: **MITIGATION OF MDS VOLUMES AT RISK THROUGH THE INVESTMENT IN AND PROCUREMENT OF 100 DUAL VOLTAGE ELECTRIC LOCOMOTIVES AND 60 CLASS 43 DIESEL LOCOMOTIVES.**

PURPOSE

1. The purpose of this submission is to request the Transnet Board of Directors to approve the following:
   a) Note the risk to TFR MDS volumes through insufficient traction power resulting from the delay in the procurement of the 1064 locomotives:
   b) To approve the investment in and procurement of 100 electric locomotives required for the Coal Export Line in the amount of R3 871 m (excluding borrowing costs):
   c) To approve the confinement and award of the procurement for the 100 electric locomotives.
   d) To approve the investment and change in the fleet plan to procure of 60 Class 43 diesel locomotives for General Freight in the amount of R1 826 m (excluding borrowing costs):
   e) To approve an extension of the current Class 43 diesel locomotives contract for 60 additional locomotives:
   f) The GCE be delegated the power to sign and conclude all relevant documents to give effect to the above resolutions, including the award and process approval.

EXECUTIVE SUMMARY

2. The TFR locomotive fleet plan was first approved by the Transnet Board in April 2011 and updated with the 1064 GFB locomotive submission. The proposed locomotive acquisitions are in line with the fleet plan and have been budgeted for in the *7 Year Market Demand Strategy (MDS) 2013/14 - 2019/20.* The delay in the 1064 fleet acquisition has put General Freight Business (GFB) MDS volumes at risk.
3. This risk will be mitigated by the urgent acquisition of these locomotives.
   a) The heavy haul 100 Electric locomotives will be deployed in the Coal Export Line and will release 125 locomotives that will be used on GFB pending delivery from the 1064 program. The 100 locomotives form part of the already approved Fleet Plan
   b) The 60 Class 43 diesel locomotives also fill the gap pending delivery from the 1064 program. These 60 locomotives do not form part of the approved Fleet Plan and this submission requests an amendment to the Fleet Plan to include these 60 locomotives
4. The Class 43 diesel locomotives recently delivered are modern capable locomotives. They have proven themselves in service and will improve service quality through improved reliability and reduced maintenance costs.

5. This submission proposes an accelerated procurement to mitigate General Freight MDS volumes at risk by confining 100 electric locomotives to CSR (China South Rail) and extending the current Class 43 Contract with GESAT (General Electric South Africa Technologies) by 80 locomotives. The accelerated acquisition will mitigate the MDS shortfall by at least a year with its full effect realised commencing 2014/15. The volumes mitigated increase from 6.2 mt (14/15) to 15.1 mt (16/17) and the cumulative income protected is R9 197 m (13/14 - 16/17).
6. The confinement to CSR and extension of the GE contract is motivated on the basis of urgency.
7. This accelerated acquisition does not put the MDS cash flow at risk and the 1064 acquisition remains unaffected. The acquisitions are funded from the current MDS. The delay in the 1064 will extend its funding to beyond the 7 year period.
8. The 60 Class 43 locomotives are in addition to the approved Locomotive Fleet Plan but accord with the fleet strategy. With the year delay in the 1064 procurement, the 60 locomotives fill the gap of the first year. Post the 1064 procurement, the sustaining fleet requirements based on a 30 year life are approximately 80 locomotives per annum and the last year of the 1064 procurement moves into the sustaining phase.
9. The programmatic element of the 1064 procurement enables locomotive quantities per annum to be adjusted to circumstances.
10. The proposed transactions do not increase the risk related to the 1064 tender process.
11. Socio-economic benefits will be realised in line with existing commitments and expectations.
12. The context and arguments are presented as follows:
    a) History and Status of the TFR Fleet Plan
    b) Status of the 1064 Procurement
    c) Impact of the 1064 delay
    d) MDS Risk Mitigation
    e) Project Benefits
    f) Procurement Strategy
    g) Financial and budget Implications

BACKGROUND

13. The history and status of the TFR Fleet Plan and 1064 Procurement are presented to show that a genuine unforeseeable urgency has arisen and that the urgency is not attributable to a lack of proper planning. (Item 68 "Extract from Procurement Procedures Manual" refers)

History and Status of the TFR Fleet Plan

14. The TFR Locomotive Fleet and Modernisation Plan was presented to the new Board in April 2011 and predicated 776 GF locomotives by 2015/16 for GF volumes of 155.8 mt. The plan was modified in August 2011 when a further 426 locomotives were requested as the volumes increased to 176 mt by 2018/19. To mitigate the immediate shortage and facilitate the volume ramp up, 138 locomotives (95 electrics and 43 diesels) were approved by the Board in August 2011. Minor adjustments were made to the locomotive fleet plan for GFB with the presentation of the business case of the 1064 locomotives in April 2013.
15. The history and status of the TFR Fleet Plan is summarised in the table below:

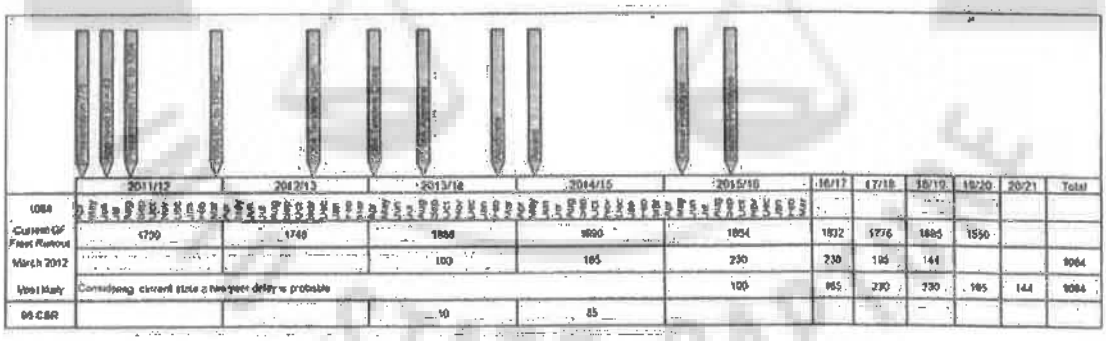
Loco Fleet History and Plan	Tons	Comment and Update
Coal Fleet (26 ton axle)		
112 (100)	97.5	• Probable downward volume revision. Contracts currently being signed for 10 years for 80 mt as coal reserves, sources and Eskom demand are evaluated. • 112 targeted for expansion to 97.5 mt • Current fleet of 10E, 7E and 11E require near term replacement. • 100 (off the 112) switched to fleet replacement pending finality of and commitment to long term coal export expansion and requested per this submission • Feasibility studies investigating expansion of Coal Line to Waterberg as 26ton per axle heavy haul line. This is not currently included in the Locomotive Fleet plan.
GFB (22 ton axle)		
50 EMD		• 50 "like new" EMD diesels were delivered between December 2009 and March 2010 on open tender.
100 GE (Class 43)		• In 2008 these locomotives were identified as a "quick fix" with 81 to sustain the aging fleet and 19 for volume expansion. • GE won the tender, which was confined to three companies, and the locomotives were delivered between May 2011 and January 2013.
776	155 mt	• In April 2011 the Fleet Plan was presented to the "new" Transnet Board for 776 GFB locomotives for 155.8 mt.
95 CSR and 43 GE		• In June 2011 the Board approved 138 locomotives (95 electric and 43 diesels). The electrics were for open tender. A new confined contract was entered into with GE for the 43 diesels. • The 95 and 43 locomotives were determined and limited by the uncommitted funds in the then Five year Capital program • The diesels were delivered between January 2013 and June 2013. • The 95 CSR are planned for delivery March 2014 to March 2015.
1064	170 mt	• August 2011 the locomotive requirements for 176 mt were presented being 1202 locomotives (776+446). • With the 138 already approved the balance of the GFB fleet plan was 1064 locomotives. (1202 -138) • In March 2012 the 1064 approval process commenced in tabling the business case at Transnet Freight Rail Investment Committee. • The 1064 procurement is expanded in the body of the document below.
60		• 60 Class 43 requested to fill the gap in the first year of the 1064 resulting from the delay in procurement.

Loco Fleet History and Plan	Tons	Comment and Update
Ore Export Line (30 ton axle)		
44 32 76	44 mt 60 mt	• 44 15E bought open tender (Toshiba / Mitsui) to replace / supplement existing 9E locomotives and Class 34 GE Diesels with an option for a further 18 locomotives. • The option to extend by 18 locomotives was not exercised. • A new confined contract was entered into with Mitsui for a total of 32 locomotives to take the Ore Export Line to 60 mt. This confinement was motivated on standardisation of the fleet. • ~ 110 Class 34 GE diesels returned to General Freight and replaced with 30 Class 43 GE. • Potential General Freight traffic may materialise from 2013/14 on the Ore Export line and 4 9E locomotives may be retained for this traffic.
23 15E and 3 Diesels	80 mt	• The volumes are not likely to materialise in the 7 year MDS program. The FEL feasibility study is on hold and there is currently no commitment to the increased volumes. • The locomotives are also put on hold. • The 15E production line has shut down. As and when required, the procurement options will be evaluated against standardisation, cost and interoperability. • Diesels, if required, will be provided from the GFB fleet

16. The essential points relating to this proposal are:
    a) The 100 Electric locomotives are for the coal line and were always part of the TFR locomotive fleet plan. See Para 35 and following. They release locomotives that can be used on GFB for the year that the 1064 program is delayed.
    b) The 60 Class 43 diesel locomotives are not part of the 1064 locomotive program.
        i. They are in addition to the approved Locomotive Fleet Plan but accord with the fleet strategy. With the year delay in the 1064 procurement, the 60 locomotives fill the gap of the first year. Post the 1064 procurement, the sustaining fleet requirements based on a 30 year life are approximately 80 locomotives per annum and the last year of the 1064 procurement moves into the sustaining phase.
17. The programmatic element of the 1064 procurement enables locomotive quantities per annum to be adjusted to circumstances and this flexibility has been built into the tender and will be carried forward in the ultimate contracts.
18. The rationale for the 100 Electric and 60 Class 43 Diesel not being part of the 1064 locomotive process are covered under the Procurement Strategy Para 58.a) and following.
19. The future acquisitions for the expansion of the Coal Export line to 97.5 mt and the Ore Export line to 80 mt will depend on market conditions and development of the full supply chain across all stakeholders.

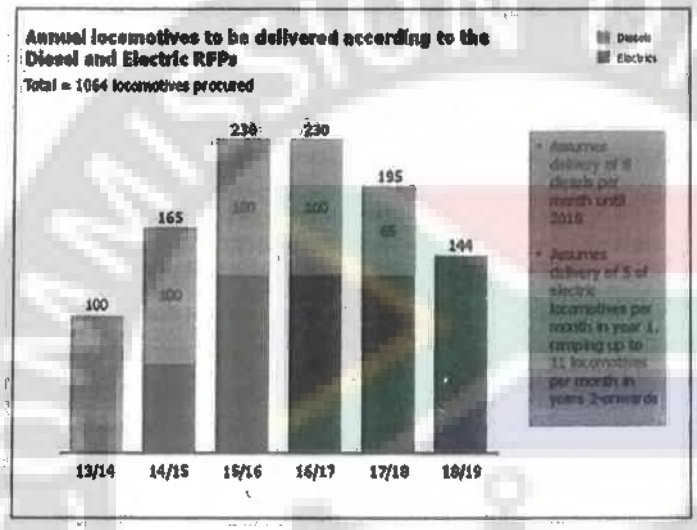
History and Status of the 1064 Procurement

20. TFR's Corporate Plan sets out the *7 Year Market Demand Strategy (MDS) 2013/14- 2019/20* to virtually double General Freight volumes to 170 mt by 2019/20. This requires an integrated and synchronised approach across locomotives, wagons, infrastructure and personnel and these aspects were covered in the 1064 business case submission.
21. The history of the 1064 procurement is depicted in the exhibit below.



22. The approval process of the 1064 locomotives started in March 2011 when the business case was tabled at the Transnet Fright Rail Investment Forum.
23. Two approaches were used to shorten delivery times of the new locomotives as far as possible:
    a) An aggressive approach was taken with the maximum locomotives delivered per month cognisant of local conditions and
    b) Approval was obtained in July 2012 to go out on an RFP before the acquisition was finally approved or PFMA approval obtained.

24. Transnet adopted a cautious approach because of the value of the acquisition and appointed external consultants to evaluate the business case.
25. Board approval was obtained in April 2013 and PFMA approval in August 2013.
26. The tenders closed in April 2013 but negotiations with tenderers could not commence till PFMA approval had been obtained.
27. It is expected that adjudication will be finalised by February 2014 and contracts awarded by May 2014.
28. At the time of the tabling the 1064 business case, the 465 diesel and 599 electric delivery timelines were based on the RFP then in the market. The exhibit below details the locomotive delivery timelines that were modelled as per the RFPs and used as the base case assumption.

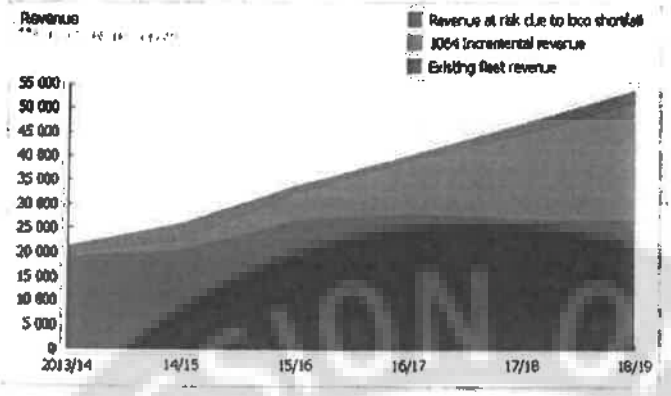


29. The 1064 program has slipped by at least a year against original expectations. The current RFP timelines are being reviewed by the Locomotive Steering Committee to ensure a compressed timetable to further mitigate volume risks to the MDC.

Impact of the 1064 Delay

30. Even with the 1064 business case being approved, there is a revenue shortfall which is exacerbated by the delay in locomotive delivery. This is depicted in the graph below extracted from the 1064 locomotive business case.

The 1064 locomotives are instrumental in capturing MDS target revenues, but a revenue shortfall will persist due to procurement timelines lagging target demand



31. The MDS shortfalls are tabled below for a one and two year delay.

a) One Year Delay:

Shortfall		MDS Shortfall Scenario - One Year Delay						
Locomotives		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
No Delay		33	138	314	533	763	946	1040
Year Delay		0	57	202	405	638	828	972
Impact								
Locomotives	#	33	81	112	129	125	118	68
Tons	Mt	1.6	5.2	9.8	13.7	14.0	13.3	7.6
Revenue	Rm	363	1286	2610	3639	4073	4188	2584
Capital	Rm	-1725	-1248	-1641	276	381	20	5249
Mtce.	Rm	36	91	132	159	162	160	96
Fuel and Elec.	Rm	67	183	331	440	469	471	290

Shortfall Total One Year Delay		2013/14 - 16/17
Tons	Mt	30
Revenue	Rm	7 900
Mtce.	Rm	417
Fuel and Elec.	Rm	1021

b) Two Year delay:

Shortfall		MDS Shortfall Scenario - Two Year Delay						
Locomotives		2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/120
No Delay		33	138	314	533	763	946	1040
Year Delay		0	0	57	177	302	415	465
Impact								
Locomotives	#	33	138	257	331	358	309	212
Tons	Mt	1.6	7.9	18.1	28.6	33.0	31.3	23.8
Revenue	Rm	363	1955	4831	7593	9604	9899	8057
Capital	Rm	-2183	-3910	-4014	-1807	1292	2003	6480
Mtce.	Rm	36	155	302	409	465	418	301
Fuel and Elec.	Rm	67	303	678	1004	1194	1153	903

Shortfall Total Two Year Delay		2013/14 - 16/17
Tons	Mt	56
Revenue	Rm	14 743
Mtce.	Rm	901
Fuel and Elec.	Rm	2052

c) Notes to tables:

i. The locomotives per year in the tables are mid-year numbers representing productive capacity and are lower than the total "delivered" during the course of the year.

ii. The shortfall is totalled to 2016/17 on the assumption that other mitigating strategies will be put in place for the subsequent years.

MOTIVATION

MDS Risk Mitigation

32. The program and motivation below partially addresses the above MDS shortfall in the early years protecting tons and income per the table below.

Income Protected	2013/14	2014/15	2015/16	2016/17	Cumulative Total
Avg. Rand / Ton	225.4	244.7	255.4	264.0	
100 19E - Tons Protected	2.4	2.4	4.4	7.2	16.44 Tons
Income Protected Rm	R 541	R 587	R 1 134	R 1 901	R 4 163
60 Diesels Tons Protected		3.8	7.9	7.9	19.6 Tons
Income Protected Rm		R 930	R 2 018	R 2 086	R 5 033
Total Tons	2.4	6.2	12.3	15.1	36.04 Tons
Income Protected Rm	R 541	R 1 517	R 3 152	R 3 987	R 9 197

33. Note that this submission is not a full risk mitigation. Further the benefit in 2013/14 is from Project Shongololo which are the new operating procedures introduced on the Coal Export Line.

34. The prime motivators for this submission are to:

a) Protect General Freight volumes through delivering diesel and electric locomotives earlier than is possible through the 1064 program.

b) Ensure delivery earlier than the 1064 program by:

i. Confining the procurement of the electric locomotives

ii. Extending the current diesel locomotive contract.

MDS Shortfall – 100 Dual Voltage Electric Locomotives:

35. The 100 Electric locomotives will be deployed on the Coal Export Line which will enable the release of 125 locomotives to the General Freight network protecting approximately 16.4 million tons (cumulative 13/14-16/17) of General Freight in the 7 Year MDS volume targets and thus allowing growth in the GFB market which would not have been possible because of the 1064 locomotive procurement delay.

36. The locomotive fleet plan presented to the Transnet Board in April 2011 proposed 112 new locomotives to meet an unconstrained coal export demand of 97 mt by 2015/16 with a proposed fleet of 308 electric locomotives. The "Capital Investment for Export Coal 81 mt" predicated replacing the aged fleet with modern electric locomotives. The updated locomotive fleet plan of April 2013 accompanying the 1064 General Freight locomotive business case also predicated 112 new locomotives for the Coal Business.

37. Subsequent to the Fleet Plan, the operational model was revised to take full advantage of the dual voltage capability of the locomotive. The changeover to the new operational model commenced in July 2013 and will build up as drivers are trained on Radio Distributed Power operations on the current fleet and new the locomotives become available. This changes the future mix of the Coal Fleet. The new operational model is bringing about greater efficiencies and creating capacity and the order will be based on this technology.

38. The 112 locomotives were for expansion and replacement. Due to the volume shortfall in MDS it was decided to accelerate the acquisition of 100 electrics to enable the cascade of 125 locomotives to GFB and mitigate the MDS volume risk.
39. Cascading locomotives to General Freight will assist in mitigating the delay currently experienced in the 1064 program. In all cases the cascading will facilitate growth though to 2017/18 when the 1064 delivery begins to have significant impact. The class 7E and Class 10E series of the current coal fleet are facing imminent run outs, increasing maintenance costs and decreasing reliability and the cascade to General Freight is an interim measure.
40. The 100 Electric locomotives will sustain the Coal Line electric fleet for 81 million tons per annum capacity and standardize the coal fleet on Electric type locomotives with significant operational and cost advantages.
    a) To achieve this operational efficiency requires 200 wagon trains to bypass Ermelo Yard and couple parallel to the main line eliminating shunting and standing time in the yard.
41. The cumulative cascade program for the Class 10E and Class 7E locomotives depends on the acquisition of the 100 Electric locomotives which we envisage can be cascaded to GFB, as an interim measure, as follows;
    a) 40 in 2013/14
    b) 74 end 2015/16
    c) 120 end 2016/17
42. The first locomotives are cascaded in 2013/14. There are no or minimal cascades in 2014/15 as the locomotives are being delivered and commissioned. The effectiveness of the cascade is felt in 2015/16 and beyond.
43. Using the rule of thumb for General Freight that 100 locomotives generate approximately 6 mt per annum, the 125 released locomotives will protect approximately 7.2 mt per annum of general freight.
44. The exact allocation to the areas below will be determined at the time of cascading according to operational priorities.
    a) **Manganese exports through Ngqura**: Manganese exports from the Northern Cape through Ngqura are expected to grow according to the *7 Year Business Plan* to 12 mt (and to 16 mt thereafter). The Class 7E series released from the Coal Line to General Freight traffic will supplement this service till the full complement of class 20E locomotives have been delivered where after the Class 7E series will be retired.
    b) **Thabazimbi – Pyramid South:** This is an AC electrified section served by Class 7E series locomotives and the predicted volume growth is:

Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
M Tons	8.868	10.347	15.135	17.056	18.446	22.897	22.912

    c) Cascading the Class 7E Series will facilitate volume growth through to 2015/16 as well as the potential life extending / technology changing modification on the cascaded Class 10E series.
    d) **Maputo Export:** This is a DC electrified section suitable for Class 18E locomotives only. The cascaded Class 10E will release Class 18E locomotives from other sections which will be transferred into this section. The tonnage increase is:

Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
M Tons	6.421	8.353	12.469	13.499	16.446	21.168	21.598

e) **General Freight on the Coal Line:** This traffic uses DC traction or Diesel locomotives to Ermelo and then AC electrification to Richards Bay. Currently Class 7E3 locomotives are designated for this traffic south of Ermelo. Releasing Class 11E locomotives from the export coal operation will enable the additional traffic and also substitute for the current Class 7E3 which will be cascaded.

Year	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
M Tons	10.702	11.901	13.404	15.036	15.733	16.032	16.470

45. The TFR Business Plan volume projections for the Coal Export Line are:

	Actual	Actual	Budget	Projections					
	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Export Coal Mt	67.7	69.21	77.00	81.00	81.00	84.00	95.00	97.50	97.50

46. The 100 Electric locomotive business case articulates the benefits of the earlier than previously planned delivery of the locomotives to the Coal Export Line.

47. The market analysis and infrastructure investment for "Capital investment for Export Coal 81 mt" was recommended by Transnet Board on 16 February 2011 and approved by the Shareholder (Minister of Public Enterprises) on 20 June 2012.

48. Other aspects more fully covered in the 100 Electric Locomotive submission are:

a) Reliability and Operational efficiency based on past experience of electric locomotives of similar design

b) Savings on operational expenditure and capitalised maintenance

c) Energy Savings

MDS Shortfall – 60 Class 43 Diesel Locomotives

49. TFR is in the process of acquiring 143 class 43 Diesel locomotives from GESAT which have been delivered over the past two years which are have proven to be a capable locomotive. Given the MDS volume shortfall, it is proposed that 60 class 43 locomotives be acquired to further mitigate the volume risk as those in the 1064 program are now likely to come on stream in 2015.

50. The efficiency utilization of the locomotives will be comparable to that currently achieved on the Phalaborwa – Richards Bay flow of 7 262 GTK per locomotive month. This flow powered by new class 43 Diesels already exceeds the national fleet efficiency targeted for 2018/19. This represents a 24% increase on the targeted 2013/14 efficiency.

51. The 60 locomotives have a potential mitigation of 3.8 – 7.9 mt at an average 8 149 GTK's per loco per month exceeding the current Phalaborwa – Richards Bay flow. The potential income protection is R5 033 m (cumulative 2014/15 - 2015/16). The exact allocation of the 60 locomotives will be confirmed at the time of deployment over the following flows:

a) Botswana Coal to Bulk Connexion and Richards Bay.

i. Potential 1.8mt – 3.8mt

ii. Diesels required: 35 inclusive of technical allowance.

iii. Potential GTK's per loco per month: 5 957

b) Elitheni Coal from Sterkstroom to East London

i. Potential 1mt to 2.5mt

ii. Diesels required: 15 inclusive of technical allowance

iii. Potential GTK's per loco per month: 12 784

c) Manganese from Postmasburg to Bloemfontein / Bloemcon

i. Potential 1 - 1.6mt mostly from new entrant miners.

ii. Diesels required: 10 inclusive of technical allowance.

iii. Potential GTK's per loco per month : 7 821

PROJECT BENEFITS

52. Protection of GFB MDS income and targets amounting to R4 163 m for the 100 Electric locomotives and R5 033 m for the 60 Class 43 Diesels over the period 2013/14-2016/17 .

53. Coal Export volumes and income are protected though improved reliability.

54. Sustainability objectives as per the Transnet Sustainability framework are met threefold:

a) Sustainability from an **economic perspective** is met by offering a long term cost effective, low cost rail solution that addresses the needs of industry to remain globally competitive and allows emerging miners to enter the coal export market.

b) Sustainability from a **social perspective** is met through the optimisation of manufacturing facilities, job creation and proactive stakeholder engagement.

c) Sustainability from an **environmental perspective** in energy savings through (i) the improved efficiency of the new locomotives and (ii) the overall energy saving through the regenerative capability of the locomotives.

55. The programme will support the shift from road to rail as the cascaded locomotives take up the shortfall in the General Freight market.

56. Benefits specific to the 100 Electric locomotives based on past experience include:

a) Energy savings will be achieved with an 18% improvement in KVA requirements over the old technology Class 7E and Class 10E locomotives.

b) The regenerative capability of the new technology of modern locomotives introduces further energy savings of between 22% and 26%.

c) Quantifiable savings in maintenance of new locomotives.

d) Not quantified but direct and indirect savings with uninterrupted operations due to fewer failures.

57. Benefits specific to the 60 Class 34 Diesels include:

a) Fuels savings of 8% over the older diesel fleet.

b) Significantly reduced failures compared to the current diesel fleet improving availability and reliability.

c) Standardisation of maintenance regimes with current Class 43 fleet.

d) Virtual elimination of significant damage to rail infrastructure (skid-marks) which are prevented by the modern traction control system.

e) The characteristics of the locomotive more closely match that of the electric fleet enabling optimum use of traction capability when worked in multiples with electric locomotives using RDP.

PROCUREMENT STRATEGY

Rationale for not being part of the 1064 process

58. The procurement process was carefully considered and was not taken into or part of the 1064 locomotive process. Aspects considered were:

a) **Type:** The 100 electrics are 26 ton per axle locomotives for heavy haul use to be deployed on the coal line. The 599 electric locomotives in the 1064 tender are 22 ton per axle locomotives for GFB use.

b) **Delivery:** The 60 diesels are similar to the 465 of the 1064 but the motivation below for extension is one of urgency because of the overall delay in the 1064 program. Including the diesels in the 1064 does not address the delay or urgency.

Analysis and Implications of Procurement Options

59. The following options were considered and reasoned:

a) Go out on tender

b) Do Nothing

c) Confine / Extend Contract

d) Extend current 20E contract for 95 CSR Locomotives

e) Leasing

60. **Go out on tender:** With this option the locomotives become available beyond the 1064 timeframe and hence this is not a viable option as it does not address the urgency. It is however the best option insofar as public perceptions, fairness and transparency are considered.

61. **Do Nothing:** This option puts the MDS volumes at risk that this proposal wishes to mitigate. The implications are:

Income Protected	2013/14	2014/15	2015/16	2016/17	Cumulative Total
Tons Lost	2.4	6.2	12.3	15.1	36.04 Tons
Income Lost	R 541	R 1 517	R 3 152	R 3 987	R 9 197 Rm

62. **Confine / Extend contract:** This addresses the urgency of the proposal but has potential negative public implications. For the urgency already outlined and the reasons below this is not part of the 1064 process and will not impact on that process.

a) The diesel locomotives are known, running effectively, meet the technical requirements and prototyping and set up costs are not required

b) Extension of the GE contract is the fastest most efficient way to procure the diesel locomotives.

c) The CSR facilities are available for immediate production which will result in significant delivery acceleration based on the learnings of the 95 loco processes. CSR has capacity to produce 2000 locomotives per annum.

d) CSR is a known current supplier who has excelled in the two most recent tenders for electric locomotives from a technical capability and capacity perspective, supplier development, commercial and transformational perspective.

e) Confinement of the contract to CSR meets the grounds for confinement per the most recently BADC approved PPM.

f) Both the extension and confinement are acceptable procurement mechanisms per the PPM in this instance.

63. **Extend current 20E contract for 95 CSR Locomotives:** The 20E currently on order is a 22 ton per axle GFB locomotive. Additionally, extension would not be an acceptable procurement mechanism per the PPM given the material amendment to contract which could be challenged.

64. **Leasing:** Aurizon in Australia have indicated that they have about 20 locomotives available for lease. However, the newest of these is 30 years old and the quantities are not likely significantly impact volumes. We will view the 20 locomotives and assess their suitability for our network. There is no viable external market for 1064mm dual voltage electric locomotives. South African circumstances are (historically) unique requiring bespoke electric designs. Even if leased the conditions would be that TFR take ownership after a period of time.

65. **Implications:** The 1064 tender is currently under adjudication. It is the largest procurement processes within Transnet and while it seeks (inter alia) to launch a South African locomotive industry, it will be closely scrutinised by the losing bidders seeking any loophole to press an advantage. The tender calls for programmatic procurement and it is possible to reduce the final quantities. The following implications were considered in adjusting the (diesel locomotive) quantities.

a) The tenders have closed and asking respondents for revised submissions would delay the process further.

b) The perceptions that may be generated by "backtracking" on and reducing a visibly stated need and objective to "favour" a supplier, the urgency argument notwithstanding.

c) Proceeding with the proposed contract extension and announcing the reduction in diesel quantities at the time of award may be perceived as an underhanded manner of "favouring" a supplier.

Procurement Recommendation

66. For reasons of urgency, the confine / extend contract option is the recommended option.

67. This will procure the locomotives in the shortest possible time and, by so doing, best mitigates the potential shortfall in MDS volumes. The reasons of urgency have been set out as well as the complementary benefits of the recommended option.

Confinement of 100 Electric Locomotives

68. An extract from the latest approved Procurement Procedures Manual stipulating grounds for confinement which are relevant to this submission, reads:

"Confinements will only be considered under the following circumstances:

a) where a genuine unforeseeable urgency has arisen. Such urgency should not be attributable to a lack of proper planning. However, where a genuine urgency has been created by the lack of proper planning, urgency can still be relied upon as a ground for Confinement. In such cases appropriate action must be taken against the individual(s) responsible for the bad planning.

b) **the Goods/Services are only obtainable from one/limited number of suppliers. For instance, patented/proprietary Goods or OEM spares and components. Operating divisions are however required to provide evidence that there are no new entrants to the market who could also be approached;**

c) **for reasons of standardisation or compatibility with existing Goods and Services. A case must be made that deviation from existing standardized Goods or Services will cause major operational disruption. If not, confinements based on "standardisation" will not be considered; or**

d) **when the Goods or Services being procured are highly specialized and largely identical to those previously executed by that supplier and it is not in the interest of the public or the organization to solicit other offers, as it would result in wasted money and/or time for Transnet. When this particular ground is intended to be used as a ground for Confinement, it is important to note that all pre-requisites must be satisfied: The Goods or Services must be highly specialised, almost identical to previous work done and approaching the market again would result in wasted money and time."**

69. The project is motivated on the basis of Para (a) where a genuine unforeseeable urgency has arisen.
    a) Item 13 et al covering the "History and Status of the TFR Fleet Plan" and the "History and Status of the 1064 Procurement" demonstrates the reasonable and timeous steps taken to address to the Board the run out of the current fleet and the locomotive requirements required to address the volume ramp up of GFB.
    b) Item 11 et al further indicates that the delay was not attributable to a lack of proper planning as the GFB locomotive requirements have remained consistent throughout.
    c) Considering (a) and (b), no individual or group of individuals is responsible for bad planning.
70. Complementing the urgency is ground (d):
    a) Locomotives are highly specialised with limited suppliers worldwide.
    b) The locomotives would be largely identical with those already supplied and to be supplied and
    c) Transnet would incur wasted time and money in approaching the market (b) and (c) are relevant due to the fact that:
        i. CSR has been adjudicated as the best bidder during the 95 electric loco process as well as joint on the 1064 process. Both these tenders include the Board approved procurement methodology of maximising supplier development whilst ensuring highest standards of quality and best possible commercial offering. Transnet has just spent a large amount of time, human capital and money in the recent tenders and going through another tender process would not be efficient given the urgency.
        ii. Production of the current MARS contract has been completed and was based on previous procurement methodology where supplier development was not a key focus area and the Mitsui consortium did not fare well in the two most recent tenders issued by Transnet. Therefore continuation with Mitsui via confinement would pose unnecessary risk to the organisation. Furthermore, reputation risk exists, although subjective and places the company under

unnecessary risk if it were to follow a confinement approach with Mitsui. This reputation risk involves speculation in the media around Mitsui's local partners and their political affiliations. Transnet would never entertain awards based on political prowess of any business partners to an OEM but the risk does need to be taken into account from a reputational perspective.

71. TE is currently maintaining and repairing the Class 19E Electric Series which means that they are accustomed to maintenance regimes are more modern electric dual voltage locomotives. Limited additional training will be required and optimum utilisation of the current maintenance facilities will be met. Simplified maintenance practises will result in shorter Mean Time to Repair. Common practices will be addressed through maintenance regimes of the 95 loco series, 599 elements that CSR is shortlisted for and this fleet.

72. From a social-economic perspective the following jobs will be retained in assembly facilities:
    a) Approximately 186 jobs will be retained at the TE assembly facility and further jobs will be retained in downstream enterprises
    b) Approximately 400 jobs are estimated to be created over the period for electric assembly and further jobs will be retained in downstream enterprises
    c) Based on SD offerings made in recent tenders Transnet believes it can achieve maximum SD possible with at least 65% for diesels and 70% for electrics.
73. Considering the volumes at risk and the urgent requirement for the coal line locomotives to cascade the current fleet to General Freight, it is proposed that the procurement be confined to CSR.

Contract Extension with GESAT for 60 Class 43 Diesels

74. The arguments for an extension to the GESAT contract are similar to those for confinement and are motivated on:
    a) the basis of urgency (a) as outlined above
    b) and complemented by standardisation (c) and goods largely identical to those previously executed (d).
75. The project is motivated on the basis where a genuine unforeseeable urgency has arisen. The arguments above are also applicable to the 60 Class 43 Diesels.
76. The latest approved Procurement Procedures Manual, dated 01 October 2013, par 22.4.2, allows for a contract extension. In this instance the request is for a material contract amendment to a previously confined event. The reasoning for the original confinement of the additional 43 loco's is still applicable given that there is a genuine unforeseeable urgency which has arisen due to the delay in the 1064 tenders and such urgency is not be attributable to a lack of proper planning.
77. Complementing the urgency is that the goods are largely identical to those previously executed by that supplier and standardisation is a benefit for the specialized locomotives.
78. Addressing the urgency:
    a) In December 2009, Transnet concluded a contract with General Electric South Africa Technologies (GESAT) PTY Ltd for the Supply of 100 Diesel Locomotives through a limited tender process confined to three potential suppliers. In 2011, through a

confinement process, TFR concluded a contract with GESAT for an additional 43 Class 43 diesel locomotives. The completion date of the 43 Locomotives was end June 2013 in line with the Transnet planned schedule. The last few locomotives to roll out of assembly will be tested by 30 September 2013, where after they may be accepted.

b) As the production line is currently operational and design is finalised, delivery lead times will be reduced by approximately 12 months and Transnet will save by not requiring set up costs of facilities and production runs.

c) GESAT and TE have the ability to roll out between 8 to 10 locomotives per month.

d) No prototyping or type testing is required.

79. Complementing the urgency (a) is the standardisation (c) and goods largely identical to those previously executed (d). Inter alia:

a) Locomotives are highly specialised with limited suppliers worldwide.

b) The locomotives would be identical with the 143 Class 43 Diesels already supplied or about to be commissioned.

c) Transnet would incur wasted time and money in approaching the market as:

i. The specialised tender specifications take time to prepare; prospective tenderers need time to respond and there is the time to adjudicate. This process takes at least 12 months by which time the urgency has passed and the 1064 deliveries will start to kick in.

ii. Furthermore a new supplier would necessitate a new design, design review and prototyping and type testing. This is a further 12 months for diesels before production commences.

d) Standardisation of locomotives has two elements. (i) Operational standardisation and (ii) Maintenance standardisation.

i. Operational standardisation requires locomotives of the same class to operate as a consist (i.e. two or more locomotives coupled together operating as a single unit). This is not negotiable but is implemented through de facto industry standards.

After many years these standards have now changed and TFR is evaluating the impact of these changes.

ii. Maintenance standardisation addresses:

- Reduced spares holdings and simplified and standardised inventory.
- Standardised tools and diagnostic instruments serving a common fleet
- Unified training and for maintenance staff.
- Simplified maintenance practises resulting in shorter Mean Time to Repair.

iii. TE is currently maintaining and repairing the Class 43 Series which means that no additional training will be required and optimum utilisation of the current maintenance facilities.

80. In light of the foregoing concerning standardisation, specialisation and similar locomotives already supplied and further considering that:

a) the Class 43 diesel is a modern locomotive that is performing well and has proven to be both efficient and reliable and

b) the proposed 60 locomotives will identical to the current design and no prototyping or type testing is required conservatively saving 15 months or more and

c) the limited quantities required:

It is submitted that it is not in the best interest of Transnet to solicit other offers for the 60 Class 43 diesel locomotives.

81. In both transactions, Transnet Engineering (TE) was appointed as GESAT's subcontractor for the local assembly of the locomotives and the contractual obligations have been met.

82. The time and cost to localise production to comply with local content and SD requirements has to be amortised over the anticipated production run. The smaller the run, the more expensive the overhead.

83. Given that a contract is already in place and that the additional 60 loco requirement will be largely on the same terms and conditions as the 43 loco confinement, this warrants extension.

Contracting strategy

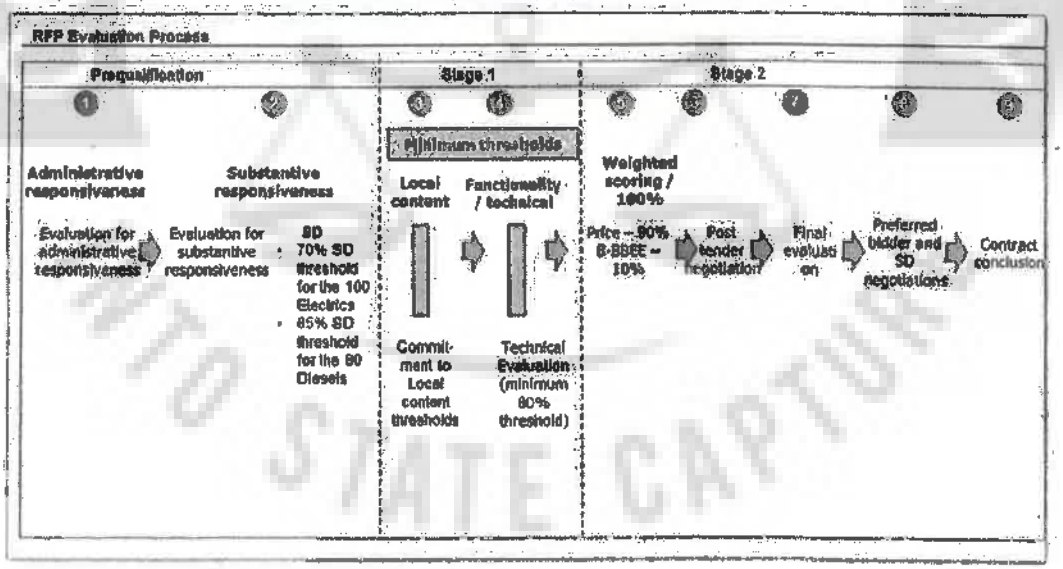
84. Extend the current contract with General Electric South African Technologies (GESAT)for 60 Class 43 Diesel Locomotives.

85. Confine and award to China South Rail (CSR) for 100 Electric locomotives.

86. The reasons for the different confinement and extension strategies have been highlighted in the sections above.

Evaluation Methodology

87. The Request for Proposals (RFP's) for the confinement to Mars and extension to GESAT respectively will be issued and their respective proposals will be assessed as described below.



88. The Evaluation Methodology for an open tender comprises the following steps:

1) **Administrative responsiveness** – bidders will need to pass the administrative responsiveness to enable them to be evaluated further. This includes evaluating all returnable documents were submitted and the bid documents were duly signed by the bidders

2) **Substantive responsiveness** – bidders must ensure that all pre-qualification criteria, the pricing schedule is completed, their bid materially complies with the scope/specification and that all material terms and conditions in the bid documents have been met. SD pre-qualification criteria will be set at 65% for diesels and 70% for electrics based on recent learnings from the 1064 process.
3) **Local Content** – bidders must comply to the minimum local content thresholds for Electric and Diesel locomotives as stipulated in the PPPFA
4) **Technical evaluation** – bidders will need to pass the minimum technical thresholds of 80% for both Electric and Diesel locomotives to proceed to the final phase (stage 2) of evaluations.
5) A **weighted scoring** approach for Price (90%) and B-BBEE – scorecard (10%) will be used determine final award
6) **Post tender negotiations** – post tender negotiation requesting preferred bidders to provide their Best and Final Offers
7) **Final evaluation** – preferred bidders to undergo final evaluation based on the 90/10 as stipulated by the PPM
8) **Preferred bidder negotiations** – selection of the preferred bidder and negotiation of various aspects including final SD commitments and the B-BBEE improvement plan (FRC Future)
9) **Conclude contract** – the parties sign a contract and addendums to formalize the agreement.

89. The above process is modified for the proposed confinement and extension in that:
    a) Administrative response (1) is simplified to essential documentation such as tax clearance certificate, BEE certificate etc.
    b) Substantive response (2) will be required on to ensure that all material terms and conditions in the bid documents have been met. SD pre-qualification must be met
    c) Local content threshold must be met
    d) Technical evaluation (5) is simplified to ensure that all modifications / improvements made over the life of the locomotives (Class 43 and Electric's) for incorporation.
    e) Weighted Scoring Approach (6) and
    f) Final Evaluation (8) is not required due to confinement and extension to one party although evaluation against expected SD, BEE improvement and price ranges will be conducted to ensure the deals meet Transnet's expectations.,

Local Content, Designated Components and Supplier Development (SD)

90. Meeting Local Content (3) is a prerequisite to proceeding to SD threshold (4) evaluation.
91. The targets per PPPFA National Treasury Instruction Note (dated 16-07-2012) on 'Invitation and Evaluation of Bids Based on a Stipulated Minimum Threshold for Local Production and Content for the Rail Rolling Stock Sector' (Section 3 (3.1) are compulsory and are elaborated in following table:

Local Content - Section 3 (3.1)	
Category	Weighting
Local manufacturing: **Threshold: 60% for Electric and 55% for Diesels)**	**100% of PPPFA**
Total	**100%**

92. In addition, the progressive Local Content for Designated Components (Section 3 (3.2) will also be applicable to both Electric and Diesel locomotives as per the table below though they may not materialize as the contracts will be fulfilled before three years and they are not programmatic.

Designated Component / Activity Heading Only - Section 3 (3.2)	% Local Content 3-5 Years	% Local Content 6 Years and above.
Assembly of Locomotives and EMU	100%	100%
Car Body	100%	100%
Bogie (including wheels)	100%	100%
Coupling Equipment	100%	100%
Suspension	100%	100%
Heat, Ventilation and Air Conditioning	60%	70%
Braking System	70%	80%
Alternators	90%	100%
Traction Motors	65%	80%
Electric Systems	80%	90%

1. The Supplier Development categories are set out in the table below. The pre-qualification targets are considered realistic and achievable without posing a risk to the project.

Supplier Development (SD)
Category
Investment in plant – bidders monetary commitment to investment in plant and equipment
Downstream procurement – bidders commitment to supporting 2nd, 3rd tier suppliers, etc.
Skills development – supplier's commitment to skills development (number of people and monetary)
Job creation / preservation – supplier's commitment to number of jobs maintained/created
Small business promotion – supplier's commitment to usage of small businesses (monetary)
ED/SD – bidders commitment to SD initiatives and ED development

Award Conditions – 100 Electric locomotives

2. Approval to award the business to CSR is requested subject to SD compliance with the following:

a) Local content meeting or exceeding 60% by value

b) Compliance with **new** SD commitments with a minimum of 70% as measured in the SD Value Summary which forms part of the RFP

c) Transnet will also request a prince range of between R30.5m and R32m for the purposes of negotiation with the objective of coming in within the R34.34m per loco which will be used as a guide as is dependent on forex fluctuation.

Award Conditions – 60 Class 43 Diesels

3. Approval to award the business to GESAT is requested subject to SD compliance with the following:

a) Local content meeting or exceeding 55% by value

b) Compliance with **new** SD commitments with a minimum of 65% as measured in the SD Value Summary which forms part of the RFP

c) Transnet will also request a prince range of between R22.5m and R24m for the purposes of negotiation with the objective of coming in within the R26m per loco which will be used as a guide as is dependent on forex fluctuation.

FINANCIAL AND BUDGET IMPLICATIONS

1. The financial motivation and budget implications for the 100 Electrics and 60 Class 43 Diesels are discussed in detail in the respective submissions.

100 Electrics

2. The 100 Electric Locomotives are summarized below and are based on previous experience with the Class 19E contract:

a) A base price per locomotive price of R 34.34 m (2013/14 - Yen 385 m @ Rand/Yen 0.09823)

b) Capital Investment Summary:

Year / Rm	13/14	14/15	15/16	16/17	17/18	18/19	Contingency	Total
Project Plan Payment	R 343	R 1 737	R 1 439				R352	R 3 871
Delivery		56	44					100

c) Adding the 100 class 19E sustaining locomotives to the original Coal 81 mt model changes the Net Present Value of the total Coal 81 Project from (NPV) R90.63m to (NPV) R98.49m over 10 years.

d) The present value (PV) of the Total Cost of Ownership using the 1064 locomotive model is R58.6m per locomotive and R5 863m for the 100 locomotives.

e) Approved infrastructure investments supporting the project totals R3 974 million.

f) The cost is estimated and therefore a final price can only be given upon negotiation.

60 Class 43 Diesels

3. The 60 Class 43 Diesels are summarized below:

4. The 60 Class 43 locomotives **are over and above** the 465 diesels of the approved 1064 locomotives.

a) The delays in the 1064 will result in the delivery of the 1064 locomotives extending beyond the current *7 year MDS* capital plan. The diesels in particular will not meet the originally planned delivery.

b) The fleet plan and the 1064 locomotive business case stress sustaining the fleet beyond the seven year period in the order of 60 to 80 locomotives per year.

c) The 60 Class 43 diesels will be funded from the 1064 locomotive budget for the first year.

d) The 1064 locomotive budget will be adjusted commencing the 2014/15 7 year cycle for the delayed delivery of the 1064 beyond the current 2013/14 7 year cycle. This adjustment is in line with the stated intent of sustaining the fleet though a continuous replenishment of new locomotives.

e) A price per locomotive price of R 26m @ Rand / USD (R9.59/USD) (R27.67 m @ R10.4/USD for 2014/15).

f) Capital Investment Summary:

Year / Rm	13/14	14/15	15/16	16/17	17/18	18/19	Contingency	Total
Project Plan Payment	R 156	R 1 504					R166	R 1 826
Delivery		60						60

g) The acquisition of the 60 Class 43 Diesel preserves an NPV of R1 871 m based on the 1064 Locomotive Model.

h) The PV of the Total Cost of Ownership using the 1064 Locomotive model is R63.7m per locomotive and R3 822m for the 60 additional diesels over their 30 year life.

i) The cost is estimated and therefore a final price can only be given upon negotiation

Financial Impact to Group

5. The proposed procurement has limited impact on Group finances and the critical ratios are maintained.

6. For no delay the ratios are:

Ratios: Transnet Group - As is	Budget	Projections				
	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
- Operating margin %	24.9	29.1	31.5	32.5	35.4	36.3
- EBITDA %	42.9	46.7	49.1	49.7	51.8	52.6
- Return on average total assets (%)	8.0	10.0	11.3	12.4	14.2	14.5
- Gearing (%)	46.6	47.7	47.7	47.0	45.2	41.6
- Net debt to EBITDA (Times)	3.04	2.70	2.53	2.40	2.17	1.94
- Asset turnover (Times)	0.30	0.33	0.34	0.37	0.38	0.38
- Cash interest cover (Times)	3.3	3.6	4.0	4.1	4.5	4.8

7. For a one (1) year delay the ratios are:

Ratios: Transnet Group One (1) Year Delay	Budget 2013/14	Projections 2014/15	2015/16	2016/17	2017/18	2018/19
- Operating margin %	24.8	28.5	29.6	29.0	31.3	32.0
- EBITDA %	42.7	46.2	47.6	47.1	48.7	49.5
- Return on average total assets (%)	7.9	9.7	10.4	10.6	11.8	12.0
- Gearing (%)	46.2	47.3	47.8	48.7	48.7	47.1
- Net debt to EBITDA (Times)	3.01	2.71	2.67	2.75	2.64	2.49
- Asset turnover (Times)	0.30	0.33	0.33	0.35	0.36	0.36
- Cash interest cover (Times)	3.3	3.6	3.8	3.7	3.7	3.9

8. For a two (2) year delay the ratios are:

Ratios: Transnet Group Two (2) Year Delay	Budget 2013/14	Projections 2014/15	2015/16	2016/17	2017/18	2018/19
- Operating margin %	24.8	28.3	29.3	29.1	31.6	32.6
- EBITDA %	42.7	45.9	47.2	47.1	48.9	50.0
- Return on average total assets (%)	7.9	9.6	10.3	10.7	12.0	12.3
- Gearing (%)	46.0	46.6	46.8	47.4	47.7	46.3
- Net debt to EBITDA (Times)	2.99	2.67	2.61	2.64	2.55	2.41
- Asset turnover (Times)	0.30	0.33	0.34	0.35	0.36	0.36
- Cash interest cover (Times)	3.3	3.6	3.9	3.8	3.9	4.0

SOCIO-ECONOMIC BENEFITS

9. The transaction will be aligned with the Government of South Africa's socioeconomic policy framework, including CSDP, NGP, NDP, SSI, and IPAP2.
10. Meeting the MDS growth targets supports the National Development Program in the industrialisation of SA's mineral resources.
11. The program supports the sustainable development of a South African locomotive production industry.
12. Economic benefits include:
    a) Using idle capacity available in South Africa
    b) In terms of the National Treasury instruction note the local content for designated sector (rolling stock - locomotives) for electric locomotives is 60% and for diesel locomotives is 55%.
    c) Ability to reinstate / retain local jobs as the skills pool already exists
    d) Significant indirect and direct South African jobs will be preserved which include approximately 186 direct jobs at the TE assembly facility with further jobs retained in downstream enterprises

PROJECT RISKS

13. Both projects face several risks that could affect their overall economic viability:
14. **Locomotive Delivery**: This could arise if (i) the confinement is not approved (ii) unforeseen circumstances on the part of supplier including not complying with CSDP conditions.
15. **Lower volumes**: MDS volumes may not materialise per plan negating the need to cascade locomotives and / or the class 43 diesels not being fully or optimally utilised.

16. The coal line locomotives are nonetheless still nearing their end of life and these will require replacement in the short term to sustain coal exports at 81 mt. Long term coal contracts are currently being negotiated for 81 mt and there are sufficient coal reserves to sustain this tempo. The model and NPV is further based on 95% of the coal export volumes materialising. There is no risk to this project if volumes do not ramp up to 97.4 mt.
17. Exchange Rate Fluctuations:
    a) For the 100 Electric confined to CSR, the Yen / Rand Rate is used as a forecast given that the Class 19E deal was used as a base. Localisation is already set at 60%, thus mitigating exchange fluctuation risks.
    b) For the 60 Class 43 confined to GESAT the base price is taken R10/USD. The rate is forecast to strengthen in the short term which includes the duration of the contract before weakening.
18. Tariffs not being realised:
    a) For the coal line current FOB prices for RBCT coal are around US$90 per ton, well below the peak of over US$150 per ton. At R9.50/USD and a tariff of R126 per ton, transport accounts for ~13% of the FOB price. Pressure on tariffs will remain till there is a long term sustainable uptick in the FOB price.
    b) For General Freight increases linked to inflation are not seen as a risk while increases above inflation will be subject to scrutiny and downward pressure.
19. Tariff exposure to commodity downturns:
    a) In the short term this could impact the viability of emerging miners for export coal. This will affect only 3 mt as the rest are based on long term contracts being negotiated. The model is also based on 95% of the volumes realising.
    b) Locomotives have a 30 year life-cycle which transcends economic cycles. In the short to medium term the global economic recovery is seen as slow but sustained. The economic environment for General Freight locomotives was fully set out in the 1064 business case.
20. **Over Capitalisation of the Coal Line:** This is not seen as a risk as the locomotives sustain current volumes of 81 mt for which long term contracts are being negotiated. The reserves in the Mpumalanga basin are also acknowledged to be able to sustain this tempo for the long term. There is thus little risk of stranded assets. The locomotives being replaced are at the end or very close to the end of their economic life and would require replacement in the very short term even if they were not cascaded to General Freight.
21. Project interdependencies:
    a) Crucial to the new operations and achieving 81mt on the Coal Export Line with the additional 100 Electric locomotives requires constructing the Ermelo bypass line. This line enables two 100 wagons trains from the mines to be coupled together enabling the train to proceed as a single 200 wagon Radio Distributed Power (RDP) train without going into Ermelo Yard.
    b) An interdependency for the 100 Electric locomotives is cascading locomotives to general freight. The 60 Class 43 Diesels do not have other project interdependencies
22. Project risks will be mitigated during implementation by a **dedicated cross-functional project team** to manage the contract.

RECOMMENDATION:

23. It is recommended that the Transnet Board of Directors approve the following:

a) Note the risk to TFR MDS volumes through insufficient traction power resulting from the delay in the procurement of the 1064 locomotives:

b) To approve the investment in and procurement of 100 Electric locomotives required for the Coal Export Line in the amount of R3 871 m (excluding borrowing costs):

c) To approve the confinement and award of the procurement for the 100 Electric locomotives.

d) To approve the investment and change in the fleet plan to procure of 60 Class 43 diesel locomotives for General Freight in the amount of R1 826 m (excluding borrowing costs):

e) To approve an extension of the current Class 43 diesel locomotives contract for 60 additional locomotives:

f) The GCE be delegated the power to sign and conclude all relevant documents to give effect to the above resolutions, including the award and process approval.

RECOMMENDED BY:

Siyabonga Gama
Chief Executive
Transnet Freight Rail

2014-01-27
Date:

RECOMMENDED BY:

Anoj Singh
Group Chief Financial Officer
Transnet SOC Ltd

31 Jan 14.
Date:

RECOMMENDED BY:

Brian Molefe
Group Chief Executive
Transnet SOC Ltd

22.1.14.
Date:

YL-RESP-044
YL24.

YL 24

100 20 E Electrics Pricing Recalculation

	YL Recalculation
Rand Portion	R 14 430 000
USD portion	USD 1 950 000
Rate used by CSR	7.4
Rate at date of signature on 22nd October 2012	8.635
Rate at February 2014 used by CSR	10.9
Calculated exchange rate impact	R 4 416 750
Base Price	R 28 860 000
Exchange rate impact	R 4 416 750
Escalation on USD portion	R 992 063
Escalation on SA portion	R 3 182 140
Additional costs for:	
Set up costs already incurred	-R 1 500 000
Steel	R 432 000
Variations	R 2 738 400
Hedging costs	R 1 078 429
Duty	R 300 000
Price excluding options	R 40 499 781
Options ECP + WDP	R 599 952
Price Including options	R 41 099 733

YL-RESP-046

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YL 25

Transnet SOC Ltd
Registration
Number
1990/000900/30

Carlton Centre
150 Commissioner
Str. Johannesburg
2001

P.O. Box 72501
Parkview
South Africa, 2122
T +27 11 308 2526
F +27 11 308 2312

TRANSNET

MEMORANDUM

www.transnet.net

To: Transnet Board of Directors (BOD)

From: Brian Molefe, Group Chief Executive

SUBJECT: INCREASE IN ESTIMATED TOTAL COST (ETC) FOR THE ACQUISITION OF 100 EQUIVALENT CLASS 19E DUAL VOLTAGE ELECTRIC LOCOMOTIVES FOR THE EXPORT COAL LINE

PURPOSE:

1. The purpose of this memo is:
   a) for the BOD to note of the reasons for the increase in ETC.
   b) to request that the BOD approves an increase in the estimated total cost for the acquisition of 100 equivalent Class 19E Dual Voltage Electric Locomotives for the Export Coal Line from R3.871 billion to R4.840 billion.

EXECUTIVE SUMMARY:

2. In summary the increase in ETC of R 969 million can be attributed to the following:

Update of business case for economic impacts	R 495 m	51 %
Scope Change	R 347 m	36 %
Risk Mitigation - Forex, Escalation and Contingencies	R 373 m	39 %
Discount Negotiated	- R 247 m	- 25 %

3. 90 % of the ETC increase relates to changes in market conditions and the risk tolerance level of the company. Whilst 39 % of the ETC increase relates to strategic factors such as localisation and competition. These increases have been offset by competitive negotiations that realised a benefit of 25 %.
4. 36 % of the ETC increase relates to the scope change however considering the discount negotiated the cost of the scope change is reasonable.
5. The need to incur these costs has been justified and the associated costs are reasonable in the circumstances.
6. The final price is comparable to the Mitsui proposal except for additional scope change items allowed for in the ETC.

7. The NPV of the business case remains positive at R 7.1 billion.
8. Impacts on the 2014/15 corporate plan has been assessed and mitigated.
9. Risk mitigation measures have been developed and are being implemented to ensure benefits are realised.
10. This acquisition in conjunction with other locomotive acquisitions will significantly contribute towards the company achieving its original MDS targets of 350 mt by 2018/19.

BACKGROUND:

11. The rationale for the investment in the 100 equivalent class 19E Dual Voltage Electric locomotives is to mitigate against the shortfall on MDS volumes anticipated due to the tractive capacity shortage as a result of the delivery on the 1064 locomotive programme taking longer than expected.
12. The 100 equivalent Class 19 E Dual Voltage locomotives are destined for the Export Coal Line. This will result in 125 existing Coal Line locomotives being cascaded and deployed to the General Freight Business until such time that the 1064 locomotive contract starts to produce locomotives (August 2015) where after the 125 cascaded locomotives will be run out.
13. The acquisition of 100 equivalent Class 19E Dual Voltage Locomotives was approved by the Board of Directors on 24 January 2014 at a cost of R 3.871 billion excluding the cost of hedging for foreign exchange movements and excluding the cost of future escalation costs.
14. A contract to acquire 100 electric locomotives was concluded with CSR E Loco Supply (Pty) Ltd on 17 March 2014 at a cost of R 4.4 billion including the cost of future escalations and foreign exchange hedging costs, thus resulting in an increase in ETC of R 969 million.
15. The contract concluded with CSR E Loco Supply (Pty) Ltd includes a supplier development requirement of 60 % as per DTI codes for local content.
16. The locomotives will be delivered at a rate of between 12 to 20 locomotives per month. 40 Locomotives will be manufactured in China with the remainder being manufactured locally by TE.
17. The 1st locomotive will be delivered in February 2015 with the 100th locomotive being delivered in September 2015. This represents an 18 month period due to the TE and localisation requirements which we are currently trying to shorten which will enable MDS volumes to be achieved.
18. PFMA approval for this transaction is being sought as it is above the R 3.9 billion Section 54 threshold, due to the increase in ETC.
19. DPE has indicated that processes are underway to facilitate such approval. The contract entered into with CSR E Loco Supply (Pty) Ltd is subject to PFMA approval being obtained.

DISCUSSION:

20. In order to analyse the increase in ETC two factors need to be considered:

    I. Updated economic data from business case date to current (backward looking);

    II. Future financial risks emanating from the transaction and costs associated to mitigate these risks (forward looking).

21. This document has been prepared to explain the increase in ETC on this basis, concentrating on why these costs needed to be incurred and were these costs reasonable in the circumstances.

22. The increase in ETC of R 969 million is due to the following reasons (refer Table 1 below):

    a. Forex movements from the approved business case to award date (backward looking) (Item A of Table 1)

    b. Inflationary related escalations from the approved business case to award date (backward looking) (Item B of Table 1)

    c. Variations to design for a higher specification for CSR locomotive (strategic) and due to the localisation requirement of 60 %, Transnet Engineering (TE) will assemble the locomotives and enable it to become an OEM (strategic) (Item C of Table 1)

    d. The cost of fixing future escalations over the life of the contract (forward looking risk mitigation) (Item D of table 1)

    e. The cost of fixing forex exposure over the life of the contract (forward looking risk mitigation) (Item E of Table 1)

    f. Contingencies related to variation orders, options (such as electronically controlled pneumatic braking and wire distributed power etc.) and capital spares (Item G of table 1)

    g. As part of the negotiation process a further discount of R 2.4 million per locomotive was negotiated on the basis of ensuring that the price is market related.

Table 1

		R (m)	%
Price per locomotive as per Board submission 21 January 2014 excluding Hedging and Escalation costs		34.34	
Impact of the exchange rate to contract date (backward looking)	A	3.69	10.7%
Impact of labour inflation, material inflation, CPI up to contract date (backward looking)	B	1.26	3.7%
Additional cost for variations for higher locomotive specification and additional duties	C	3.47	10.1%
Cost to fix forward looking escalation (forward looking)	D	2.63	7.6%
Cost to fix forward forex hedging (forward looking)	E	1.08	3.1%
Discount negotiated	F	-2.47	-7.2%
Final Contracted Price per Locomotive		44.00	
Final Contracted Price for 100 Locomotives		4400.00	
10 % Contingency for capital spares, variation orders, options etc.	G	440.00	
Proposed ETC for 100 Locomotives including contingencies		4840.00	
ETC requested per 21 January 2014 Board submission		3871.00	
Therefore increase in ETC requested		969.00	

BACKWARD LOOKING ECONOMIC AND OTHER FACTORS THAT HAVE IMPACTED THE PRICE:

23. The submission prepared in January 2014 for BOD and the Transnet Board meetings were based on economic forecasts obtained in May 2013.

24. 10 months have elapsed since the initial calculations resulting in a number of parameters having materially changed between the business case preparations and the contract negotiation. These are summarised in the table below:

Table 2

	Board Submission January 2014	Negotiation/ Contracting Stage	% movement
Rand to the Yen	0.09823	0.10878	10.74%
Local CPI	100%	105.10%	5.10% **
Local Hot rolled Steel plates Index	100%	110.80%	10.80% **
Local PPI	100%	106.40%	6.40% **
Chinese Equivalent CPI Index	100%	102.50%	2.50% **
US Equivalent CPI Index	100%	101.33%	1.33% **
Euro Equivalent CPI Index	100%	102.08%	2.08% **
Japanese Equivalent CPI Index	100%	101.34%	1.34% **

** Index movements calculated from May 13 to Mar 14 (10 Months)

Item A of Table 1

a. Foreign exchange rates: The rand has depreciated by 10.74 % against the Japanese Yen. This has impacted the expected price of the locomotive as per the business case and ultimately the Estimated Total Cost (ETC) as approved by the Board by approximately 10.74 %.

Consequently the additional 10.7 % per A in Table 1 above is reasonable.

Item B of Table 1

b. Labour cost increase: During the May 2013 to March 2014 period the cost of labour increased in South Africa by higher than CPI, as evidenced by the higher than CPI wage settlement that Transnet entered into at 8.5 % for a two year period. Due to the localisation requirement of 60 %, Transnet Engineering (TE) will assemble the locomotives and consequently local labour will be utilised for the assembly.

c. Material cost increase: A significant component of the locomotive is steel which is impacted by the steel commodity price of which the trading currency is in US Dollars. The local hot rolled steel plate's index increased by 10.8 % over the period.

d. Inflation. Local Producer Price Index increase on average by 6.4 % over the period affecting the locally sourced scope of the project. Foreign equivalent indices increased on average by about 1.3 % to 2.5 % over the same period. This together with the foreign exchange deterioration indicated above resulted in the import component of the project increasing.

e. Statistics SA report that the headline CPI annual inflation rate in April 2014 was 6.1 %, further explained in the Business Day article "CPI breaches Reserve Bank target" dated 22 May 2014.

f. Applying the relevant proportion of each of the labour, material and other input costs which make up the basket of items required for the manufacture of the locomotives over the 10 month period, would result in the net 3.7 % increase in the locomotive price.

g. Consequently the net impact of 3.7 % on the locomotive price due to the change in economic conditions as per item B in Table 1 above is reasonable.

FORWARD LOOKING ECONOMIC FACTORS AND MEASURES TO MITIGATE FINANCIAL RISK THAT HAVE IMPACTED THE PRICE:

Forex

25. The Financial Risk Management Framework (FRMF) approved by the Board of Directors (BOD) does not permit Transnet accepting forex exposure on committed transactions.

26. The South African Reserve Bank (SARB) also does not permit SOC's to accept open exposure on foreign currency contracts.

27. In addition credit rating agencies and bond holders both prefer conservative risk appetites and consequently would also support fixing our forex exposure.

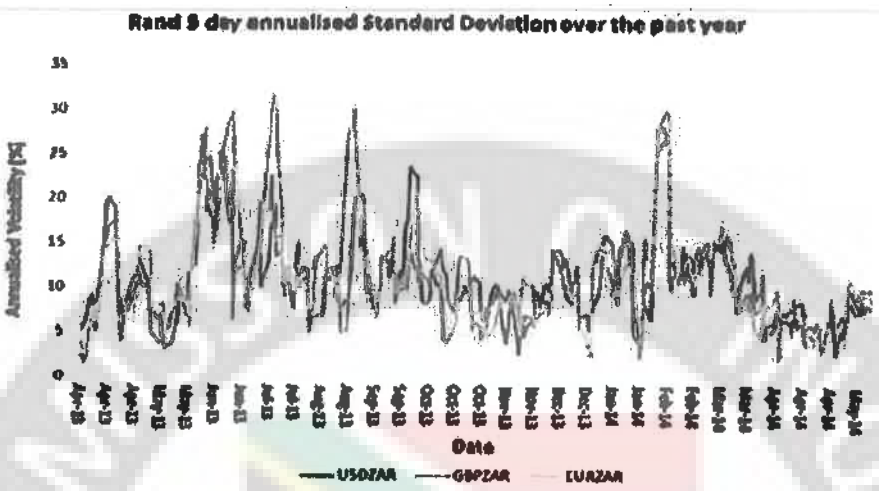
28. Consequently the cost of foreign currency hedging to mitigate and protect the Company against foreign currency devaluation is an inherent cost of the transaction.

29. Costs related to forex are influenced by market forces which are not within managements control and therefore were not included in the ETC for the business case submission. The impacts of these forex related costs would only be known once the contract was negotiated and finalised as they are based on market conditions and sentiment at the time.

30. The cost of fixing the forex exposure is impacted by currency volatility and time or duration of the exposure.

31. The recent volatility in the foreign exchange rate of on average up to between 15 & 20 % directly impacts the transaction cost as can be seen on Table 3 below:

Table 3



32. In addition the ZAR currency is one of the most volatile and fragile currencies in the world. This view is substantiated by the ZAR currency being termed as one of the "fragile five" by economists and financial markets (refer diagram below).

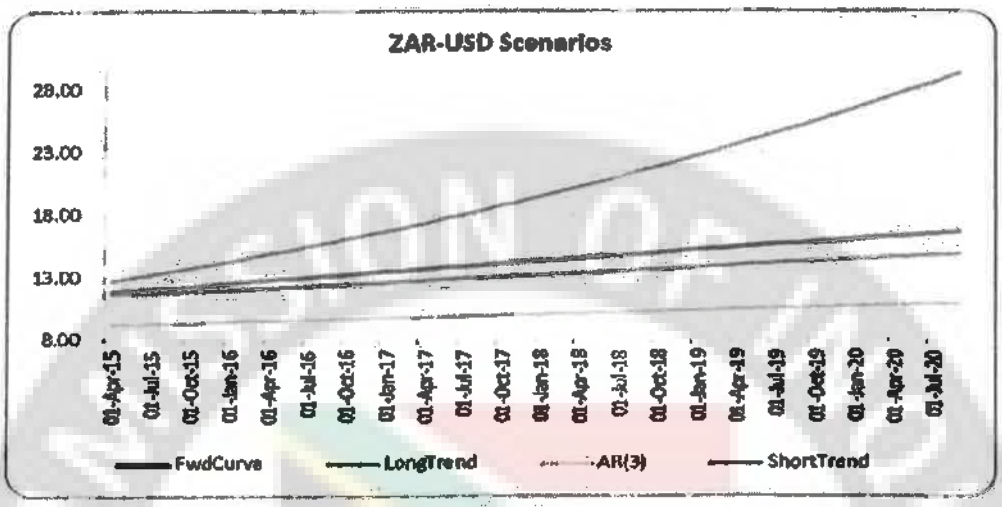
33. Business Day reported on 18 March 2014 that the Rand is in for a "Rocky ride" for the rest of the year (Refer article "Rocky Ride forecast for 'still to expensive' Rand)

34. The generally held consensus view is that due to the twin deficit of the RSA budget and the current account, and the weak economic outlook supports Rand devaluation in the medium to long term.

Table 4

35. A historical regression analysis conducted by Regiments Capital indicates that the ZAR currency is on a trend of devaluation as indicated in Table 4 above.

Table 5



36. In addition Regiments Capital conducted various currency trend scenarios as indicated in Table 5 above. All scenarios indicate a general devaluation in ZAR over the medium term.

37. The imminent risk of the Ukraine crisis and its impact on emerging markets also had an impact on the decision to fix the exchange rate exposure.

38. In addition the delivery schedule for the locomotives, of 18 months, also impacts the cost of hedging as the length of the exposure impacts the costs. The longer the period the higher the premium paid due to unknown outcomes in the future.

39. Alternative methods, such as call and put option structures, to reduce cost and mitigate against forex exposure risk were explored in conjunction with Regiments Capital including methods in which Transnet would participate in any possible upside in Rand movements. These methods were evaluated from a cost benefit perspective and consequently the FEC route proved most beneficial and practical to mitigate forex risk.

40. In addition the accounting treatment of options was not optimal as per opinion obtained from KPMG as it would result in the creation of an embedded derivative.

41. The cost to hedge this exposure was obtained from banks by the suppliers. This was then vetted by Transnet Treasury and Regiments Capital for reasonability. They both found the rates and cost to be acceptable.

42. Consequently the 3.1 % per E in Table 1 above is reasonable.

Locomotive Specification and other Factors including Localisation

43. As a result of the decision taken to award the 360 electric locomotive contract and the 240 electric locomotive contract as part of the 1064 tender process, to CSR and Bombardier Transportation respectively, made these two OEM's the biggest suppliers of electric locomotives to Transnet.

44. Strategically this supported the decision to create a competitor to Mitsui for the build of electric locomotives for the Coal Line to positively impact the total life cycle cost of locomotives deployed on the Coal line (as motivated in the original business case).

45. This required certain additional modifications and variations to be made to the existing 20 E locomotive specification to achieve the heavy haul requirements for the Coal Line.

46. A strategic decision was taken at a Transnet level that TE should be enabled to eventually become an OEM of locomotives. This procurement process was used as a catalyst to facilitate this strategy.

47. This procurement event was subject to the 90/10 PPPFA adjudication requirements which would result in an approximate premium of 10 % being acceptable to National Treasury for localisation and other strategic imperatives including competition.

48. The discount negotiated offsets a portion of the cost of the scope change.

49. Consequently the additional 10 % per C in table 1 above is justified and is reasonable.

50. The contracted locomotive price is based on the above factors as well as the general outcome of the negotiation process.

Escalation of Input Costs

51. Given the size, magnitude and risk tolerance of the Company due to MDS execution, cash flow certainty is of paramount importance when trying to plan over a long term horizon.

52. This ensures that the company is able to manage its key financial metrics such as gearing, cash interest cover and the A/B ratio (required by rating agencies).

53. In addition credit rating agencies and bond holders both prefer conservative risk appetites and consequently would also support fixing our escalation exposure.

54. Careful consideration had to be given to accepting other risks such as labour, steel etc. and being exposed to market conditions.

55. Consequently it was decided to fix escalation for these input costs and gain certainty of cash flows.

56. Costs associated with fixing these input costs are largely driven by market sentiment at the time of contracting such as the items mentioned below.

57. Labour unrest and strikes in the platinum sector has put significant pressure on forward looking labour costs. As indicated earlier Transnet is subject to an 8.5 % wage adjustment for the 2014/15 financial year.

58. The contractor has also built a risk premium into their pricing for forward looking inflation, to cater for the unpredictable nature of the labour environment within South Africa and the risk associated with TE carrying out this additional *new* scope of work.

59. Statistics SA report that the headline CPI annual inflation rate in April 2014 was 6.1 %, further explained in the Business Day article "CPI Breaches Reserve bank target" dated 22 May 2014.

60. The SARB and National Treasury 2014 Budget Review forecasts CPI at 6.2 %, 5.9 % and 5.5 % for the years 2014, 2015 and 2016 respectively.

61. The MPC also is concerned about upward inflationary pressure on the economy as they have increased the Repo rate by 100 basis points recently in response to managing the upward inflationary pressures.

62. The high level of local content (60%) makes local indices more applicable to assess the cost of escalations going forward.

63. Applying the relevant proportion of each of the labour, material and other input costs which make up the basket of items required for the manufacture of the locomotives, would result in the net 7.7 % increase.

64. Hence a CPI of 6 % (which excludes a premium for risk) escalated for 18 months results in a 9 % increase, thus the 7.7 % per D in Table 1 above is reasonable.

65. Escalations of input costs have been verified by Transnet by using publicly available data and by Regiments Capital using their intellectual property methodology and techniques.

Contingencies

The contracted price of R 4.4 billion excludes the cost of any requirements for capital spares, variation orders and options (such as electronically controlled pneumatic braking and wire distributed power etc.) and as such an additional 10 % (R 440 million) has been added into the request for additional ETC for this (refer item G of Table 1 above).

FINANCIAL IMPLICATIONS:

66. The business need and rationale remains as indicated in the original business case submission approved by the Board.

67. The financial model for the Business Case has been updated for the following based on the signed contracts:

    a. Final pricing

    b. Revised cash flow profile for the capital investments

68. The updated NPV result is a positive NPV of R7 099 million at the new hurdle rate of 15.2 % and R10 702 million at the TFR WACC of 12.6 %. The NPV at the original hurdle rate of 18.56% was R4 201 million.

BUDGET IMPLICATIONS:

69. The investment is included in the 2014/15 seven year capital investment plan.

70. The contracted delivery schedule and cash flows have changed as compared to the investment included in the 2014/15 seven year capital investment plan.

71. In order to ensure that Transnet's approved key affordability limits (gearing and cash interest cover) are not breached, a capital prioritisation process will be undertaken, such that other investments which do not impact MDS volume targets would be deferred.

72. The difference between the January 2014 business case and the cash flows agreed with the contractor is illustrated in the Table 4 below:

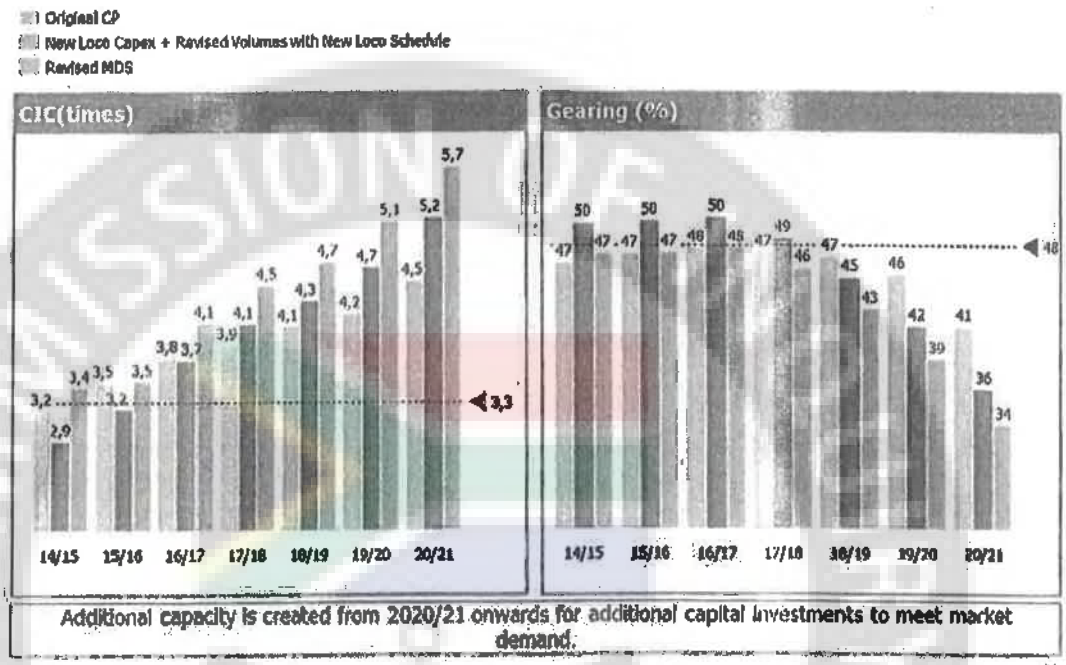
Table 4

	Rand Million				
	ETC	2013/14	2014/15	2015/16	2016/17
Business Case	**3 871**	343	1 737	1 439	352
Contracted	4 840	1320	1888	1 486	145
Difference	-969	-977	-151	-47	207

73. In order to secure quicker delivery of the locomotives to address the MDS volumes at risk, a larger advance payment (R 1.3 billion) had to be made to the contractor in the 2013/14 financial year. As confirmed by a letter received from the supplier this was required by the supplier in order to cover costs to ensure quicker delivery. The rationale as explained by the supplier was confirmed reasonable by Transnet's external auditors and was capitalised accordingly in the financial statements at 31 March 2014.

74. The impact of the locomotive acquisition on the 2014/15 corporate plan as well as the impact of the prioritisation process; updating for the change in volumes, revenue, EBITDA and capital due to the combination of the 100 electric

locomotives, 1064 locomotives and 60 Diesel locomotives contracts is reflected in the graph below:



75. As can be seen from the graphs the initial two years of the 2014/15 Corporate Plan has been negatively impacted by the locomotive acquisitions.

76. However after the planned EBITDA and optimisation initiatives that have been factored into the model the ratios are within acceptable levels.

77. The initiatives identified to meet the Corporate Plan targets are detailed in Annexure A.

RISK MANAGEMENT:

78. In order to manage risks associated with this transaction a risk management framework is in the process of being developed.

79. A Locomotive Steering Committee has been set up to manage the operational issues associated with the locomotive acquisition and will address the following risks:

- Locomotive delivery
- The wagon build program
- Infrastructure requirements
- Operational readiness
- Commercial and Volumes

80. A socio economic monitor will be appointed to ensure socio economic benefits will be realised.

81. In order to mitigate against late delivery risk, a penalty regime capped at 10 % of the contract price has been agreed to with all bidders.

82. Escalation risk has been mitigated by fixing the price of the locomotives.

83. Forex risk has been mitigated by hedging the price of the locomotives by using the suppliers balance sheets.

84. All advance payments are secured by an on demand advance payment guarantee issued by a bank with a minimum long term credit rating of an A- Fitch rating or equivalent.

85. In order to mitigate against default of Supplier Development (SD) commitments, and SD penalty clause has been included in the supply agreements. An SD bond has also been obtained to cover risk against default.

86. CSR have agreed to provide a 24 month warranty on the locomotive as well as a 6 year warranty on the traction motor and a 12 month warranty on spares.

87. A liability cap of 15 % of the contract price is included in the supply agreement thereby limiting Transnet's exposure in the unlikely event of breach of contract by Transnet.

SOURCE OF INFORMATION AND REFERENCES:

88. Data quoted in the memo above has been sourced from:

- Statistics South Africa – release P0141
- Business Day 22 May 2014 – "CPI Breaches Reserve Bank target"
- Business Day 18 March 2014 – "Rocky Ride forecast for still too expensive Rand
- Reserve Bank and National Treasury 2014 Budget Review
- Regiments Capital (transaction advisory services)
- KMPG (accounting opinions)
- PWC (locomotive localisation opportunities for TE and South African Industry)

RECOMMENDATION:

89. It is recommended that:

a) the BOD take note that the main reasons for the increase in ETC is due to the exclusion of the following costs from the 24 January 2014 submission:

i. The cost of hedging for foreign exchange movements;
ii. The cost for future inflationary escalations;
iii. The cost of additional scope for Transnet Engineering (TE);
iv. The cost of changes in economic conditions (forex and inflation) between approval of the business case and award of the contract

b) the BOD approves an increase in the estimated total cost (ETC) for the acquisition of 100 equivalent Class 19E Dual Voltage Electric Locomotives for the Export Coal Line from R3.871 billion to R4.840 billion.

Recommended by:

Anoj Singh
Group Chief Financial Officer
Date: 22.05.14

Recommended by:

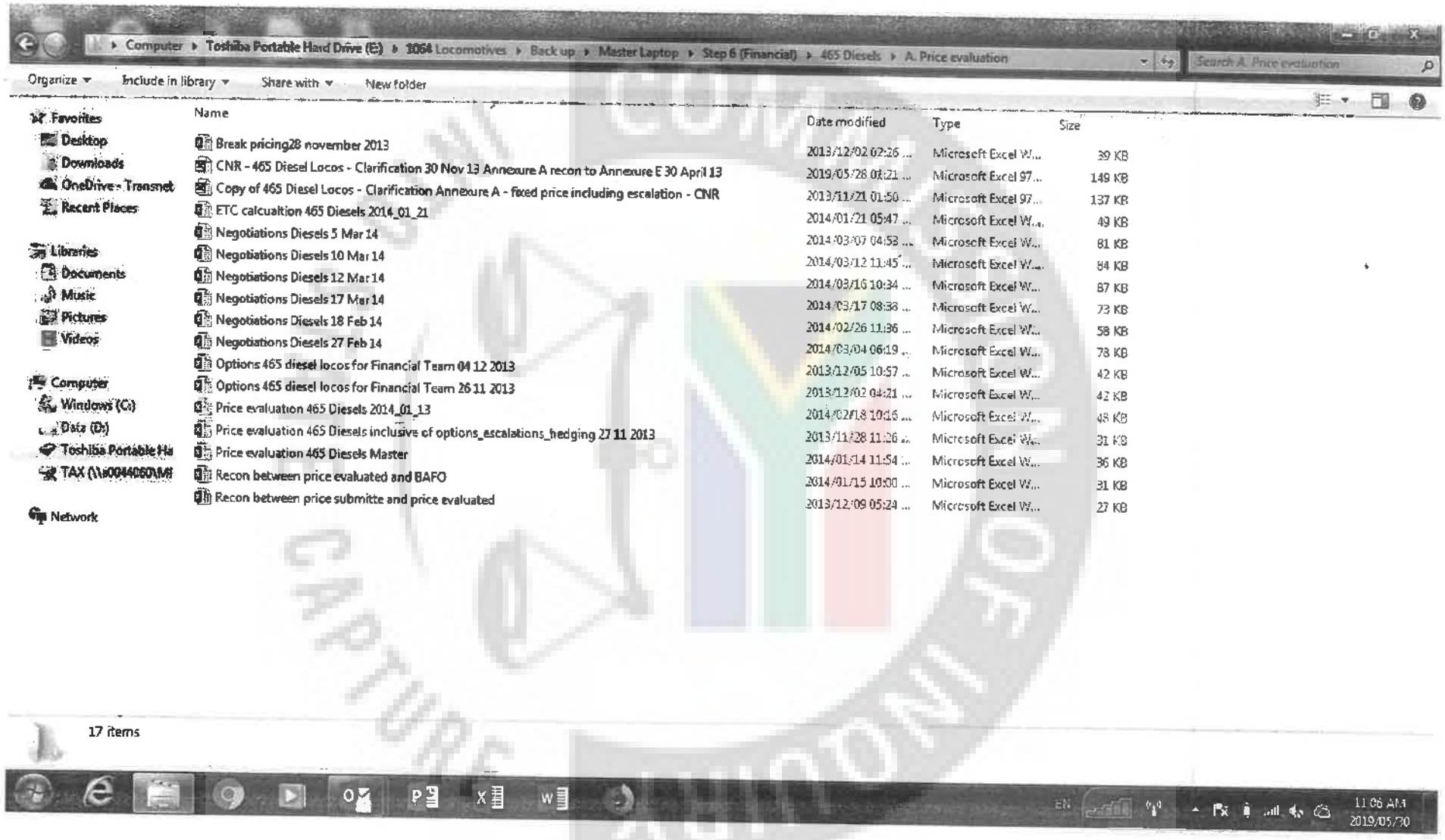
Siyabonga Gama
TFR Chief Executive
Date: 20/05/20

Recommended by:

Brian Molefe
Group Chief Executive Officer
Date: 23.5.14.

YL-RESP-061

YL 26.



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YL 16


COMMISSION OF INQUIRY
INTO STATE CAPTURE

Base Cost in vr rate per locomotive

		Per loco	Bidder 1	Bidder 2	Bidder 3	Bidder 4	Bidder 5	Bidder 6	Bidder 7
			Bombardier	CSR	Alstom	n/a	Siemens	CNR	Mitsui
			Unescalated	Unescalated	Unescalated	n/a	Unescalated	Unescalated	Unescalated
			100 % Co-co	100 % Co-co	100 % Co-co	n/a	100 % Co-co	100 % Co-co	100 % Co-co
			Per Loco	Per Loco	Per Loco	n/a	Per Loco	Per Loco	Per Loco
	Capital acquisition cost(separated into:	0	32 772 350	36 155 546	44 219 229	n/a	33 359 761	Note 6	32 787 950
1	Base price - as per technical specification		28 788 150	32 937 100	39 792 193	n/a	30 958 000	Note 6	26 425 599
2	Engineering support cost		619 100	0	0	n/a	400 000	Note 6	85 000
3	Special tooling and test equipment requirements		3 762	34 789	39 997	n/a	136 998	Note 6	37 080
4	Capital spares (detail must be provided on attached "Capital Spares" sheet)		474 880	280 270	836 534	n/a	538 547	Note 6	483 562
5	Consumables		45 302	0	7 817	n/a	0	Note 6	0
6	Set up costs		1 238 200	925 000	8 799	n/a	15 025	Note 6	2 606 601
7	Spares holding costs		0	0	24 852	n/a	0	Note 6	0
8	Spares holding (detail must be provided on attached "Spares holding" sheet)		27 405	198 300	228 482	n/a	8 150	Note 6	264 762
9	Forex Hedging Costs		0	0	0	n/a	0	Note 6	0
10	Customs & excise duties		309 550	332 900	0	n/a	0	Note 6	0
11	Insurance costs		0	185 000	114 807	n/a	0	Note 6	298 800
12	Other (please detail)		0	0	0	n/a	0	Note 6	464 000
13	Options re-alignment (see options sheet)	(B)	1 266 001	1 262 187	3 165 748	n/a	1 303 041	Note 6	2 122 546
14	1st Exchange rate used by bidder USD & JPY			9.2000		n/a		Note 6	0.0950
15	2nd Exchange rate used by bidder EUR		11.9000		11.5000	n/a	10.0988	Note 6	
16	Import Content % 1st exchange rate			44%		n/a		Note 6	30%
17	Import Content % 2nd exchange rate		30.2%		22.5%	n/a	37.6%	Note 6	
18	Total import content % (per declaration)		30.2%	35%	32.6%	n/a	40%	Note 6	12.3%
19	Import content foreign value - 1st rate			USD 1 733 398		n/a		Note 6	JPY 94 480 357
20	Import content foreign value - 2nd rate	(A)	EUR 979 069		EUR 864 673		EUR 1 242 049	Note 6	
21	Indicated Forex hedging cost		2 448 500	2 387 000	5 662 297	n/a	5 552 645	Note 6	4 743 786
22	Forex rate @ 11 November 2013 - 1st exchange rate USD & JPY			10.3773		n/a		Note 6	0.10457
23	Forex rate @ 11 November 2013 - 2nd exchange rate - EUR		13.9086		13.9086	n/a	13.9086	Note 6	
24	Difference in currency - 1st exchange rate			1.1773		n/a		Note 6	0.0096
25	Difference in currency - 2nd exchange rate		2.01		2.41	n/a	3.81	Note 6	
26	Additional cost to add to base price		1 966 587	2 040 643	2 082 677	n/a	4 731 994	Note 6	907 051
27	Capital Acquisition cost excluding forex and escalations rebaselined to 11 November 2013 rates and options re-aligned		34 738 937	38 196 188	46 301 906	n/a	38 091 755	n/a	33 695 001
28	For illustrative purposes the fixed price including escalation excluding hedging as supplied by bidders post clarification is as follows (note the FX portion of the escalation and the normalising of the price for fx movement is not included):		45 316 859	37 629 007	53 950 745	n/a	Note 5	Note 6	39 694 197

(A) 32 772 350 × 30.2% / 10.0988 = EUR 979 069

see note 1.3. below.

(B) See YL 35

YL-RESP-064

YL 27

Notes:

1.1 Bombardier - The capital spares was reflected as R491 240. This include both schedule A and B spares. Schedule B was removed and price changed to R474 880.
1.2 Bombardier - after clarification Bombardier have confirmed that cost of insurance is included in their glaobal insutrance program and thus is included in the base price
1.3 Bombardier - used a rate of 10.0988 EUR for the local content declaration, thus we used this rate to calculate the foreign portion. Bombardier confirmed a rate of 11.9 EUR was used for pricing thus this was used to normalise the price

2.1 CSR - have confirmed post clarification the import content in USD, when converted to a % it does not tie up to the local content declaration, however we assume that this is because the local content % was based in July 2012 whereas the price was on April 2013
2.2 CSR - in their response letter page 11 - para 5 risks - CSR is willing to absorb FX risks between 9.1508 and 9.5 USD
2.3 CSR - import declaration schedule shows 3 different currencies at different rates as compared to the rates provided on the executive summary. We have used the rates on the exec summary.
2.4 CSR - The capital spares was reflected as R402 918. This include both schedule A and B spares. Schedule B was removed and price changed to R280 270.
2.5 CSR confirmed the set up costs post clarification.
2.6 CSR confirmed the customs costs post clarification.
2.6 CSR confirmed the insurance post clarification.
2.7 CSR confirmed the engineering support costs is included in their base price as part of clarification annexure A.

3.1 Alstom - have confirmed post clarification the import content in Euro, when converted to a % it does not tie up to the local content declaration, however we assume that this is because the local content % was based in July 2012 whereas the price was on April 2013
3.2 Alstom - The capital spares was reflected as R85 648. This include both schedule A and B spares. Schedule B was removed and price changed to R836 534.
3.3 Alstom - have confirmed post clarification that no customs duties are payable.
3.4 Alstom - the quote for the cost of hedging is overstated as although they used the forward rate @ 11 Nov, the cost of hedging was calculated by using the difference between 11 Nov forwards and 30 April Spot rate.

4 Bidder 4 did not make through to stage 6 of the evaluation process and has thus not been evaluated at this stage.

5.1 Siemens - no change required for capital spares as only schedule A was included.
5.2 Siemens - have confirmed post clarification that no customs duties are payable as they will import under a Euro one certificate where all components are duty free.
5.3 Siemens - after clarification Siemens have confirmed that cost of insurance is included in their global insutrance program and thus is included in the base price
5.4 Siemens - are not willing to quote on a fixed price basis due to uncertainty of indices over the 7 years and uncertainty around delivery batches
5.5 Siemens - have confirmed post clarification the import content in Euro, when converted to a % it does not tie up to the local content declaration, however we assume that this is because the local content % was based in July 2012 whereas the price was on April 2013
5.6 Siemens have recalculated their price based on 11 November rates and indicate a price of R 37 837 000 per loco. Our recalculated price differs from their recalculation. We have used our calculation.

6 CNR have not provided a quote for Co Co locomotives, as such this could not be evaluated

7.1 Mitsui - The capital spares was reflected as R507 558. This include both schedule A and B spares. Schedule B was removed and price changed to R438 562.
7.2 Mitsui - Base price + engineering support + other + insurance = R 29880000
7.3 Mitsui has confirmed the quantum of the set up costs post clarification and also confirmed that this was previously included in the base price.
7.4 Mitsui - have confirmed post clarification that no customs duties are payable as they will set up a rebate store.
7.5 Mitsui - have confirmed post clarification the reasons why the import declaration % is different from the import % per the priced offer.

8 Per clause 3.1 of RFP break point pricing was provided by bidders. For purposes of evaluation pricing based on contracting for the full 599 loco's was used.

9 Generally - where the import content foreign value was not provided by the bidder we recalculated this amount based on the local content declaration

10 The date to convert foreign exchange to to rands was omitted from the RFP. As such tenderers utilised their own dates. This must be clarified and tenderers must be told at which date to convert forex and thereby quote on forex hedging costs
We have stripped the forex hedging costs portion out of the price for evaluation purposes for now, after clarification. All forex impacts was rebased to 11 November 2013 rates

Copy 2

BOMBARDIER

Bateleur Place
1st Floor
Hertford Office Park
90 Bekker Road
Vorna Valley
1686
South Africa

26°00'45.24"S
28°06'42.74"E

P O Box 10042
Edenglen
1613
South Africa

21 November 2013

The Chairperson
Transnet Freight Rail
Acquisition Council
Ground Floor
21 Wellington Road
Parktown

TENDER NO: TFRAC-HO-8608
DESCRIPTION: SUPPLY OF 599 DUAL VOLTAGE ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB)

Dear Chairperson,

Please find, attached, the response to the clarification questions received by Bombardier Transportation South Africa (Pty) Ltd on 15 November 2013. These responses refer to and clarify our submitted proposal of 30 April 2013.

Sincere Regards,

David Anglin
Director, Business Development
LOCOMOTIVES
Bombardier Transportation

TRANSNET
A Division of Transnet SOC Limited Reg No 1990/000900/30
01 - 21 NOV 2013
CHAIRMAN
ACQUISITION COUNCIL

Transnet Freight Railways – South Africa

Tender No: TFRAC-HO-8608

November 20th, 2013

Description: SUPPLY OF 599 NEW DUAL VOLTAGE ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB)

Bombardier's responses to TFR questions received on November 15, 2013

1. Please indicate if your base price includes the components below. State a price for each component in ZAR (South Africa Rands) whether included or not.

These prices are based on our calculated costs at time of bid submission (30 April 2013) and are **unit prices (per locomotive)** calculated considering a fleet of 599 CoCo Locomotives.

		Included in Base Price (Y/N)	Whether your response Y/N, please provide the price per component in ZAR below
1.1	On-Board to Ground Communication System	Y	R 5.465
1.2	System for Fault Information for Maintenance Personnel	Y	R 1.622
1.3	WSP Hardware and Software	Y	R 2.066
1.4	Remote Access to Control System	Y	R 1.622
1.5	Railway Energy Management System.	N	R 309.300
1.6	Illustrations of Software Algorithms and High level Descriptions of Control Algorithms	Y	R 496
1.7	Redundant Central (Vehicle) Control Unit	N	R 17.102
1.8	Supply of 2 Driver Display Units	Y	R 99.217 (for two displays)
1.9	installation of EDP/WDP and cabling	N	R 366.050
1.10	Installation of RDP and cabling	N	R 552.000
1.11	Installation of combination of RDP/WDP and cabling	N	R 887.700
1.12	heat / smoke / fire detectors	Y	R 14.555
1.13	FFCCTV on the locomotive	N	R 124.650
1.14	Simu-Train (locomotive model)	Y	R 9.829
1.15	Anti-wheel skid tread brake system	Y	R 3.399
1.16	Transformer Short circuit test	N	R 2.051
1.17	Transformer Cage	Y	R 162.100

1.18	Ablution system (toilet cubicle)	Y	R 101,082
1.19	Solid Wheels	Y	R 0
1.20	Roof Equipment Design - It is essential requirement that the design of the roof and the roof equipment is such that all roof equipment is optimally shielded against the impact of contact with other loose / foreign obstructions from the overhead track equipment. (e.e. minimal exposed roof equipment, special barriers, relocation of equipment inside the locomotive where possible).	Y	R 1,653
1.21	MU functions with Diesel locomotives (For diesel locomotives it is essential that provision shall be made for steam heat vehicles by providing sufficient power, a circuit breaker (80 A and 110 V) and plugs at each end of the locomotive.)	N	R 65,100
1.22	Additional test on Traction motors. It is desired requirement that additional test be performed on the traction motors after 2 and 5 years in operation (once wear and tear has occurred) to establish if any detrimental deterioration has occurred. Cost for long term plan to perform these investigations and measurements.	N	R 5,250
1.23	Main Transformer Basic Insulation Level (Insulation level of the winding connected directly to the overhead supply shall exceed 190kV (peak value).	Y	R 424
1.24	Carrier Bogie (design of a Carrier Bogie be provided together with the required user instructions on removing a locomotive form the section.	Y	R 1,033
1.25	Special tools and equipment (all special tools for the duration of the warranty and for Transnet use at end of the warranty period)	N	R 3,762

2	Please explain the reasons why the insurance costs are reflected at ZAR Nil on your Annexure F Base Cost Sheet. If these costs were included as part of your base price, please separately indicate the amounts per category.	**BT Response** No insurance cost was actually reported in the TCO model by BT. **Bombardier stated in the submitted proposal (see.: "Accompanying letter to Insurance requirements", Binder II – Vol.2 of Bombardier proposal) that;** **"... Bombardier Inc., purchases annual Policies of insurance in each of those classes (*) to cover its global businesses (including its affiliates). BT confirmed that the terms of, and sums insured under, those Policies each suffice absolutely to provide the cover** demanded by Transnet." (*) Insurance classes: • Property Damage Insurance • Marine and Air Cargo Insurance • Workers Compensation/Employers Liability Insurance • Production Insurance • Third Party Liability Insurance
	Please confirm whether the base price as reflected in the base cost sheet of your TCO model for the S99 Co-Co scenario excludes: a. Escalations; and b. Hedging costs If the above is excluded then no further information is required. However, if included then please separately disclose the amount included for escalations and hedging cost separately.	We confirm that the Base Price (as per technical specification) as reflected in the Base Cost sheet of TCO model for the S99 CoCo scenario excludes both Escalation and Hedging costs. • *For the Escalation costs a price adjustment formula was proposed to be applied to the offered price base 2013 (ref. : "Price Sheet" in Binder VII – Financials)* • *For the Hedging costs Bombardier submitted a "Hedging Strategy document" and disclosed the hedging cost value stating that this amount was not included in the base price)*

4	Please provide an estimate of the Hedging cost based on market rates on 11 November 2013 for the 599 Co-Co scenario. Provide details of spot and forward exchange rates utilised for the calculations.	To respond to this request Bombardier has considered: • **NTP date:** **February 28, 2014** • **ZAR / EUR Spot rate (November 11, 2013):** **13,7254** • **ZAR / EUR Forward rate for the period 11.11.13 to 28.02.13:** **18,2736** • **New hedging costs for the 599 Co-Co locos are:** **R 1.466.651.500** The following details concern the hedging strategy and the calculation of the hedging cost of Bombardier Transportation 1.1 Financing Cost or Forward Points The difference between the current exchange rate (spot rate) and the current forward rates are available on the interbank market. The estimated forward cost is based on the expected NTP date of February 28, 2014 and on the Bombardier delivery schedule. 1.2 Risk Premium The provisional Risk Premium is defined to cover the possible adverse fluctuation of currencies during the validity period of the offer. According to the historic volatility of the currency markets, Bombardier applies its internal policy and provides an adequate risk provision to cover for anticipated rate movements during the tender process.
5	Please confirm all foreign currency components of the acquisition price on Annexure F "Base Cost Sheet", by reflecting the individual foreign currencies, exchange rates and foreign currency values for the 599 Co-Co scenario.	The ZAR/EUR exchange rate considered in the proposal submitted on April 30, 2013 for the base price calculation was: 11.9 For the detailed list of foreign currency components and values see Local Content Declaration – Annex D
6	Please provide an additional quote per locomotive based on a fixed ZAR price, including escalation and excluding hedging cost (where the price of each of the 599 locomotives would be identical) for the 599 Co-co scenario. Complete Clarification Annexure A attached.	The fixed ZAR price including escalation and excluding hedging cost for the 599 CoCo scenario. The Cost of escalation is provided as an indicative value only due to the short time available for calculation. This Cost of escalation is calculated using the Price adjustment formula shown on the Bombardier Price Sheet (see Bombardier proposal - Binder VII – Financials). The future values of labour and material price indexes are forecasted on the basis of the present knowledge of the South African and European economy evolution for the next years. The complete Fixed Price breakdown is provided with Annexure A. The Cost of escalation provided in the Annexure A is composed as follows: ➢ 67% reflects the application of the forecasted indexes and rates to the base costs ➢ 33% reflects the effect of the higher contract value on some project expenses, for example, bonding costs.

Clarification Annexure A

		Insert name of bidder: Bombardier Transportation South Africa (Pty) Ltd
		Fixed price including escalation
		599 CoCo scenario
		Per Loco
	Capital acquisition cost separated into:	45,316,859
1	Base price - as per technical specification	28,788,150
2	Engineering support cost	619,100
3	Special tooling and test equipment requirements	3,762
4	Capital spares (detail must be provided on attached "Capital Spares" sheet)	491,240
5	Consumables	45,302
6	Set up costs	1,238,200
7	Spares holding costs	0
8	Spares holding (detail must be provided on attached "Spares holding" sheet)	27,405
9	Cost of escalation	13,794,150
10	Customs & excise duties	309,550
11	Insurance costs	0
12	Other (please detail)	0

→ See note 1 of evaluation team Base cost and TC worksheet.

1st Exchange rate used by bidder	11.9
2nd Exchange rate used by bidder	
Import Content % 1st exchange rate	29.0%
Import Content % 2nd exchange rate	
Total import content % (per declaration)	29.0%
Import content foreign value - 1st exchange rate	12,981,728
Import content foreign value - 2nd exchange rate	

← including escalation

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Capital Spares

Guiding Definition:

These are components that are typically classified with a high cost (> R100 000) and/or a long delivery lead time (in excess of 12

Instruction to Tenderers:

The capital spares submission consists of two sections. Section A is a mandatory capital spares list and section B is the suppliers recommended capital spares list.

In section A, each tenderer must complete the given table and enter the lead time for delivery, the price per component in ZAR excluding VAT and whether the component will be available locally or is imported. All tenderers should fully describe the sub components included for each component as this will allow Transnet to ensure that all tenderers have quoted for comparable equipment. The price of the individual parts of each component should be listed separately.

components, sub components, the recommended quantity for maintaining 465 locomotives, the lead time for delivery, the price per component (excluding VAT) and whether the component is local or imported.

In both sections, the lead time and whether components are produced locally is for information purposes only.

SECTION A: CAPITAL SPARES LIST

Please complete the table below. It is recommended to add extra rows and list the subcomponents for each of the components listed, as well as to supply additional information describing details of the equipment included with each component.

Diesel Locomotive (applicable to 465 tender) - Base list of Capital Spares:

Component	Quantity	Local or Imported	Lead Time	Price per Component (ZAR)	Total
Diesel Engine with Main Alternator	10				0
Main Alternator	6				0
Radiator complete*1	10				0
Turbocharger Assembly	10				0
Power Converting Cubicles*2	6				0
Low Voltage Cubicle*3	6				0
Control System Components*4	6				0
Brake Resistor Tower complete*5	12				0
Traction Motor complete with Pinion	48				0
Traction Motor Blower assembly	12				0
Air Equipment Frame*6	4				0
Main Air Compressor Assembly	8				0
Exhauster Assembly	8				0
Bogie Complete*7	12				0
Wheelset complete with gear wheel	60				0
					0

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*1Radiator complete includes the radiator blower(s) and radiator blower fan(s)

*2 Power Converting Cubicles includes all complete cubicles with power conversion equipment including the converter, inverter and auxiliary power supply. Please list all cubicles separately. Power conversion equipment includes but is not limited to power switching devices, capacitors, inductors, etc..

*3 Low Voltage Cubicle contains mainly 110V equipment such as circuit breakers and relays. Some high voltage contactors and cables may also be present in this cubicle.

*4 Control System components contain all electronic components of the control system. Each set must include all electronics for the entire control system including the driver's displays.

*5 A brake resistor tower contains a brake resistor blower and total number of brake resistors being cooled by that blower motor.

*6 The Air Equipment Frame includes all electro pneumatic equipment, RDP, WDP and auxiliary air supply equipment. Please list all components separately.

*7 The Bogie Complete includes bogie frame, bolster, traction motors, gear wheels, pinions, wheelsets, etc.. please list each component separately.

YL-RESP-071

Electric Locomotive (applicable to 599 tender)- Base list of Capital Spares

Component	Quantity	Local or Imported	Lead Time (Weeks)	Price per component (ZAR)	Total
Main Transformer	8	Local	50	2364140	18913120
Main Transformer Cooling Tower*1	4	Local	52	508138	2032552
Pantograph	25	Local	43	75154	1878850
Vacuum Circuit Breaker	10	Local	34	134184	1341840
Power Converting Cubicles*2	8	Local (except IGBT modules)	43	4540090	36320720
Low Voltage Cubicle*3	4	Local	40	307735	1230940
Control System Components*4	8	Imported	43	253985	2031880
Brake Resistor Tower complete*5	12	Local	50	178222	2138664
Traction Motor complete with Pinion	72	Local	40	850706	61250832
Traction Motor Blower assembly	12	Local	45	86019	1032228
Air Equipment Frame*6	6	Local	32	1056869	6341214
Main Air Compressor Assembly	12	Local	32	445203	5342436
Bogie Complete*7	12	Local	40	7796633	93559596
Wheelsets complete with gear wheels	48	Local	40	1063302	51038496
					284453368

*1 The main transformer cooling tower contains all equipment used for cooling the main transformer, this includes but is not limited to the lubricant pumps, the blower motors, heat exchange fins, and complete tower.

*2 Power Converting Cubicles includes all complete cubicles with power conversion equipment including the converter, inverter and auxiliary power supply. Please list all cubicles separately. Power conversion equipment includes but is not limited to power switching devices, capacitors, inductors, etc...

*3 Low Voltage Cubicle contains mainly 110V equipment such as circuit breakers and relays. Some high voltage contactors and cables may also be present in this cubicle.

*4 Control System components contain all electronic components of the control system. Each set must include all electronics for the entire control system including the driver's displays.

*5 A brake resistor tower contains a brake resistor blower and total number of brake resistors being cooled by that blower motor.

*6 The Air Equipment Frame includes all electro pneumatic equipment, RDP, WDP and auxiliary air supply equipment. Please list all components separately.

*7 The Bogie Complete includes bogie frame, bolster, traction motors, gear wheels, pinions, wheelsets, etc... please list each component separately.

SECTION B: SUPPLIERS RECOMMENDED CAPITAL SPARES LIST

All tenderers must complete the table below. Please add all recommended capital spares to maintain the fleet over the life of the locomotives.

Component	Recommended Quantity	Local / Imported	Measured in weeks: Lead time during production	Measured in weeks: Lead time after production	Price per component (ZAR) excluding VAT	Total
Main circuit breaker DC (HSCB)	4	Local	32	44	126808	507232
Battery charger	4	Local	24	36	88504	354016
High Voltage Cubicle (HVC)	4	Local	40	52	274484	1097936
Auxiliary Cubicle (ASD)	4	Local	40	52	177297	709188
HVAC complete including foot well	10	Local	32	44	190455	1904550
Central coupler	8	Local	20	24	237294	1898352
Drivers desk complete	2	Local	24	36	263652	527304
Exhauster	6	Local	32	40	466783	2800698
				TOTAL:		9799276

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① 9799276 / 599 = 16359

② 491240 = 16359 × 47+880

YL-RESP-072

Spares Holding

Guiding Definition:

These are spare components that are typically used for maintenance activities for which an inventory holding is required

Instruction to Tenderers:

Each tenderer must complete the given table and enter the lead time for delivery, the price per component in ZAR excluding VAT and whether the component will be available locally or is imported.

Diesel Locomotive (applicable to 465 tender) - Base list of Spares holding:

Spares Component	Quantity	Local or Imported	Lead Time	Price per Component (ZAR)	Total

YL-RESP-073

Electric Locomotive (applicable to 899 tender) - Base list of Spares Holding:

Spares Component	Quantity	Local or Imported	Lead Time	Price per component (ZAR)	Total
Solid wheel	16	Local	24	25000	400000
Primary damper	8	Local	24	4113	32904
Secondary vertical damper	8	Local	24	3291	26328
Secondary lateral damper	8	Local	24	3271	26168
Main transformer oil pump	6	Local	12	85891	515346
Battery	5	Local	24	71000	355000
Auxiliary contactor for interlocking	16	Local	20	2428	38848
Auxiliary contactor for interlocking	16	Local	20	2428	38848
Auxiliary contactor socket	16	Local	12	511	8176
Auxiliary contactor socker	16	Local	12	511	8176
DC-link capacitors	16	Imported	20	28536	456576
Discharge resistor	12	Local	16	921	11052
Converter module CM-M 3601 W01-4	4	Local	48	840491	3361964
Converter module CM-M 3601 Wxx-x	4	Local	48	729073	2916292
Converter module CM-M 3601 Wxx-x	4	Local	48	729073	2916292
DCU2	8	Imported	24	37768	302144
DCU2	8	Imported	24	37768	302144
MIO-DX4H (DCX 2222A)	14	Imported	32	21168	296352
MIO-DX2H (DCX 2200A)	10	Imported	32	13535	135350
Modular digital I/O unit MIO-DXH1	10	Imported	32	9677	96770
AX-EMD (DCA 3100A)	10	Imported	32	11860	118600
DC/DC converter for HMI	6	Imported	16	10876	65256
Display 10.4"	6	Imported	28	67830	406980
Machine room blower complete	4	Local	24	20436	81744
Filter	5	Imported	10	3818	19090
Datarecorder (Teloc)	4	Imported	24	39742	158968
Return Air Filter	100	Local	24	25	2500
Control Panel	2	Local	24	1584	3168
HVAC Controller	2	Local	24	2280	4560
Temperature Selection Switch	2	Local	24	2280	4560
Fresh air filter	100	Local	24	206	20600
Selector Switch	4	Local	24	1352	5408
Set of electric connectors outside	8	Local	20	78196	625568
Set of roof electric components, complete	5	Local	20	88915	444575
Set of lights outside, complete	10	Local	16	58755	587550
Set of carbody additions, complete	10	Local	20	30166	301660
Set of windows	10	Local	24	30488	304880
Windscreen wiper (motor, wiper arm and blade)	8	Local	12	8261	66088
Seat	6	Local	24	21969	131814
Toilet cabin complete	2	Local	24	89954	179908
Set doors (exterior, interior)	2	Local	24	141552	283104
CCTV front facing camera	3	Local	12	117994	353982
					16415293

Annexure F per original tender submission

Base Cost in yr zero per locomotive

		Per loco
	Capital acquisition cost (separated into:	32 726 463
1	Base price - as per technical specification	28 788 150
2	Engineering support cost	619 100
3	Special tooling and test equipment requirements	3 762
4	Capital spares (detail must be provided on attached "Capital spares" sheet)	491 240
5	Consumables	45 302
6	Set up costs	1 238 200
7	Spares holding cost	0
8	Spares holding (detail must be provided on attached "Spares holding" sheet)	27 405
9	Forex Hedging Costs	1 253 756
10	Customs & excise duties	309 550
11	Insurance costs	0
12	Other (please detail)	0

Should the annual spares holding need to change annually, then please specify such detail

YL-RESP-076

Base Cost in yr zero per locomotive

		Per loco	Bidder 1	Bidder 2	Bidder 3	Bidder 4	Bidder 5	Bidder 6	Bidder 7
			Bombardier	CSR	Alstom	n/a	Siemens	CNR	Mitsui
			Unescalated	Unescalated	Unescalated	n/a	Unescalated	Unescalated	Unescalated
			100 % Co-co	100 % Co-co	100 % Co-co	n/a	100 % Co-co	100 % Co-co	100 % Co-co
			Per Loco	Per Loco	Per Loco	n/a	Per Loco	Per Loco	Per Loco
	Capital acquisition cost(separated into:	0	30 866 836	30 665 546	44 219 229	n/a	33 359 761	Note 6	32 787 950
1	Base price - as per technical specification		26 882 636	27 447 100	39 792 193	n/a	30 958 000	Note 6	26 425 599
2	Engineering support cost		619 100	0	0	n/a	400 000	Note 6	85 000
3	Special tooling and test equipment requirements		3 762	34 789	39 997	n/a	136 998	Note 6	37 080
4	Capital spares (detail must be provided on attached "Capital Spares" sheet)		474 880	280 270	836 534	n/a	538 547	Note 6	483 562
5	Consumables		45 302	0	7 817	n/a	0	Note 6	0
6	Set up costs		1 238 200	925 000	8 799	n/a	15 025	Note 6	2 606 601
7	Spares holding costs		0	0	24 852	n/a	0	Note 6	0
8	Spares holding (detail must be provided on attached "Spares holding" sheet)		27 405	198 300	228 482	n/a	8 150	Note 6	264 762
9	Forex Hedging Costs		0	0	0	n/a	0	Note 6	0
10	Customs & excise duties		309 550	332 900	0	n/a	0	Note 6	0
11	Insurance costs		0	185 000	114 807	n/a	0	Note 6	298 800
12	Other (please detail)		0	0	0	n/a	0	Note 6	464 000
13	Options re-alignment (see options sheet)		1 266 001	1 262 187	3 165 748	n/a	1 303 041	Note 6	2 122 546
14	1st Exchange rate used by bidder USD &			9.1508		n/a		Note 6	0.0950
15	2nd Exchange rate used by bidder EUR		11.9000		11.5000	n/a	10.0988	Note 6	
16	Import Content % 1st exchange rate			44%		n/a		Note 6	30%
17	Import Content % 2nd exchange rate		29.0%		22.5%	n/a	37.6%	Note 6	
18	Total import content % (per declaration)		30.2%	35%	32.6%	n/a	40%	Note 6	12.3%
19	Import content foreign value - 1st rate			USD 1 465 000		n/a		Note 6	JPY 94 480 357
20	Import content foreign value - 2nd rate		EUR 752 217		EUR 864 673		EUR 1 242 049	Note 6	
21	Indicated Forex hedging cost		2 448 500	2 387 000	5 662 297	n/a	5 552 645	Note 6	4 743 786
22	Forex rate @ 13 January 2014 - 1st exchange rate USD & JPY			10.3773		n/a		Note 6	0.10457
23	Forex rate @ 13 January 2014 - 2nd exchange rate - EUR		13.9086		13.9086	n/a	13.9086	Note 6	
24	Difference in currency - 1st exchange rate			1.2265		n/a		Note 6	0.0096
25	Difference in currency - 2nd exchange rate		2.01		2.41	n/a	3.81	Note 6	
26	Additional cost to add to base price		1 510 926	1 796 749	2 082 677	n/a	4 731 994	Note 6	907 051
27	Impact of TE			-	note 11		0		note 11

##########

(C) 32 772 350
− 1 905 514
30 866 836

(D) 3086682 / 11.9 × 29%
= EUR 752217

Negotiations Electrics 17 Mar 2014Base cost (Exc TE)

28	Capital Acquisition cost excluding forex and escalations rebaselined to 13 January 2014 rates and options re-aligned	32 377 762	32 462 295	46 301 906	n/a	38 091 755	n/a	33 695 001
29	For illustrative purposes the fixed price including escalation excluding hedging as supplied by bidders post clarification is as follows (note the FX portion of the escalation and the normalising of the price for fx movement is not included):	45 316 859	37 629 007	53 950 745	n/a	Note 5	Note 6	39 694 197

Notes:

1.1 Bombardier - The capital spares was reflected as R491 240. This include both schedule A and B spares. Schedule B was removed and price changed to R474 880.
1.2 Bombardier - after clarification Bombardier have confirmed that cost of insurance is included in their glaobal insutrance program and thus is included in the base price

1.3 Bombardier - used a rate of 10.0988 EUR for the local content declaration, thus we used this rate to calculate the foreign portion. Bombardier confirmed a rate of 11.9 EUR was used for pricing thus this was used to normalise the price
1.4 Bombardier - Base price + engineering support + set up costs + customs = R 30 995 000
1.5 Bombardier - Breakdown in reduction of price for TE of R 1905514 as follows = R 863644 from reduced rates and R 1041 870 from lower set up costs.
1.6 Bombardier - have confirmed post clarifiaction that the revised offer excluding TE is based on the same assumptions as the original tender response. As such we have assumed that the import content remains the same.

196330 29089486 40000

2.1 CSR - have confirmed post clarification the import content in USD, when converted to a % it does not tie up to the local content declaration, however we assume that this is because the local content % was based in July 2012 whereas the price was on April 2013
2.2 CSR - in their response letter page 11 - para 5 risks - CSR is willing to absorb FX risks between 9.1508 and 9.5 USD
2.3 CSR - import declaration schedule shows 3 different currencies at different rates as compared to the rates provided on the executive summary. We have used the rates on the exec summary.
2.4 CSR - The capital spares was reflected as R402 918. This include both schedule A and B spares. Schedule B was removed and price changed to R280 270.
2.5 CSR confirmed the set up costs post clarification.
2.6 CSR confirmed the customs costs post clarification.
2.6 CSR confirmed the insurance post clarification.
2.7 CSR confirmed the engineering support costs is included in their base price as part of clarification annexure A.
2.8 CSR - have not confirmed post clarifiaction that the revised offer excluding TE is based on the same assumptions as the original tender response. As such we have assumed that the import content remains the same.

3.1 Alstom - have confirmed post clarification the import content in Euro, when converted to a % it does not tie up to the local content declaration, however we assume that this is because the local content % was based in July 2012 whereas the price was on April 2013
3.2 Alstom - The capital spares was reflected as R85 648. This include both schedule A and B spares. Schedule B was removed and price changed to R836 534.
3.3 Alstom - have confirmed post clarification that no customs duties are payable.
3.4 Alstom - the quote for the cost of hedging is overstated as although they used the forward rate @ 11 Nov, the cost of hedging was calculated by using the difference between 11 Nov forwards and 30 April Spot rate.
3.5 Alstom - SCS have confirmed based on information from the SD files that Alstom have initially quoted excluding TE. Thus a clarification was not sent to Alstom.

4 Bidder 4 did not make through to stage 6 of the evaluation process and has thus not been evaluated at this stage.

5.1 Siemens - no change required for capital spares as only schedule A was included.

5.2 Siemens - have confirmed post clarification that no customs duties are payable as they will import under a Euro one certificate where all components are duty free.
5.3 Siemens - after clarification Siemens have confirmed that cost of insurance is included in their global insutrance program and thus is included in the base price
5.4 Siemens - are not willing to quote on a fixed price basis due to uncertainty of indices over the 7 years and uncertainty around delivery batches

5.5 Siemens - have confirmed post clarification the import content in Euro, when converted to a % it does not tie up to the local content declaration, however we assume that this is because the local content % was based in July 2012 whereas the price was on April 2013

5.6 Siemens have recalculated their price based on 11 November rates and indicate a price of R 37 837 000 per loco. Our recalculated price differs from their recalculation. We have used our calculation.
5.7 Siemens - price does not change whether TE is used or not (as per clarification response) on an equelly scoped contractual and commercial basis.

6 CNR have not provided a quote for Co Co locomotives, as such this could not be evaluated

7.1 Mitsui - The capital spares was reflected as R507 558. This include both schedule A and B spares. Schedule B was removed and price changed to R438 562.
7.2 Mitsui - Base price + engineering support + other + insurance = R 29880000
7.3 Mitsui has confirmed the quantum of the set up costs post clarification and also confirmed that this was previously included in the base price.
7.4 Mitsui - have confirmed post clarification that no customs duties are payable as they will set up a rebate store.
7.5 Mitsui - have confirmed post clarification the reasons why the import declaration % is different from the import % per the priced offer.
7.6 Mitsui - SCS have confirmed based on information from the SD files that Mitsui have initially quoted excluding TE. Thus a clarification was not sent to Mitsui.

8 Per clause 3.1 of RFP break point pricing was provided by bidders. For purposes of evaluation pricing based on contracting for the full 599 loco's was used.

9 Generally - where the import content foreign value was not provided by the bidder we recalculated this amount based on the local content declaration

10.1 The date to convert foreign exchange to to rands was omitted from the RFP. As such tenderers utilised their own dates. This must be clarified and tenderers must be told at which date to convert forex and thereby quote on forex hedging costs
10.2 We have stripped the forex hedging costs portion out of the price for evaluation purposes, after clarification. All forex impacts was rebased to 11 November 2013 rates

11 The Price evaluation has been done on the basis of excluding the cost of using TE as the main subcontractor but rather bidders were requested to quote as if another private sector subcontractor is used (per the GCE request after this was requested via clarification from bidder 1,2 & 5). SCS issued the clarifications to those bidders that indicated that they had used TE as the main subcontractor per the SD files.

	Bidder 1	Bidder 2	Bidder 3	Bidder 4	Bidder 5	Bidder 6	Bidder 7
Impact of TE	-1 905 514	-3 480 000	0	n/a	0	n/a	0

COMMISSION OF INQUIRY
INTO STATE CAPTURE

(1)

BOMBARDIER

Bateleur Place
1st Floor
Hertford Office Park
90 Bekker Road
Vorna Valley
1686
South Africa

26°00'45.24"S
28°06'42.74"E

P O Box 10042
Edenglen
1613
South Africa

10 January 2014

The Chairperson
Transnet Freight Rail
Acquisition Council
Ground Floor
21 Wellington Road
Parktown

TENDER NO: TFRAC-HO-8608
DESCRIPTION: SUPPLY OF 599 DUAL VOLTAGE ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB)

Dear Chairperson,

Our tender dated 30 April 2013 refers.

Thank you for your letter dated 04 January 2014. We are very pleased to have been shortlisted for the above mentioned tender.

Bombardier Transportation fully supports Transnet's goal of reducing operating costs and we believe that our low-maintenance and high-efficiency locomotive design will substantially contribute to this objective, as demonstrated in our TCO Model.

To further demonstrate our goodwill and strong interest in developing a long-term cooperation with Transnet and to show our strong support for contributing to the South African economy and society, Bombardier undertakes to increase the portion of our procurement that is allocated to Small Businesses by 50 000 000 ZAR (fifty million Rand). In addition to the support of Small Businesses, Bombardier will also provide a higher level of Technology Transfer, through increased spending on Skills Development training and support that will total 10 000 000 ZAR (ten million Rand) in value.

Bombardier is willing to undertake a review of our pricing and identify potential areas for reductions. We believe an improved price is very possible; however we feel that this project is sufficiently complex that such an exercise is best done together with Transnet to ensure the best fit to Transnet needs.

Bombardier's price is based on a foreign currency content of 29% in EUR, with the spot rate from our offer dated 30 April 2013 of 11.9 ZAR per EUR.

Bombardier Transportation confirms the original, audited local content declaration from 30 April 2013 and is committed to achieving this level of local content.

We are looking forward to further engagements aiming to jointly achieve the best value proposition and setup for Transnet.

Yours faithfully,

David Anglin
Director, Business Development LOCOMOTIVES
Bombardier Transportation

Aubrey Lekwane
Chief Country Representative
Bombardier Transportation SA

01 - 07 JAN 2014
CHAIRMAN
ACQUISITION COUNCIL

BOMBARDIER

Bateleur Place
1st Floor
Hertford Office Park
90 Bekker Road
Vorna Valley
1686
South Africa

26°00'45.24"S
28°06'42.74"E

P O Box 10042
Edenglen
1613
South Africa

04 December 2013

The Chairperson
Transnet Freight Rail
Acquisition Council
Ground Floor
21 Wellington Road
Parktown

TENDER NO: TFRAC-HO-8608
DESCRIPTION: SUPPLY OF 599 DUAL VOLTAGE ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB)

Dear Chairperson,

Your letter of 02 December 2013 refers, and this response also refers to and clarifies our submitted proposal of 30 April 2013.

Bombardier Transportation South Africa (Pty) submitted our proposal on 30 April 2013, based on our understanding that use of Transnet Engineering (TE) was compulsory. In response to TFR's questions of 02 December, we have assessed our expected costs and we estimate significant price impact if we were to not use TE as a local subcontractor for 599 Co-Co, but instead were to use alternative local private sector subcontractors.

Private sector alternatives to TE not only have significantly lower labour and overhead rates, but they are also able to absorb setup costs as part of longer-term development plans that are in some cases already in implementation. Bombardier Transportation has experience with suitable local suppliers and has in the past discussed this possibility; however in the time available we have not been able to secure any firm quotes from potential private sector subcontractors.

Based on these factors, BT estimates that the price reduction to substitute a local private sector subcontractor for TE scope could be R1 905 514 (R863 644 from reduced rates and R1 041 870 from lowered setup costs), which would result in a per-locomotive price of R29 049 486. This change of subcontractors is not expected to negatively affect Supplier Development or delivery schedule.

Therefore, Bombardier Transportation's indicative response to TFR's clarification request of 02 December 2013 is, according to the same inclusions and assumptions from our offer of 30 April 2013, Price Sheet, Section 2 Base Prices:

1	What would be the Rand impact on your price per locomotive if you did not use TE as a local subcontractor for 599 Co-Co, but used an alternative local private sector subcontractor?	(- R 1 905 514)
2	What would your price per locomotive be for 599 Co-Co if you did not use TE as a local subcontractor, but used and alternative local private sector subcontractor?	R29 049 486

Sincere Regards,

David Anglin
Director, Business Development
LOCOMOTIVES
Bombardier Transportation

TRANSNET SOC
01 - 04 DEC 2013
CHAIRMAN
ACQUISITION COUNCIL

YL 27

Base Cost in yr zero per locomotive

		Per loco	Bidder 1 Bombardier Unescalated 100 % Co-co Per Loco	Bidder 2 CSR Unescalated 100 % Co-co Per Loco
	Capital acquisition cost (separated into:	0	30 866 836	30 665 546
1	Base price - as per technical specification		26 882 636	27 447 100
2	Engineering support cost		619 100	0
3	Special tooling and test equipment requirements		3 762	34 789
4	Capital spares (detail must be provided on attached "Capital Spares" sheet)		474 880	280 270
5	Consumables		45 302	0
6	Set up costs		1 238 200	925 000
7	Spares holding costs		0	0
8	Spares holding (detail must be provided on attached "Spares holding" sheet)		27 405	198 300
9	Forex Hedging Costs		0	0
10	Customs & excise duties		309 350	332 900
11	Insurance costs		0	185 000
12	Other (please detail)		0	0
13	Options re-alignment (see options sheet)		1 266 001	1 262 187
14	1st Exchange rate used by bidder USD & JPY			9.1508
15	2nd Exchange rate used by bidder EUR	-3.01	11.9000	
16	Import Content % 1st exchange rate	-25.5%		48%
17	Import Content % 2nd exchange rate		29.0%	
18	Total import content % (per declaration)		30.2%	35%
19	Import content foreign value - 1st rate			USD 1 591 828
20	Import content foreign value - 2nd rate	1 328 080.00	EUR 1 328 080	
21	Indicated Forex hedging cost		2 448 500	2 387 000
22	Forex rate @ 10 March 2014 - 1st exchange rate USD & JPY			10.7813
23	Forex rate @ 10 March 2014 - 2nd exchange rate - EUR		14.8680	
24	Difference in currency - 1st exchange rate			1.6305
25	Difference in currency - 2nd exchange rate		2.97	
26	Additional cost to add to base price	405 637	3 941 741	2 595 537
27	Impact of TE			-
28	Capital Acquisition cost excluding forex and escalations rebaselined to 10 March 2014 rates and options re-aligned		34 808 577	33 261 083

8/8/8/73/3 13/7/75/5
240 359

				Bombardier	CSR
BAFO				29 049 486	28 890 000
1 Add back original TE scope				1 905 514	3 480 000
2 Exchange rate impact				3 536 104	2 595 537
3 Escalation up to date of signature				1 941 299	3 156 976
4 Batch pricing adjustment				5 859 171	1 618 500
				13 242 088	10 851 013
New Price @ 18 Feb 14				42 291 574	39 741 013
Add cost of new TE scope				1 399 000	1 113 732
Further discount 25 Feb 2014					
Price excluding TE scope excluding forward escalat		1 279 574		43 690 574	40 854 745
Cost to fix escalation going forward			18%	7 646 119	7 936 367
				51 336 693	48 791 112
Cost of hedging going forward	Agreed with Bombardier 15 March 14			3 035 000	1 688 888
				54 371 693	50 480 000
Add cost of new TE scope		-	0%		
Cost after TE scope		54371693		54 371 693	50 480 000

YL 27

BOMBARDIER

Bateleur Place
1st Floor
Hertford Office Park
90 Bekker Road
Vorna Valley
1686
South Africa

26°00'45.24"S
28°06'42.74"E

P O Box 10042
Edenglen
1613
South Africa

16 March 2014

The Chairperson
Transnet Freight Rail
Acquisition Council
Ground Floor
21 Wellington Road
Parktown

Dear Chairperson,

Bombardier Transportation South Africa (Pty) Ltd. (hereinafter Bombardier) is pleased to present our revised proposal for 240 electric locomotives, based on the extensive discussions and negotiations for Transnet tender No. **TFRAC-HO-8608 FOR THE SUPPLY OF 599 NEW DUAL VOLTAGE ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB).**

In purchasing new locomotives, Bombardier understands that Transnet is trying to achieve more than just an increase in fleet capacity and reliability. Bombardier has had significant global success with Transfer of Technology and Localization, and from our experience on the Gautrain project, we believe we have a good understanding of how to effectively deliver not only a reliable and high-efficiency locomotive design, but also a competitive and skilled local manufacturing industry.

Knowing the importance of transferring technology to the local South African rail industry, both for job creation and also to ensure reliable maintainability of the locomotives, Bombardier still intends to build all locomotives in South Africa. Bombardier is in negotiations with suppliers regarding the order size of 240 locomotives, and the exact local content percentage may be affected by some of the open items in the negotiations; however we are committed to achieving the highest feasible levels.

Bombardier is a strong supporter of the Supplier Development programme and has also made a significant commitment to the revitalization and transformation of the South African rail industry. Although the overall Supplier Development value will be lower due to the smaller order size of 240 CoCo locomotives, Bombardier will continue to pursue improvements in this area.

Following extensive negotiations, this offer includes price adjustments to reflect the following major changes:

- Addition of bogie frame and assembly into TE scope (increase R254 000 per locomotive)
- Removal of Final Assembly Logistics and material supply from TE, replaced by private sector supply (increase R365 000 per locomotive)
- Removal of Cab Manufacture and Driver Desk scope from TE and replacement by private sector supply (increase R121 000 per locomotive)
- Offset of Advance Payment Bond by the TE advance payment bond obligation (reduce: -R26 000 per locomotive)

Additionally, Bombardier confirms that this offer is also based on including the beneficial impacts of the advance payments on escalation and hedging.

This offer is valid until 17 March 2014 and this offer is based on the finalisation of the Locomotive Supply Agreement. All previous offers are superseded by this proposal.

Bombardier's goal is to work together in partnership with Transnet to further develop the South African rail industry – creating real jobs and developing a competitive local industry, whilst providing TFR with reliable and efficient locomotives. We feel that this proposal demonstrates our commitment to balancing TFR's business needs with the social and economic needs of the country.

Sincere Regards,

David Anglin
Director, Business Development
LOCOMOTIVES
Bombardier Transportation

Aubrey Lekwane
Chief Country Representative
Bombardier Transportation SA

2.7 Supplier Development (SD)

The SD total value provided in Bombardier's proposal of 30 April 2013 is also affected by the reduced number of locomotives from 599 to 240. Bombardier indicates the SD value of 51% of the base price, subject to agreement on the SD plan within 120 Business Days after the Effective Date. Bombardier remains committed to achieve a high level of Supplier Development.

3 Prices for 240 CoCo Locomotives

General: The prices in this section are based on the scope of supply that is described in the Locomotive Supply Agreement

3.1 Fixed price with hedging costs

Payment Milestones	Price for CoCo Locomotives,
As described in the Locomotive Supply Agreement	**R 54'547'000 per unit (R 13'091'280'000 for 240 locos)**

Note: The unit price per locomotive is valid only for a total fleet of 240 locomotives.

Payment terms are as described in the Locomotive Supply Agreement.

All the prices above include the following:

- Hedging costs; as agreed with TFR
- Locomotive Base price - as per the technical specification
- Engineering support cost
- Set up cost
- Custom and excise duties
- Insurance costs
- Adjustment for EUR content to base of 1 EUR being equal to 15.0 ZAR – subject to final adjustment for the spot rate at day of signature for 318'739'200 EUR

All the prices above do not include the following:

- Special tooling and test equipment requirements
- Capital spares
- Consumables
- Spares holding costs

÷ 240 = 1328080

16/2/14

TFR - Bombardier - 240 Electric Locomotives

	BAFO	29'049'486
1	Add back original TE scope	1'905'514
2	FX impact - Spot	3'711'411 → to be Rate Agreed on date of signature
3	Escalation to February 2014	1'941'299
4	Batch Pricing Volume Adjustment to 240	5'859'171
	Subtotal	*42'466'881*
5	Adjust to new TE scope	1'399'000
6	Escalation - Forward	7'646'119
7	Hedging - Forward	3'035'000
	Fixed Price including Hedging	**54'547'000**

Rate at tender submission = 11,9

spot rate agreed on date of signature = 14,5626

Difference (rounded) 2,6626

multiplied by foreign amount = 1328 080

Fx impact spot = 3536 104

BT COST OF HEDGING

From: aubrey.lekwane@za.transport.bombardier.com
Sent: Saturday, March 15, 2014 7:41 PM
To: Lindiwe Mdletshe Transnet Freight Rail JHB
Cc: david.anglin@de.transport.bombardier.com
Subject: Fw: TFR: Price Adjustment Agreement
Attachments: TFR_Bombardier_FX_Adjustment_Agreement_20140215.xls

Hi Lindiwe,

Kindly forward to Danie as per agreed in today meeting.

Best regards,
Aubrey Lekwane
---- Forwarded by Aubrey Lekwane/ZA/Transport/Bombardier on 15.03/2014 19:38 ----

To David Anglin/DE/Transport/Bombardier@ Transport, Aubrey Lekwane/ZA/Transport/Bombardier@ Transport,
cc Peter Ammann/CH/Transport/Bombardier@ Transport
Subject TFR : Price Adjustment Agreement

[redacted]n Dietrich
15/03/2014 17:37
Phone: +41 44 878 23 83
Dept: LOC Bill Management

Dear David and Aubrey,

pls. forward the attached price attachement sheet to TFR as agreed with Danie:

T[redacted]ging is agreed per Handshake with Danie.
The two yellow cells need to be filled (agreed price & spot rate as agreed on Monday 8 a.m.).

Thank you & cheers
Stephan

Please consider the environment before you print / Merci de penser à l'environnement avant d'imprimer / Bitte denken Sie an die Umwelt bevor Sie drucken

TFR -Bombardier - 240 Electric Locomotives

ZAR Fixed Price per Locomotive w.o. Hedging	100	To be agreed
Nr. of Locomotives	240	
ZAR Total Contract Value	24,000	

Spot Adjustment		
Price based on: Spot Rate of EUR/ZAR	15.0000	
Spot Finally Used on Monday 17th March	14.8500	To be updated according Bloomberg at 8 a.m. South African Time
EUR amount to be adjusted	318,739,200	
ZAR Equivalent	4,781,088,000	
NEW ZAR Equivalent after Adjustment	4,733,277,120	
Price impact per Locomotive	**-199,212**	

Hedging - FWD Points Adjustment		
EUR amount to be adjusted	318,739,200	
ZAR Price impact per Locomotive	**3,035,000**	As per Agreement with Danske Bank on the 15th of March

TFR -Bombardier - 240 Electric Locomotives

FINAL Price per Locomotive after Adjustment	**2,835,888 ZAR**
Nr. of Locomotives	240
Total Contract Value	**680,613,120 ZAR**


COMMISSION OF INQUIRY
INTO STATE CAPTURE
ANNEXURE FC 80
FCC-630

Wrking Negotiations Electrics 17 Mar 2014.xlsx

Sequential analysis of Bombardier

BT Zondo

	BASE Cost 11 Nov 2013	Base Cost Excl Options 11 Nov 2013	Base cost (Exc TE) 13 Jan 2014	Negotiations 17 March 2014
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Import Content % 1st exchange rate	[illegible]	[illegible]	[illegible]	[illegible]
Import Content % 2nd exchange rate	[illegible]	[illegible]	[illegible]	[illegible]
Total import content % per declaration	[illegible]	[illegible]	[illegible]	[illegible]
Indicated Forex hedging cost	[illegible]	[illegible]	[illegible]	[illegible]
Difference in currency – 1st exchange rate	[illegible]	[illegible]	[illegible]	[illegible]
Difference in currency – 2nd exchange rate	[illegible]	[illegible]	[illegible]	[illegible]

BASE Cost 11 Nov 2013	Base Cost Excl Options 11 Nov 2013	Base cost (Exc TE) 13 Jan 2014	Negotiations 17 March 2014

The reduction in the Base Price by R1,905,514 [illegible] R26,882,636 reflects the [illegible] This impacts the Capital [illegible] reported per the CFET team on [illegible] field for comparing [illegible] and the reported [illegible] is not a true starting point [illegible] price of the locomotive.

The change [illegible] content value over time is [illegible]
For the Base Cost [illegible], the declared [illegible] "import content [illegible] value agrees with the calculated [illegible] note 1.3 Bombardier confirmed [illegible] 11.9 EURO was used for pricing.

In the Base cost [illegible] 2014, the 29% is used to derive the import [illegible] content value. This is [illegible] import content" should [illegible] from the "import content value".

The calculated [illegible] content per 17 MArch ne[illegible] EURO 11.900] or [illegible] 10.0988]. Irrespective, the [illegible] does not meet OTI requirements of [illegible] locomotives.

The [illegible] EURO amount in "Negotiations 17 March" inflates the the "Additional cost to add to the base price" to 3,941,741

This is close to the as the "Exchange rate impact" in the negotiations spreadsheet of R3,536,104

Analysing the formula in the cell, the exchange rate impact of R3,536,104 has been derived from the values:

	3711411
minus	230330
plus	55023
	3536104

The R3,711,411 exchange rate impact can also

Wrking Negotiations Electrics 17 Mar 2014.xlsx

Sequential analysis of Bombardier

BT Zondo

	BAFO			
1	Add back original TE scope			
2	Exchange rate impact			
3	Escalation up to date of signature			
4	Subtly pricing adjustment			
	Base Price @ 28 Feb 14			
	Cost of change in payment terms change			
	Further discount 21 Feb 2014			
	Price excluding TE scope excluding forward escalation and hedging			
	Cost to fix escalation going forward			
	Cost of hedging going forward	Agreed with Bombardier 15 March 14		
	Add cost of new TE scope			
	Cost after TE scope			

COMMISSION OF INQUIRY
INTO STATE CAPTURE

YL 22

YL 28

① Price reduced by R3.1m from 9/3

② option 2 price reduced by R1.1m from 5/

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③ Subject to Payment terms of 10/20/65/5

To:
Lindiwe Mdletshe
Commodity Manager
Supply Chain Services

TRANSNET FREIGHT RAIL

Inyanda House 2; 21 Wellington Road,
Parktown, Johhanesburg, South Africa

E-mail: Lindiwe.Mdletshe@transnet.net

From:
Wang Pan
General Manager

CSR E-Loco Supply (Pty) Ltd.

1st Floor, China Construction Bank Building,
95 Grayston Drive, Sandton, 2196,
Johannesburg

Tel.: +27-10 007 1127
Cell: +27-72 562 5154
Fax: +27-86 599 7734
E-mail: alton@csrzelc.com

④ Subject to TE qualification procedure

Date: 11th March, 2014
Our Ref.: TFRAC-HO-8608/CSRE-010

Subject: Updated Price Proposal for Supply of 359 New Dual-Voltage Electric Locomotives for the General Freight Business (GFB) for TFR

RFP No.: HOAC-HO-8608

Dear Lindiwe,

CSR E-Loco Supply (Pty) Ltd. would like to thank you for the opportunity to provide Transnet Freight Rail with an ***Updated Price Proposal***.

According to the post-tender contract negotiation situation with Transnet Freight Rail (TFR), and subcontract negotiation with Transnet Engineering (TE) from 04th February 2014 to 10th March 2014, CSR E-Loco Supply Pty Ltd would like to provide TFR with updated price based on the payment term and conditions, but based on that TE can delivery up to 12 electric locomotives per month.

This price is still based on our Bid Response Document and the updated subcontractor offer provided by Transnet Engineering on 06th March 2014, and the Subcontract version with our comments sent on 22nd Feb., 2014 or the subcontract agreement to both OEM contractors for electric locomotive will be exactly identical and the draft of subcontract agreement should be sent to and confirmed by CSR E-Loco Supply (Pty) Ltd. before 12th March 2014.

When TFR received this updated price proposal, all previous price proposals submitted by CSR E-Loco Supply (Pty) Ltd. to TFR before 10th March 2014 will be invalid.

1 Updated Price Proposal Based on Option 1

1.1 TE's Scope of Supply (Option 1)

The option 1 is based on scope of supply of Transnet Engineering as its original proposal as following, which excluded wheelset assembly, traction motor assembly, HV cubicle assembly and LV cubicle assembly. CSR E-Loco Supply Pty Ltd also provides CSR ZELC's cost of respective items. Please TFR kindly check and evaluate it.

CSR 中国南车

Table 1 TE's Scope of Supply for 359 sets of Co-Co locomotives

No.	Name of component	Qty. of locos	TE –price / Loco	CSR ZELC – Cost /Loco
1	Carbody	304	R 3,386,433	R 2,294,483
2	Bogie	304	R 1,450,214	R 749,641
3	Electrical system	304	R 168,112	R 84,056
4	Cooling and ventilation system	304	R 103,590	R 94,760
6	Cab (only mechanical parts)	304	R 450,654	R 255,567
7	Interior equipment	304	R 173,861	R 112,919
10	Wiring	304	R 831,191	R 294,554
11.	Components of brake system	304	R 74,524	R 62,476
12.	Final assembly of locomotive			
12.1	Final assembly of locomotive	304	R 1,586,772	R 506,324
12.2	Final assembly of locomotive	15	R 1,586,772	R 506,324
13.	Test and commission	319	R 244,716	R 66,895
Subtotal per locomotive			**R 8,560,436**	**R4,549,866**

1.2 Updated Locomotive Price Proposal

Based on the above-mentioned offer from TE and according to technical proposal, negotiated terms and conditions with Transnet Freight Rail, CSR E-Loco Supply (Pty) Ltd. would like to provide TFR with following updated price.

The base price of each new electric locomotive with Co-Co bogie configuration, excluding VAT, hedging cost and escalation is as following. The updated prices are based on our technical proposal and negotiation terms from 4th February 2014 to 25th February 2014, especially 20% advance payment (13% will be paid before the Contract comes into effectiveness, 7% will be paid on the design review, but not later than 6 months after Effectiveness of the Contract) and TE production ramp up to 12 locos per month at the peak.

Table 2 Updated Price Proposal Based on Option 1

No.	Description	Qty.	Base price per locomotive excluding VAT, escalation and hedging cost on April 2013	Base price per locomotive excluding VAT, escalation and hedging cost on February 2014	Fixed price including escalation, excluding VAT and hedging cost	Fixed price including escalation and hedging cost, excluding VAT	Total Price for the fleet of locomotives
1	Co-Co Locomotive	359	R 33,988,500.00	R 39,929,901.00	R 49,000,000.00	R 50,688,888.00	R 18,197,310,792.00

Note: CSR E-Loco Supply (Pty) Ltd. didn't receive any offer with reduced price based on the Option 1 scope of supply from TE, so CSR E-Loco Supply (Pty) Ltd. must keep on the negotiated fixed price as R 49,000,000 per loco including escalation, excluding VAT and hedging cost.

ESCALATION FORMULA

	Weight in South African portion	Weight in the total price	Weighted Index**		Weight in US Dollar portion	Weight in the total price	Weighted Index**
South African Rand Portion		55.00%	10.44%-	US Dollars Portion		45.00%	8.82%
PPI	20.00%			PPI	20.00%		
CPI	47.00%			CPI	47.00%		
Hot Rolled Steel Plates	28.00%			Hot Rolled Steel Plates	28.00%		
Fixed portion	5.00%			Fixed portion	5.00%		
Integrated Escalation Rate per year		9.71%					

2 Updated Price Proposal Based on Option 2

2.1 TE's Scope of Supply (Option 2)

The option 2 is based on the new scope of supply of Transnet Engineering as following, which include TE's original proposal and wheelset assembly, traction motor assembly, HV cubicle assembly and LV cubicle assembly. CSR E-Loco Supply Pty Ltd. also provides CSR ZELC's cost of respective items.

Table 3 TE's Scope of Supply for 359 sets of Co-Co locomotives

No.	Name of component	Qty. of locos	TE –Base price/ Loco	CSR ZELC– Cost / Loco
1	Carbody	304	R 3,270,278	R2,294,483
2	Bogie Serial Production	304	R 1,369,312	R 778,020
3	Electrical system	304	R 185,550	R 100,508
4	Cooling and ventilation system	304		
6	Cab (only mechanical parts)	304		
7	Interior equipment	304	R 901,532	R 514,001
10	Wiring	304		
11.	Components of brake system	304	R 70,313	R 62,476
12.	Final assembly of locomotive			
12.1	Final assembly of locomotive	304	R 1,497,120	R 506,324
12.2	Final assembly of locomotive	15	R 1,297,120	R 506,324
13.	Test and commission	319	R 230,890	R 66,895
Subtotal per locomotive			**R 7,243,005**	**R4,829,031**

2.2 Updated Locomotive Price Proposal

Based on the above-mentioned offer from TE and according to technical proposal, negotiated terms and conditions with Transnet Freight Rail, CSR E-Loco Supply (Pty) Ltd. would like to provide TFR with following updated price.

The base price of each new electric locomotive with Co-Co bogie configuration, excluding VAT, hedging cost and escalation is as following. The updated prices are based on our technical proposal and negotiation terms from 4th February 2014 to 10th March 2014, especially 30% advance payment (10% will be paid before the Contract comes into effectiveness, 20% will be paid on the design review, but not later than 6 months after Effectiveness of the Contract) and TE production ramp up to 12 locos per month at the peak.x

Compared with the Option 1, TE requested to add assembly of wheelset, traction motor, HV cubicle and LV cubicle into its scope of supply and reduce cooling and ventilation system, cab, wiring. Due to these components are high-tech, very

sensitive and safety critical for the locomotive, we prefer and have to strongly request to keep these additional scope requested by TE to our own scope of supply and control in order to take on the obligations of on-schedule delivery, quality and warranty, reliability and availability target in the main contract.

But according to the current capacity, capability and resource of TE, even if CSR ZELC transfers technology of the mentioned components to TE properly, there are huge risk for the delivery schedule and quality of locomotives.

According to the negotiation on 7th March with TE regarding the additional scope (wheelset assembly, traction motor assembly, HV cubicle assembly and LV cubicle assembly), CSR E-Loco Supply (Pty) Ltd. agreed to transfer technology and assembly of the mentioned components based on the following updated price and production qualification procedures, which are the standard Sub-supplier Qualification of CSR ZELC:

a. Phase 1 Management System Qualification:

TE and its related sub-suppliers must be responsible by itself for obvious improving its capability and capacity for manufacturing these components to meet the requirements of CSR ZELC within 10 months after Effectiveness of Contract, which includes installation of necessary facility, manufacturing and testing equipment, training human resource and improving or setting up Welding Quality Control System according to EN 15085, Quality Management System according to ISO 9001, Production Management System and Sub-supplier Management System, and so on.

Within 10 month after EOC, TE and its sub-suppliers should be responsible for requesting CSR ZELC's audit teams to TE to certify it. CSR ZELC will dispatch teams to TE and its sub-suppliers to audit the facility preparation and above-mentioned management system. After audit, CSR ZELC will issue audit reports.

If TE and its sub-suppliers pass the qualification audit, TE and its sub-suppliers can start Phase 2 Prototype Production, FAI (First Article Inspection) and Type Test. If TE and its sub-suppliers can't pass the qualification audit at the first time, TE and its sub-suppliers must execute further improvement. TE and its sub-suppliers should be responsible for requesting CSR ZELC's audit teams to TE to re-audit it within two month. Otherwise, CSR ZELC will manufacture and assembly above-mentioned components according to its own decision.

b. Phase 2 Prototype Production, FAI and Type Test

After TE and its sub-suppliers pass the Phase 1, CSR ZELC will start training of TE's Staffs in China. The TE's staff to be trained in China should be qualified by CSR ZELC according to its staff qualification requirements. These staffs should strictly comply with the training programs and pass the certification test. CSR

ZELC will issue a certificate to all qualified TE's staffs.

After the successful training, CSR ZELC will start technology transfer and approve TE and its sub-suppliers to start prototype production for wheelset assembly, traction motor assembly, HV cubicle assembly and LV cubicle assembly.

In order to save the certification time, once TE finish prototype production any one of the above-mentioned components, TE can request FAI and type test for the certain component. CSR ZELC will send teams to do the FAI for requested component and issue a FAI report. If the prototype of the component pass FAI, then CSR ZELC will arrange to do the type test of related component. After the type test of the related component is successful, CSR ZELC will approve TE to start the serial production of the certified component. All these processes must be finished within three month. Otherwise, CSR ZELC will manufacture and assembly above-mentioned components according to its own decision.

c. Phase 3 Serial Production and Product Acceptance

When TE and its sub-suppliers passed Phase 2 for the certified component, TE can start the serial production for the certified component. During serial production, CSR ZELC will dispatch quality engineer to control and supervise the whole production process. CSR ZELC should be responsible for the quality acceptance for all certified components. Only the accepted component, which passes the quality acceptance by CSR ZELC acceptance for all components, can be installed in locomotive.

The successful realization of above-mentioned procedures shall not exempt any quality or warranty obligations of TE for the components which it manufactured and assembled. And the related delayed delivery penalty, warranty obligation, reliability and availability target or liabilities, which caused by the mentioned components in the main contract, TE shall take 60% responsibility and penalty and CSR E-Loco will take 40% responsibility and penalty.

Copyright and all other Intellectual Property Rights of locomotive, Technical Materials and Deliverable Materials will at all times remain vested with CSR Zhuzhou Electric Locomotive Co., Ltd.. Unless expressly authorised in writing by CSR Zhuzhou Electric Locomotive Co., Ltd., in no circumstances shall the Sub-contractor or its sub-supplier reverse engineer any of the design or drawings or the Software or create derivative works based on them or rent, lease or distribute them.

Table 4 Updated Price Proposal Based on Option 2

No.	Description	Qty.	Base price per locomotive excluding VAT, escalation and hedging cost on April 2013 without additional scope	Base price per locomotive excluding VAT, escalation and hedging cost on February 2014	Fixed price including escalation, excluding VAT and hedging cost	Fixed price including escalation and hedging cost, excluding VAT	Price for fleet of locomotives
1	Co-Co Locomotive	359	R 33,988,500.00	R 41,043,633.00	R 48,980,000.00	R 50,668,888.00	R 18,190,130,792.00

Note: * -

1. The risk consideration and calculation is not included. Regarding all amount penalized by TFR to CSR or liability caused by delayed delivery and quality problem, TE shall take 60% responsibility and penalty
2. This updated price is based on TE's updated offer sent on 06th March 2014, which included the four TE's additional scope and excluded cooling and ventilation system, cab, wiring.

ESCALATION FORMULA

	Weight in South African portion	Weight in the total price	Weighted Index**		Weight in US Dollar portion	Weight in the total price	Weighted Index**
South African Rand Portion		55.00%	10.44%	US Dollars Portion		45.00%	8.82%
PPI	20.00%			PPI	20.00%		
CPI	47.00%			CPI	47.00%		
Hot Rolled Steel Plates	28.00%			Hot Rolled Steel Plates	28.00%		
Fixed portion	5.00%			Fixed portion	5.00%		
Integrated Escalation Rate per year		9.71%					

3 Break Pricing

Tender TFRAC-HO-8608 requires 'break pricing' in the event that the Locomotive acquisition program or any part thereof is terminated prior to its anticipated completion. The table below indicates the 'cancelation costs' that will be invoiced should termination take place at the break points provided by TFR Tender TFRAC-HO-8608. CSR E-Loco Supply (Pty) Ltd calculated break pricing at intervals indicated in the table that follows.

Table 5 Breaking Price

Break point based on delivered locomotives	Cancellation costs
40 Locomotives	R 548,720,697.40
90 Locomotives	R 477,012,876.06
140 Locomotives	R 349,185,897.04
190 Locomotives	R 190,000,000.00
290 Locomotives	R 72,331,367.35
340 Locomotives	R 12,193,615.00
400 Locomotives	R6,600,000.00

Note:

1. This break cost is calculated based on the influence of breaking on the amortization of design cost, human resource reservation, financial amortization cost and others. The breaking price doesn't include any profit of CSR E-Loco Supply (Pty) Ltd.

2. This cancelation cost will be levied strictly at break points set out in the Table 5 above.

3. The above breaking price assumes that CSR E-Loco Supply (Pty) Ltd will be able to liquidate any material components procured for locomotive supply prior to notice of cancellation (due no fault of CSR E-Loco Supply (Pty) Ltd). This means the notice period has been assumed to be sufficient to complete the manufacture of the relevant locomotives and to accommodate their acceptance by TFR.

4 Capital Spares and Warranty Spares

CSR E-Loco Supply (Pty) Ltd has updated the price of capital spare parts, which is effective before end of 2015. The price will be escalated in the future according to the CPI index of South African. The quantity of the spare parts will be determined during design review and finalized after design frozen.

Table 6 Unit Price of Capital Spares

Component	The unit price of acquisition before end of 2015
Main Transformer	R2,333,084.67
Main Transformer Cooling Tower	R907,310.71
Pantograph	R140,800.56
Vacuum Circuit Breaker	R253,106.16
Power Converting Cubicles	R5,153,954.30
Low Voltage Cubicle	R1,114,183.68
Control System Components	R1,345,984.31
Brake Resistor Tower complete	R435,938.63
Traction Motor complete with Pinion	R725,848.56
Traction Motor Blower assembly	R 94,964.68
Air Equipment Frame	R801,949.15
Main Air Compressor Assembly	R472,485.69
Bogie Complete	R5,545,860.22
Wheelsets complete with gear wheels (including wheels, axle, gear and cannon box, excluding traction motor, axle box and gear box)	R771,897.57
HV voltage transformer	R160,723.61
Main converter module	R809,002.10
Auxiliary converter module	R803,173.22
Control power supply cabinet	R492,540.10
Draft gear	R131,036.22
Air conditioner set	R209,646.48

5 Hedging Cost

The above-mentioned price is based on the exchange rate 1 USD = 9.1508 South African Rand, and 1 Euro = 11.9304 South African Rand, which is referred from South African Reserve Bank on 26th April 2013.

Based on our calculation, about 55% of the Bid price is South Africa Rand, and about 45% of the Bid Price is US dollars. The exchange rate between US dollars and South Africa Rand is about 10.9 on 17th February 2014.

According to proposal from Bank, the hedging cost will be as follows, which is based on the initial exchange rate 10.9. This information is just for TFR's reference.

Table 7 Hedging Cost Provided by Bank

Period	Forward	Hedging Cost	Required Credit Ratio
1st Year	11.90	7.3%	20%
2nd Year	12.78	15.24%	30%
3rd Year	13.67	23.26%	35%
4th Year	14.56	31.29%	40%
5th Year	15.44	39.22%	45%

6 Delivery Schedule

Table 8 Proposed Delivery Schedule

	2015/2016		2016/2017		2017/2018		Total
	CSR	TE	CSR	TE	CSR	TE	
April				12		12	
May				12		12	
June				12		12	
July				12		12	
August	2			12		12	
September	8			12		12	
October	10	2		12		12	
November	10	5		12		12	
December	10	8		10		10	
January		9		12		12	
February		12		12		11	
March		12		12			
Subtotal	40	48	0	142	0	141	359

Note:

a) The above-mentioned delivery schedule is based on that the Contract will come into effectiveness on 1st April 2014.

b) The delivery date is the acceptance date.

c) CSR E-Loco Supply (Pty) Ltd will provide CKD components for the first 15 locomotives to be assembled by Transnet Engineering.

d) 359 sets of Co-Co electric locomotives will be delivered before end of February 2018.

7 Deferral of Delivery Schedule

According to the requirements provided by TFR expert regarding the cost of holding the locomotive, CSR E-Loco Supply (Pty) Ltd would like to provide the following response for holding the locomotives manufactured in China based on the good cooperation between Transnet Freight Rail and CSR E-Loco Supply (Pty) Ltd.:

a) if TFR asks CSR E-Loco Supply (Pty) Ltd. to keep them for less than 3 months, CSR E-Loco Supply (Pty) Ltd. will keep these locomotives for free.

b) if TFR asks CSR E-Loco Supply (Pty) Ltd. to keep them for more than 3 months but less than 6 months, CSR E-Loco Supply (Pty) Ltd. will keep the locomotives based on the cost of 1% per month per locomotive contract price.

c) if TFR asks CSR E-Loco Supply (Pty) Ltd. to keep them for more than 6 months but less than 12 months, CSR E-Loco Supply (Pty) Ltd. will keep the locomotives based on the cost of 1.5% per month per locomotive contract price.

d) if TFR asks CSR E-Loco Supply (Pty) Ltd. to keep them for more than 12 months but less than 24 months, CSR E-Loco Supply (Pty) Ltd. will keep the locomotives based on the cost of 2% per month per locomotive contract price.

e) If TFR asks CSR E-Loco Supply (Pty) Ltd. to keep them for more than two year, these locomotive should be treated as delivered, and TFR should pay the locomotive to CSR E-Loco Supply (Pty) Ltd.

Note: The above cost is based on the cost for occupation of funds, site fee, insurance fee, security fee and others.

Regarding the locomotives manufactured and assembled by Transnet Engineering in South Africa, it will be a fixed rate of R50 000 000 per month for each month that production is interrupted based on TE's updated offer.

8 Extended Warranty

According to the requirements of draft Contract, CSR E-Loco Supply (Pty) Ltd will provide TFR with the warranty for two years after the locomotive is accepted by TFR. Based on the calculation of CSR E-Loco Supply (Pty) Ltd., the cost for warranty extension of locomotive is as follows:

Table 9 Cost for Extended Warranty of Locomotive

No.	Description of warranty	Cost
1	24-30 months or 360,000.00 kms, whichever occurs first	2.5% per half year per locomotive contract price
2	30-36 months or 432,000.00 kms, whichever occurs first	2.5% per half year per locomotive contract price
3	36-42 months or 500,000.00 kms, whichever occurs first	3% per half year per locomotive contract price
Note: If TFR asks CSR E-Loco Supply (Pty) Ltd. to extend the warranty of locomotive after 42 months, the following precondition should be met at first: a) The intermediate maintenance should be done by CSR E-Loco Supply (Pty) Ltd., or b) If the intermediate maintenance is done by other suppliers, then the locomotives after intermediate maintenance should inspected and accepted by CSR E-Loco Supply (Pty) Ltd. CSR E-Loco Supply (Pty) Ltd. can only extend the warranty of locomotive which is considered as acceptable		
4	42-48 months or 580,000.00 kms, whichever occurs first	5% per half year per locomotive contract price
5	48-54 months or 650,000.00 kms, whichever occurs first	6% per half year per locomotive contract price
6	54-60 months or 720,000.00 kms, whichever occurs first	7% per half year per locomotive contract price

According to the requirements of Contract, CSR E-Loco Supply (Pty) Ltd. will provide TFR with the warranty for six years after the locomotive is accepted by TFR. Based on the calculation of CSR E-Loco Supply (Pty) Ltd., the cost for warranty extension of traction motor is as follows:

Table 10 Cost for Extended Warranty of Traction Motor

No.	Description of warranty extension	Cost
1	7 year or 1,00,000.00 kms, whichever occurs first	20% per year per traction motor price
2	8 years or 1,150,000.00 kms, whichever occurs first	25% per year per traction motor price

According to the requirements of draft Contract, CSR E-Loco Supply (Pty) Ltd will provide TFR with the warranty for one year after spare part is accepted by TFR. Regarding the spare parts, the cost for warranty extension is as follows:

Table 11 Cost for Extended Warranty of Spare Parts

No.	Description of warranty extension	Cost
1	12-15 months	4% per three month per related spare parts price
2	15-18 months	6% per three month per related spare parts price
3	18-21 months	8% per three month per related spare parts price
4	21-24 months	10% per three month per related spare parts price

9 Price of Special Tools and Test Equipment

According to the requirements in Tender documents issued by Transnet Freight Rail and Technical Proposal submitted by CSR E-Loco Supply (Pty) Ltd., we prepared a list of recommended special tools and test equipment for 359 sets of electric locomotive with Co-Co bogie configuration (***Annex 30 List of Special Tools and Test Equipment*** in ***Volume 4 Technical Bid Documents***) separately. This list is a preliminary recommended list. The final list of special tools and test equipment will be discussed and confirmed after the design of locomotive is finalized.

Table 12 Price of Special Tools and Test Equipment

No.	Description	Price excluding VAT
1	Special Tools and Test Equipment for New Electric Locomotive with Co-Co Bogie Configuration	R 20,838,621

10 Price of Option Items

According to requirements of item 9.1 of A6-01, Technical Specification in Annexure K, CSR E-Loco Supply (Pty) Ltd submits prices for the following options:

Table 13 Base Price of Option Items on April 2013

No.	Description	Unit price excluding VAT	Total Price for 359 locomotives excluding VAT
1	ECPB with Wire Distributed Power (WDP)	R 599,952.00	R 215,382,768.00
2	Radio Distributed Power (RDP)	R 789,952.00	R 283,592,768.00
3	Both ECPB with WDP as well as RDP	R1,320,408.80	R 474,026,759.20

Note: The price for these options is just for reference and will only be fixed after the

design is frozen and approval of the supplier.

11 Payment Terms

11.1 Our updated price proposal for option 1 is calculated based on the following payment conditions:

- 13% of the Contract Amount excluding VAT will be paid before the Contract comes into effectiveness.
- 7% of the Contract Amount excluding VAT will be paid after design review, but not later than 6 months after Effectiveness of the Contract.
- 75% of each contract locomotive excluding VAT will be paid after the locomotive is accepted.
- 2.5% of the contract locomotive value will be paid after the reliability target is achieved.
- 2.5% of the contract locomotive value will be paid after the availability target is achieved.

100% payment is required upon completion of each work and to be paid within 30 Business Days after receipt of the Tax Invoice.

11.2 Our updated price proposal for option 2 is calculated based on the following payment conditions:

- 10% of the Contract Amount excluding VAT will be paid before the Contract comes into effectiveness.
- 20% of the Contract Amount excluding VAT will be paid after design review, but not later than 6 months after Effectiveness of the Contract.
- 65% of each contract locomotive excluding VAT will be paid after the locomotive is accepted.
- 2.5% of the contract locomotive value will be paid after the reliability target is achieved.
- 2.5% of the contract locomotive value will be paid after the availability target is achieved.

100% payment is required upon completion of each work and to be paid within 30 Business Days after receipt of the Tax Invoice.

12 Local Content and Supplier Development

CSR E-Loco Supply (Pty) Ltd will consider manufacturing most of locomotives in South Africa based on its technology transfer in 20E locomotives project. The local content of the whole project will achieve 65.3% based on Co-Co locomotive according to our Bid

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Response Documents. But it may be affected by the manufacturing process of additional process of TE.

Thank you very much.

王攀
Wang Pan

Director of CSR E-Loco Supply (Pty) Ltd.

		Based on Batch of360 Loco's	Based on Batch of300 Loco's
	BAFO	R 28,890,000.00	R 28,890,000.00
1	Add orginalTE Scope	R 3,480,000.00	R 3,480,000.00
2	Exchange Rate impct (USD 9,1508 to 10,9) (USD 1,591,828.00)	R 2,784,425.00	R 2,784,425.00
3	Escalation from April2013 to Feb 2014	R 3,156,976.00	R 3,156,976.00
4	Adjustmentbecause batch reduced to 360/ 300	R 1,618,500.00	R 3,242,416.00
	Sub Total	R 39,929,901.00	R 41,553,817.00
6	CostofadditionalTE Scope	R 1,113,732.00	R 1,113,732.00
	Total	R 41,043,633.00	R 42,667,549.00

Rate used = 10,7713 = 2595537
in March 14

FX HEDGING

WEBBER WENTZEL

in alliance with > Linklaters

1064 CSR. 359 Locos

Cost do hedging agreed with

CSR & approved by Anoj on

20/4/03/14

Rate do CSR 10,75

CSR cost do hedging = R 16.35.888 per

loco (subsidised by them) loco.

Regiment R 2775452 MD

R 2984635 HOC

Treasury: R 2593320

Final price agreed with CSR including

escalation & hedging = R50.180 000

2014/03/14

(2)

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To:
Prudence.Nkabinde
Acquisition Council Secretariat

TRANSNET FREIGHT RAIL

Inyanda House 1, 21 Wellington Road,
Parktown, Johhanesburg, South Africa

E-mail: Prudence.Nkabinde@transnet.net
Lolo.Sokhela@transnet.net
Lindiwe.Mdletshe@transnet.net

From:
Wang Pan
General Manager

CSR E-Loco Supply (Pty) Ltd.

1st Floor, China Construction Bank Building,
95 Grayston Drive, Sandton, 2196,
Johannesburg

Tel.: +27-10 007 1127
Cell: +27-72 562 5154
Fax: +27-86 599 7734
E-mail: alton@csrzelc.com

Date: 10th January, 2014
Our Ref.: TFRAC-HO-8608/CSRE-005

Description: Response to the 5th TFR's Clarification Request regarding the Tender for Supply of 599 New Dual Voltage Electric Locomotives for the General Freight Business (GFB)

Dear Madam or Sir,

CSR E-Loco Supply (Pty) Ltd. (hereafter as CSR E-Loco) received TFR's Clarification Request sent by Ms. Lindiwe Madletshe on 04th January, 2014.

Considering the guidelines mentioned in your clarification request, we would like to provide TFR with the following best and final offer based on our Bid Response Documents submitted on 30th April 2013 and previous clarification responses.

Our best and final offer is R28,890,000.00 per Co-Co locomotive.

Please note that:

1. The price doesn't include any Hedging cost against foreign exchange fluctuation.
2. The price doesn't include any price escalation. Please refer to the Index Formula in our Bid Response Documents submitted on 30th April 2013.
3. The price based on using sub-contractors of our choice not Transnet Engineering.
4. The foreign currency value is USD 877,535,000.00 for total 599 sets of Co-Co locomotives. The spot exchange rate we calculated is USD1 = RAND9.1508 as it was stated in our Bid Response Documents submitted on 30th April 2013.
5. The above-mentioned price doesn't include the Spare Parts and Special Tools. The price of the Spare Parts and Special Tools refers to our Bid Response Documents submitted on 30th April 2013.

A Division of Transnet SOC Limited Reg No. 1990/000900
02-07 JAN 2014
CHAIRMAN
ACQUISITION COUNCIL

877 535 000 ÷ 599 = 1465000

CSR 中国南车

Best regards,

王攀

Wang Pan

General Manager
CSR E-Loco Supply (Pty) Ltd

28 890 000
- 925 000 Set up costs
- 332 900 customs & excise
- 185 000 insurance

27 447 100

Registration No.: 2012/128051/07
VAT No.: 4850281637
Address: 1st Floor, China Construction Bank Building,
95 Grayston Drive, Sandton, 2196, Johannesburg
Tel.: +27-10 007 1127 Fax: +27-86 599 7734

南车电力机车项目公司
CSR E-LOCO SUPPLY (PTY) LTD.

Copy 1

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To:
Prudence.Nkabinde
Acquisition Council Secretariat

TRANSNET FREIGHT RAIL

Inyanda House 1, 21 Wellington Road,
Parktown, Johhanesburg, South Africa

E-mail: Prudence.Nkabinde@transnet.net
Lolo.Sokhela@transnet.net
Lindiwe.Mdletshe@transnet.net

From:
Wang Pan
General Manager

CSR E-Loco Supply (Pty) Ltd.

1st Floor, China Construction Bank Building,
95 Grayston Drive, Sandton, 2196,
Johannesburg

Tel.: +27-10 007 1127
Cell: +27-72 562 5154
Fax: +27-86 599 7734
E-mail: alton@csrzelc.com

Date: 21st November, 2013
Our Ref.: TFRAC-HO-8608/CSRE-003

Description: Response to the Second TFR's Clarification Request regarding the Tender for Supply of 599 New Dual Voltage Electric Locomotives for the General Freight Business (GFB)

Dear Madam or Sir,

CSR E-Loco Supply (Pty) Ltd. (hereafter as CSR E-Loco) received TFR's Clarification Request sent by Ms. Lindiwe Madletshe on 15th November.

After carefully preparation, CSR provides TFR with the following response, please evaluate it:

Component	Included in Base Price (Y/N)	Whether your response Y/N, please provide the price per component in ZAR below
On-Board to Ground Communication System	Y	R 180,000.00/loco
System for Fault Information for Maintenance Personnel	Y	R 150,000.00/loco
WSP Hardware and Software	Y	R 12,000.00/loco
Remote Access to Control System	Y	R 120,000.00/loco
Railway Energy management System.	Y	R 250,000.00/loco
Illustrations of Software Algorithms and High level Descriptions of Control Algorithms	Y	R 5,000.00/loco
Redundant Central (Vehicle) Control Unit	Y	R 285,000.00/loco
Supply of 2 Driver Display Units	Y	R 265,000.00/loco
Installation of ECP/WDP and cabling	Y	R 57,600.00/loco
Installation of RDP and cabling	Y	R 65,000.00/loco
Installation of combination of RDP/WDP and cabling	Y	R 110,000.00/loco

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Component	Included in Base Price (Y/N)	Whether your response Y/N, please provide the price per component in ZAR below
Heat/smoke/fire detectors	Y	R 80,000.00/loco
FFCCTV on the locomotive	Y	R 200,000.00/loco
Simu-Train (locomotive model)	Y	R 15,000,00/loco (allowed for one Simu-Train (locomotive model))
Anti-wheel skid tread brake system	Y	R 350,000.00/loco
Transformer Short circuit test	Y	R 1,200.00/loco (Type test for one transformer)
Transformer Cage	Y	R 10,000.00/loco
Ablution system (toilet cubicle)	Y	R 75,000.00/loco
Solid Wheels	Y	R 600,000.00/loco (for Co-Co locomotive)
Roof Equipment Design - It is an essential requirement that the design of the roof and roof equipment is such that all roof equipment is optimally shielded against the impact of contact with other loose / foreign obstructions from the overhead track equipment. (e.g. minimal exposed roof equipment special barriers relocation of equipment inside the locomotive where possible).	Y	R 10,000.00/loco
MU functions with Diesel locomotives (For diesel locomotives it is an essential that provision shall be made for steam heat vehicles by providing sufficient power, a circuit breaker (80 A and 110 V) and plugs at each end of the locomotive.)	Y	R 15,000.00/loco
Additional tests on Traction motors. It is a desired requirement that additional tests be performed on the traction motors after 2 and 5 years in operation (once wear and tear has occurred) to establish if any detrimental deterioration has occurred. Costs for long term plan to perform these investigations and measurements.	Y	R 20,000.00/loco
Main Transformer Basic Insulation Level (insulation level of the winding connected directly to the overhead supply shall exceed 190kV (peak value).	Y	R 800.00/loco (Type test for one transformer)
Car Bogie (design of a Carrier Bogie be provided together with the required user instructions on removing a locomotive from the section	Y	R 1,000.00/loco (allowed for six sets)

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Component	Included in Base Price (Y/N)	Whether your response Y/N, please provide the price per component in ZAR below
Special tools and equipment (all special tools for the duration of the warranty and for Transnet use and at end of the warranty period).	N	R 34,789.00/loco

2. Please explain the reasons why the set-up costs are reflected at ZAR Nil on your Annexure F Base Cost sheet. If these costs were included as part of your base price, please separately indicate the amounts per category.

Response: Yes, the set-up costs are included as part of our base price. The set-up cost is R925,000.00.00/loco. We will also take advantage of the set-up and facilities for 95 electric locomotives in South Africa.

3. Please explain the reasons why the customs and duties costs are reflected at ZAR Nil on your Annexure F Base Cost sheet. If these costs were included as part of your base price, please separately indicate the amounts per category.

Response: Yes, the customs and duties costs are included as part of your base price. And the customs and duties costs is R332,900.00/loco. This cost includes customs and duties on all imported components, including proposed exempted ones.

4. Please explain the reasons why the insurance costs are reflected at ZAR Nil on your Annexure F Base Cost sheet. If these costs were included as/ part of your base price, please separately indicate the amounts per category

Response: Yes, the insurance costs are included as part of your base price. And the insurance costs is approx. R185,000.00/loco.

5. Please confirm whether the base price as reflected in the base cost sheet of your TCO model for the 599 Co-Co scenario excludes:

a. Escalations; and

b. Hedging costs

If the above is excluded then no further information is required. However, if included then please separately disclose the amount included for escalations and hedging cost separately.

Response: It is confirmed that the escalations and hedging costs are not included in our base price.

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6. Please provide an estimate of the Hedging cost based on market rates on 11 November 2013 for the 599 Co-Co scenario. Provide details of spot and forward exchange rates utilised for the calculations.

Response: According to the advice from banks, the estimated hedging cost is R2,387,000.00/loco,. For the utilization of calculations, the spot exchange rate is USD1 = RAND10.12, the forward exchange rate is USD1 = RAND11.40.

7. Please confirm all foreign currency components of the acquisition price on Annexure F Base Cost sheet ", by reflecting the individual foreign currencies, exchange rates and foreign currency values for the 599 Co-Co scenario.

Response: We confirm that US Dollar is only one foreign currency of the acquisition price on Annexure F Base Cost sheet we offered in our tender documents. The exchange rate we calculated was USD1 = RAND9.2. The foreign currency value is USD 1,038,305,362.28.

÷ 599 = 1733 398

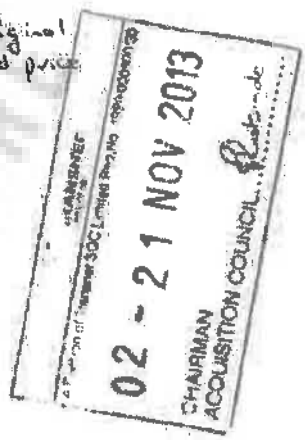
8. Please provide an additional quote per locomotive based on a fixed ZAR price, including escalation and excluding hedging cost (where the price of each of the 599 locomotives would be identical) for the 599 Co-co scenario. Complete Clarification Annexure A attached

Response: The fixed base price of each 599 Co-co locomotives is RAND36,993,000.00. The base price includes escalation, set-up cost, customs and excise duties and assurance costs, but excluding hedging cost, special tooling and test equipment, capital spares and spares holding. Please refer to Clarification Annexure A attached.

36 993 000
34 380 600 original bid price
2613 000 cost of escalation

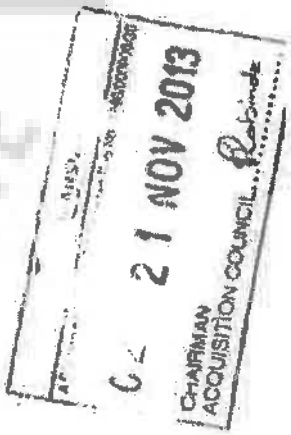
Best regards,

Wang Pan
General Manager
CSR E-Loco Supply (Pty) Ltd



	Insert name of bidder	
	Fixed price including escalation	
	599 Coco scenario	
	Per Loco	
	Capital acquisition cost separated into:	37 629 007	Base price plus spare parts and special tools
1	Base price - as per technical specification	36 993 000	
2	Engineering support cost		Included in the base price
3	Special tooling and test equipment requirements	34 789	
4	Capital spares (detail must be provided on attached "Capital Spares" sheet)	402 918	See note 2.4 of Bce not excl TE warrant.
5	Consumables		Included in the base price
6	Set up costs		Included in the base price
7	Spares holding costs		Included in the base price
8	Spares holding (detail must be provided on attached "Spares holding" sheet)	198 300	
9	Cost of escalation		Included in the base price
10	Customs & excise duties		Included in the base price
11	Insurance costs		Included in the base price
12	Other (please detail)		Included in the base price

1st Exchange rate used by bidder	10.1	One US Dollar to Rand
2nd Exchange rate used by bidder	-	
Import Content % 1st exchange rate	100%	
Import Content % 2nd exchange rate	-	
Total import content % (per declaration)	34.70%	
Import content foreign value - 1st exchange rate	774 386 335	
Import content foreign value - 2nd exchange rate		



Annexure F of original tender submission

Base Cost in yr zero per locomotive

		Per loco
	Capital acquisition cost(separated into:	35 016 007
1	Base price - as per technical specification	34 380 000
2	Engineering support cost	0
3	Special tooling and test equipment requirements	34 789
4	Capital spares (detail must be provided on attached "Capital Spares" sheet)	402 918
5	Consumables	0
6	Set up costs	0
7	Spares holding costs	0
8	Spares holding (detail must be provided on attached "Spares holding" sheet)	198 300
9	Forex Hedging Costs	0
10	Customs & excise duties	0
11	Insurance costs	0
12	Other (please detail)	0

Should the annual spares holding need to change annually, then please specify such detail

YL-RESP-119

YL 29

GESAT TFR Price Walk from 465 Best & Final Price to Current 233 Price

Updated as of March 14, 2014 spot & forward rates

January 9, 2014 Best & Final Offer	**24,311,700**	
Fx Impact	2,000,745	*subject to FX adjustment at approx 7:15am on 17-Mar-2014*
Escalation to Current	484,640	
Volume adjustment to 233 units	3,133,715	
Additional TE Scope	444,600	
SD bond removal	110,000)	
Sub-total, Escalatable Base Price	**30,265,400**	*subject to FX adjustment at approx 7:15am on 17-Mar-2014*
Material Escalation to Delivery	3,946,138	*subject to FX adjustment at approx 7:15am on 17-Mar-2014*
FX Forward Impact	1,963,112	*subject to FX adjustment at approx 7:15am on 17-Mar-2014*
Final Price Fixed for Inflation & FX	**36,174,648**	*subject to FX adjustment at approx 7:15am on 17-Mar-2014*

Draft: GE Confidential

YL-RESP-120

YL 29

GE South Africa Technologies

GE South Africa Technologies (Pty) Ltd
130 Gazelle Avenue
Corporate Park Midrand 1682
PO Box 787122 Sandton
2146 South Africa
T +27 11 237 0141
F +27 11 237 0121
www.ge.com

Date: January 10, 2014
Ref: TFRAC-HO-8609

Mr. Anoj Singh
Carlton Centre
Transnet SOC Ltd
150 Commissioner Street
Johannesburg
2001

Tender no: TFRAC-HO-8609
Description: Supply of 465 New Diesel Locomotives for the General Freight Business (GFB)

Dear Mr. Singh,

GESAT sincerely appreciates the opportunity to further respond to Transnet's most recent clarification request. Following the guidelines suggested, GESAT has prepared the responses that follow.

1. **Base price excluding Hedging & Escalations**

   R 25,624,560 per locomotive.

   This is the base price excluding hedging and escalation as per our proposal submitted 30 April 2013. This base price assumes the use of Transnet Engineering (TE) as a subcontractor for the scope as defined in our 30 April 2013 submittal and is based on the pricing TE provided to GESAT at that time.

2. **Base price using Sub-contractors of GESAT's choice, not Transnet Engineering**

   GESAT has been able to identify alternative suppliers who have in some instances been found to be more competitive as per our 04 December 2013 response to the TFR clarification request dated 02 December 2013 to replace some TE content.

   As requested, GESAT is able to offer the below revised base price using sub-contractors of our choice, not Transnet Engineering:

   R 24,311,700 per locomotive.

24 109 200
70 000 engineering support
132 500 customs
24 311 700

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3. **Disclosure of Foreign Amounts and Spot Rates used**

Based on the revised pricing provided in item 2 (Base price using Sub-contractors of GESAT's choice) above:

- The stated US Dollar component per locomotive is **USD$1,030,490.**
- The US Dollar component of the locomotive is calculated based on the ZAR: USD exchange rate of 9.168:1 on 17 April 2013.
- Any other imported content of the locomotives is purchased by GESAT from other South African suppliers in Rand and therefore will not be subject to currency fluctuation.

4. **Local Content as Originally Submitted will not Change**

GESAT understands that at least 55% local content is an imperative to driving South Africa's industrialisation and can confirm that local content target originally submitted on the 30 April 2013 will not change.

5. **Reconciliation of best & final offer price to the Submitted price with reasons for changes**

The price set forth in item 1 (Base price excluding Hedging & Escalations - R 25,624,560 per locomotive) above is as submitted in our 30 April 2013 submission. This is the price if TE is the subcontractor for the scope considered in the 30 April submission.

The price set forth in item 2 (Base price using Sub-contractors of GESAT's choice - R 24,311,700 per locomotive) above is based on using sub-contractors of our choice.

Additional GESAT Remarks

- All calculations of price are based on the ZAR: USD exchange rate of 9.168:1 on 17 April 2013 as per GESAT's 30 April 2013 submission.
- This USD: ZAR "forward curve" will be fixed at contract signing and utilized to determine the future payments in accordance with the contractual delivery schedule. All payments will be made in South African Rand currency unless Transnet prefers a different payment arrangement.
- Base pricing excludes hedging and escalation and subject to the escalation formula described in GESAT's 30 April submission.

Yours sincerely,

Solomon Zimba
GESAT CEO

Zeenith Ebrahim
GESAT Commercial Leader - SSA

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GE South Africa Technologies

GE South Africa Technologies (Pty) Ltd
130 Gazelle Avenue
Corporate Park Midrand 1682
PO Box 787122 Sandton
2146 South Africa

T +27 11 237 0141
F +27 11 237 0121
www.ge.com

Mr. Thamsanqa Jiyane
Transnet Freight Rail
15 Girton Road
Parktown
Johannesburg
2193

04 December 2013

Dear Mr. Jiyane

Tender no: TFRAC-H0-8609
Description: Supply of 465 diesel Locomotives for General Freight Business (GFB)
GESAT Response to Clarification dated 02 December 2013

GE South Africa Technologies (GESAT) acknowledges receipt of the clarification questions emailed on 02 December 2013 and has pleasure in submitting the attached response.

We trust that the answers supplied will meet with your requirements.

GESAT has answered the questions to the best of our ability and welcome further clarifications if required.

Yours sincerely,

Gormar Zimba
GESAT CEO

Zeerlith Ebrahim
GESAT Commercial Leader - SSA

GESAT Response to Clarification dated 02 December 2013

GESAT sincerely appreciates Transnet Freight Rail's efforts to consider every possible factor as part of the tender evaluation process.

As part of GESAT's efforts to maximize competitive South African content, GESAT identified various local suppliers to provide specific scopes of work. GESAT evaluated these suppliers on the basis of price, black economic empowerment, quality, schedule and risk factors. As part of this exercise GESAT found alternative local sector suppliers that could provide scope of work for assembly, paint and test, platform and for the fuel tank scope of supply and have included the related decreased cost in the table below. The TE scope of work includes additional items of supply for which GESAT has not yet been able to identify a suitable supplier that meets the required quality standards. GESAT continues to qualify local suppliers to enhance the competitiveness of manufacturing locomotives in South Africa.

The pricing in the table below reflects the impact of using local suppliers other than TE for these certain scopes of supply. TE continues to be a valued supplier and build partner to GESAT. GESAT believes that - if that is the direction that Transnet Freight Rail decides to take - that it may be possible to work with TE to achieve some or all of the cost competitive market pricing referenced below.

GESAT is confident that we will be able to optimize the scope of work for all local suppliers' to deliver quality locomotives to Transnet Freight Rail. GESAT would like to work with Transnet to ensure the development of South African suppliers to enhance South Africa's competitiveness and ensure sustainable manufacturing for Transnet Freight Rail and export.

1. What would be the Rand impact on your price per locomotive if you did not use TE as a local subcontractor, but used an alternative local private sector subcontractor?	R (1,046,060)
2. What would your price per locomotive be if you did not use TE as a local subcontractor by used an alternative local private sector subcontractor?	R 24,578,500

Please note that the pricing in the table above assumes 465 locomotives and shows the effect on the base price per locomotive relative to GESAT's submission on 30 April 2013. The pricing is based on the ZAR: USD exchange rate of 9.168:1 consistent with that 30 April 2013 submission.

End.

GE South Africa Technologies

GE South Africa Technologies (Pty) Ltd
130 Gazelle Avenue
Corporate Park Midrand 1682
PO Box 787122 Sandton
2146 South Africa

T +27 11 237 0141
F +27 11 237 0121
www.ge.com

Mr. Thamsanqa Jiyane
Transnet Freight Rail
15 Girton Road
Parktown
Johannesburg
2193

21 November 2013

Dear Mr. Jiyane

Tender no: TFRAC-H0-8609
Description: Supply of 465 diesel Locomotives for General Freight Business (GFB)
GESAT Response to Clarification dated 15 November 2013

GE South Africa Technologies (GESAT) acknowledges receipt of the clarification questions emailed on 15 November 2013 and has pleasure in submitting the attached response.

GESAT has answered the questions to the best of our ability and welcome further clarifications if required.

Yours truly

Gorman Zimba
GESAT CEO

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1. Please indicate if your base price includes the components below. State a price for each component in ZAR (South Africa Rands) whether included or not.

Component	Included in base price (Y/N)	Whether your response Y/N please provide the price per component in ZAR below	Price
Test Benches to be used for in-house testing by TFR.	N	The control system has the capability to analyze system faults to the card level of multi card electrical panels including the CIO (I/O panel) TMC (Traction Motor Controller). The remaining control devices are diagnosed to the panel level. This is a standard feature of the control system. The built in diagnosis system can determine which components need to be replaced. GE does not have an off the shelf offering for Test Benches and the price was not included in our offer.	
ADU for the driver assistant	N	The analog pressure gauge and auxiliary speed indicator are visible to the driver's assistant. A third operator display for the driver's assistant could be provided, but there is limited space in the operator cab and the bidder does not have a reasonable plan for the location of this display in the cab. Assuming GE and TFR can agree on a location where the ADU can be installed in the operator cab, the price to add the ADU would be R 37,726. If this option is purchased by Transnet prompt agreement on the location and arrangement will be required to avoid delays in the delivery schedule.	R 37,726
Real time signal (analysis feature to view logged signals offline)	N	The GE control system does not have the capability of providing the Real Time Signal information requested in the TFR specification. GE will need to work with TFR to better understand the request.	
Functionality to display information. Any information on the locomotive should be accessible via any other locomotive in the consist	N	This feature is not included in the base locomotive price, but it was quoted as an option. The option quoted in the proposal letter as, "eMU with two applications" price R 115,875 includes this function.	R 115,875
Display of total tractive/braking effort of entire consist	Y	The control system will display tractive effort for the whole consist if the trailing locomotives are equipped with a compatible control system and DB modems. This is a standard feature and provision of this feature does not have a separate price.	
Installation of ECP/WDP and cabling	N	This was not included in the locomotive base price, can be purchased as an option.	R 767,325

Installation of RDP and cabling	Y/N	Installation on first 2 is included in the base locomotive price. For additional locos we quoted this option at R 544,841 per locomotive.	R 544,841
Installation of combination of RDP/WDP and cabling	N	This was not included in the locomotive base price, but was quoted at R 1,154,557 per locomotive as an option	R 1,154,557
Supply of dummy train line power supplies and ECP junction boxes	N/Y	There are conflicting responses in the GE Line-by-Line on the issue of ECP provisions. In the proposal letter we clearly state that mounting provisions for ECP brakes are included at no cost. These provisions include the space for the train line power supply. We are not sure if a "dummy train line power supply" means allocating space for the future addition of the power supply, or if something else is required. The space is provided at no charge. If a physical dummy power supply needs to be added, GE would require details of the functionality to be able to provide a quotation. The ECP provisions included in the base price consist of the wiring and MU connectors. The price for ECP provisions included in the locomotive base price is R 45,116 per locomotive	R 45,116
Solid Multi-wear wheels with the option of tiring the wheel. The wheels shall conform to AAR-Specification M-107 for class B wheels or an equivalent international standard	Y/N	Solid multi-wear wheels that conform to AAR M-107 for class B wheels are included in the base locomotive price, however the option of tiring the wheels is not provided. To the best of our knowledge, there are no AC diesel locomotives where tires have been applied. The bidder has concerns that modified wheels with tires added could result in the tires slipping on the wheels. Since this clause was not mandatory and GE has no experience applying tired wheels on high adhesion AC locomotives, tires were not offered.	
Control system with the capability to inhibit traction if the park brake is applied on any locomotive in the consist	N	Discussions on how this would be implemented are required. There are possibly safety concerns that need to be resolved with regards to how this would be implemented. The control system can obtain the parking brake applied signal from any locomotive equipped with a DB modem so this is a feasible option. Assuming the details on the functionality can be resolved, this feature could be quoted.	
Heat/smoke/fire detectors		Fire detection is not included in the base price. For GE to include fire detection sensors and a system to monitor the sensors and	R 70,135

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04 - 21 NOV 2013
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Installation of RDP and cabling	Y/N	Installation on first 2 is included in the base locomotive price. For additional locos we quoted this option at R 544,841 per locomotive.	R 544,841
Installation of combination of RDP/WDP and cabling	N	This was not included in the locomotive base price, but was quoted at R 1,154,557 per locomotive as an option	R 1,154,557
Supply of dummy train line power supplies and ECP junction boxes	N/Y	There are conflicting responses in the GE Line-by-Line on the issue of ECP provisions. In the proposal letter we clearly state that mounting provisions for ECP brakes are included at no cost. These provisions include the space for the train line power supply. We are not sure if a "dummy train line power supply" means allocating space for the future addition of the power supply, or if something else is required. The space is provided at no charge. If a physical dummy power supply needs to be added, GE would require details of the functionality to be able to provide a quotation. The ECP provisions included in the base price consist of the wiring and MU connectors. The price for ECP provisions included in the locomotive base price is R 45,116 per locomotive	R 45,116
Solid Multi-wear wheels with the option of tiring the wheel. The wheels shall conform to AAR-Specification M-107 for class B wheels or an equivalent international standard	Y/N	Solid multi-wear wheels that conform to AAR M-107 for class B wheels are included in the base locomotive price, however the option of tiring the wheels is not provided. To the best of our knowledge, there are no AC diesel locomotives where tires have been applied. The bidder has concerns that modified wheels with tires added could result in the tires slipping on the wheels. Since this clause was not mandatory and GE has no experience applying tired wheels on high adhesion AC locomotives, tires were not offered.	
Control system with the capability to inhibit traction if the park brake is applied on any locomotive in the consist	N	Discussions on how this would be implemented are required. There are possibly safety concerns that need to be resolved with regards to how this would be implemented. The control system can obtain the parking brake applied signal from any locomotive equipped with a DB modem so this is a feasible option. Assuming the details on the functionality can be resolved, this feature could be quoted.	
Heat/smoke/fire detectors		Fire detection is not included in the base price. For GE to include fire detection sensors and a system to monitor the sensors and	R 70,135

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04 - 21 NOV 2013
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		notify the driver in the event of a potential fire is R 70,135 per locomotive.	
The capability of the loco to MU with TFR's existing fleet of Diesel locomotives. The network cable will be embedded in a single MU cable which can connect to existing diesel locomotives.	Y	GE stated full compliance with this requirement. There is no particular hardware that would be removed if this clause is not complied with so no price for non-compliance is provided.	
Special tools and equipment (all special tools for the duration of the warranty and for Transnet use and at end of the warranty period)	N	Provision of tools was not included in the base locomotive price. A tools quote was provided. The cost for providing the tools is R 6,700,800.	R 6,700,800

Note: All pricing provided above is based on the ZAR:USD exchange rate of 9.168 consistent with the offer submitted.

2. Please explain the reasons why the set-up, insurance, customs & duties and engineering support costs are reflected at ZAR Nil on your Annexure F Base cost sheet. If these costs where included as part of your base price, please separately list the amounts per category.

When GE obtained quotations from suppliers in South Africa the instructions we provided were to provide pricing for the total project supply inclusive of all costs. For this reason we did not have separate set-up costs from our suppliers. For the locomotives manufactured in the USA existing GE manufacturing facilities will be used and the set-up costs were negligible on a per locomotive basis. For this reason separate set-up costs were listed as zero ZAR.

GE listed the "insurance costs" as ZAR 0 in the Base Cost sheet because GE utilizes blanket insurance policies to cover business risk, and the cost of this insurance is a fixed cost with no specific cost associated with this transaction. For these reasons the insurance costs were listed as zero ZAR.

GE included all "customs & duties" charges in the base price of the locomotive. The estimated costs for customs & duties per locomotive are:

Estimated Customs & excise duties	ZAR 132,500

GE included all "engineering support costs" in the base price of the locomotive; therefore the engineering support costs in the Base Cost sheet was listed as ZAR 0.

The estimated cost for engineering support is:

Estimated Engineering support costs	ZAR 70,000

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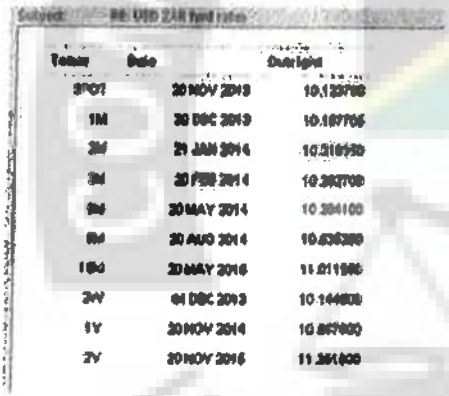
3. Please confirm whether the base price as reflected in the base cost of your TCO model excludes:
   a. Escalations
   b. Hedging costs

If the above is excluded then no further information is required. However if included, then please disclose separately the amount included for escalations and hedging costs separately.

GE confirms that the base price as reflected in the base cost of the TCO model excludes both escalation and hedging costs.

4. Please provide an estimate for Hedging costs based on market rates on 11 November 2013. Provide details of spot and forward exchange rates utilized for calculations.

We were not able to obtain forward rates on November 11 because we did not get the request until November the 15th and the banks will only provide rates based on the date they were requested. We were able to obtain spot and forward rates on November 19, 2013. The spot rate on November 19, 2013 was 10.1237 ZAR/US$. The forward rates in the table below were obtained from CitiBank.



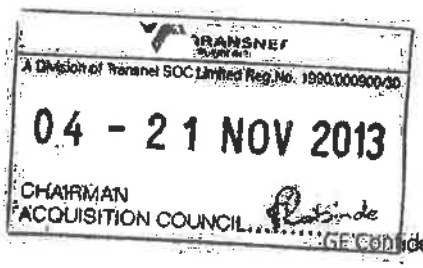
Tenor	Date	Outright
SPOT	20 NOV 2013	10.123700
1M	20 DEC 2013	10.187705
2M	21 JAN 2014	10.216150
3M	20 FEB 2014	10.262700
6M	20 MAY 2014	10.394100
9M	20 AUG 2014	10.535200
18M	20 MAY 2015	11.011500
2W	04 DEC 2013	10.144000
1Y	20 NOV 2014	10.657000
2Y	20 NOV 2015	11.261600

The impact of the Spot Rate change is ZAR 1,187,340 per locomotive.

The impact of the Forward Rate for the first 100 locomotives is an additional ZAR 1,610,780 per locomotive.

The estimate for the total hedging cost is therefore ZAR 2,798,120 per locomotive.

Please note that GE would like to work with TFR to confirm these rates, as had been done in prior transactions.



5. Please confirm all the foreign currency components of the acquisition price of Annexure F "Base Cost Sheet', by reflecting the individual foreign currencies, exchange rates and foreign currency values.'

In the GESAT Response to RFP Part 1, Section 2, Item 7 – IMPORTED CONTENT, GESAT stated the value of the US Dollar component of the total contract value as USD $505,017,280.65. Therefore, the stated US Dollar component per locomotive is USD$1,086,058.67. The US Dollar component of the locomotive is calculated based on the ZAR: USD exchange rate of 8.2584 as proposed in Transnet Freight Rail's Request for Proposal (TFRAC-HO-8609) Annexure A: Declaration Certification for Local Production and Content for Designated Sectors.

The other component of Imported Content is 5.59%. In the GESAT Response to RFP Part 1, Section 2, Item 7 – IMPORTED CONTENT, GESAT stated the value of Suppliers Imported component of the total contract value as ZAR 599,958,294. Therefore, the stated value of the imported content of locally sourced components purchased from South African suppliers is ZAR 1,290,232.89 per locomotive.

The following table summarizes the above information.

1st Exchange rate used by bidder	8.2584 (USD)
2nd Exchange rate used by bidder	
Import Content % 1st exchange rate	38.86%
Import Content % 2nd exchange rate	
Total import content % (per declaration)	44.45%
Import content foreign value - 1st exchange rate	USD $ 1,086,058.67
Import content foreign value - 2nd exchange rate	

6. Please provide an additional quote per locomotive based on a fixed ZAR price, including escalation and excluding hedging costs (where the price of each of the 465 locomotives would be identical). Complete Clarification Annexure A attached.

Due to the inherent risk in a multi-year proposal and the uncertainty of commodity prices, GE believes the fairest way to provide pricing is using an escalation clause. The escalation formula provides for the equitable rise and fall of commodity and labor based on published United States and South African government indices. If the contract was based on a fixed price Transnet would forego the potential benefit of lower prices resulting from deflation.

Per Transnet's request, GE has provided an option for a fixed ZAR price, including escalation and excluding hedging cost in accordance with the attached Clarification Annexure A. The optional fixed price is based on the locomotive delivery schedule as defined in the GE offer and a signed contract by February 28, 2014. In the event a different delivery schedule is requested by Transnet or the contract date is later than February 28, 2014, the fixed price offered is subject to change.

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Annexure F of original tender submission

Base Cost (in yr zero per locomotive)

1		25,624,560
2		0
3		31,075
4		0
5		3,066
6		
7		0
8		0
9		0
10		0
11		0
12	Other (please detail)	0

Should the annual spares holding need to change annually, then please specify such detail

Capital Spares

Guiding Definition:

These are components that are typically classified with a high cost (> R100 000) and/or a long delivery lead time (in excess of 12 months). These are also components which have a low probability of failure and should in most instances last for the life of the locomotive, with only its sub components being changed upon failure or condition based maintenance. This is a list of components that will be provided as strategic inventory.

Instruction to Tenderers:

The capital spares submission consists of two sections. Section A is a mandatory capital spares list and section B is the suppliers recommended capital spares list.

In section A, each tenderer must complete the given table and enter the lead time for delivery, the price per component in ZAR excluding VAT and whether the component will be available locally or is imported. All tenderers should fully describe the sub components included for each component as this will allow Transnet to ensure that all tenderers have quoted for comparable equipment. The price of the individual parts of each component should be listed separately.

In section B, each tenderer must complete the suppliers recommended list of Capital Spares to maintain their fleet for the life of the locomotives. In this table, the tenderer must specify the individual components, sub components, the recommended quantity for maintaining 465 locomotives, the lead time for delivery, the price per component (excluding VAT) and whether the component is local or imported.

In both sections, the lead time and whether components are produced locally is for information purposes only.

SECTION A: CAPITAL SPARES LIST

Please complete the table below. It is recommended to add extra rows and list the subcomponents for each of the components listed, as well as to supply additional information describing details of the equipment included with each component.

Diesel Locomotive (applicable to 465 tender) - Base list of Capital Spares:

Component	Quantity	Local or Imported	Lead Time	Price per Component (ZAR)	Total	bidder	bidder	bidder
Diesel Engine with Main Alternator		18 Imported	53	ZAR 7 566 542.55	ZAR 75 665 425.50			
Main Alternator		6 Local	33	ZAR 1 996 815.51	ZAR 11 980 893.06			
Radiator complete*1		10 Local	17	ZAR 434 977.02	ZAR 4 349 770.20			
Turbocharger Assembly		18 Imported	29	ZAR 579 061.26	ZAR 5 790 612.60			
Power Converting Cubicles*2	6	Mixed	Power cubicals are not replacable units - Prices for indivual items provied in the parts quote	ZAR 4 319 020.37	ZAR 25 914 122.20	3 484 567	7 435 708	2 036 786
Low Voltage Cubicle*3	6	Mixed	Low voltage cubical is not a replacable unit - pricing for individual parts are inculded in the parts qutoe	ZAR 275 940.00	ZAR 1 655 640.00	304 380	275 940	247 500
Control System Components*4	6	Mixed	Control system components are quoted as seperated parts	ZAR 709 951.80	ZAR 4 259 710.80	504 675	709 952	915 229
Brake Resistor Tower complete*5	12	Mixed		ZAR 990 358.20	ZAR 11 884 298.40			
Traction Motor complete with Pinion	48	Local		ZAR 694 344.76	ZAR 33 328 548.48			
Traction Motor Blower assembly	12	Mixed		ZAR 278 956.08	ZAR 3 347 472.96			
Air Equipment Frame*6	4	N/A	Note: Air Brake Components are listed below and in the parts quote.	ZAR 740 398.46	ZAR 2 961 593.83	556 683	370 337	1 294 176
Main Air Compressor Assembly	8	Imported		ZAR 708 021.18	ZAR 5 664 169.44			
Exhauster Assembly	8	Mixed		ZAR 140 629.68	ZAR 1 125 037.44			
Bogie Complete*7	12	Mixed		ZAR 1 950 468.26	ZAR 23 405 619.12			
Wheelset complete with gear wheel	60	Mixed		ZAR 282 558.47	ZAR 16 953 508.20			
					ZAR 228 206 422.25			
					ZAR 490 938.54			

*1Radiator complete includes the radiator blower(s) and radiator blower fan(s)
*2 Power Converting Cubicles includes all complete cubicles with power conversion equipment including the converter, inverter and auxiliary power supply. Please list all cubicles separately. Power conversion equipment includes but is not limited to power switching devices, capacitors, inductors, etc..
*3 Low Voltage Cubicle contains mainly 110V equipment such as circuit breakers and relays. Some high voltage contactors and cables may also be present in this cubicle.
*4 Control System components contain all electronic components of the control system. Each set must include all electronics for the entire control system including the driver's displays.
*5 A brake resistor tower contains a brake resistor blower and total number of brake resistors being cooled by that blower motor.
*6 The Air Equipment Frame includes all electro pneumatic equipment, RDP, WDP and auxiliary air supply equipment. Please list all components separately.
*7 The Bogie Complete includes bogie frame, bolster, traction motors, gear wheels, pinions, wheelsets, etc... please list each component separately.

Spares Holding

Guiding Definition:

These are spare components that are typically used for maintenance activities for which an inventory holding is required

Instruction to Tenderers:

Each tenderer must complete the given table and enter the lead time for delivery, the price per component in ZAR excluding VAT and whether the component will be available locally or is imported.

GESAT will carry spares locally during warranty period

Diesel Locomotive (applicable to 465 tender) - Base list of Spares holding

Spares Component	Quantity	Local or Imported	Lead Time	Price per Component (ZAR)	Total
PUMP OIL	0	Imported	92	ZAR 77 368,57	0
GEAR CASE MACH-TOP	0	Local	30	ZAR 77 173.29	0
Switch	0	Imported	46	ZAR 69 582.78	0
PANEL ASM	0	Imported	49	ZAR 118 672.57	0
FLEXIBLE BRAKE	0	Mix	65	ZAR 60 398.11	0
MODULE EBV	0	Mix	31	ZAR 83 721.22	0
MUFFLER ASM	0	Imported	22	ZAR 65 146.59	0
WATER PUMP ASSY	0	Imported	37	ZAR 63 464.22	0
SERVICE BRAKE	0	Mix	65	ZAR 62 905.32	0
Switch	0	Imported	42	ZAR 61 746.75	0
LPS, Logic Power Supply (see note)	0	Imported	38	ZAR 67 690.47	0
Axle Gear 65T Grade 3	0	Imported	46	ZAR 56 805.66	0
PANEL PTP	0	Imported	23	ZAR 50 236.91	0
Blower, Centrifugal Type	0	Mix	26	ZAR 55 625.40	0
PARKING BRAKE	0	Mix	65	ZAR 44 377.11	0
U Tube casting	0	Local	40	ZAR 43 869.33	0
Fuel Pump, High Pressure (V250 Engines Only)	0	Imported	39	ZAR 42 410.16	0
SERVICE BRAKE	0	Mix	65	ZAR 42 309.99	0
SERVICE BRAKE	0	Mix	65	ZAR 42 309.99	0
Camshaft section Left	0	Imported	27	ZAR 40 845.78	0
Gear Solid	0	Imported	63	ZAR 39 899.23	0
Camshaft section Right	0	Imported	27	ZAR 39 007.53	0
Panel, IGBT Rail for Loco use only	0	Imported	34	ZAR 55 217.27	0
Converter, IGBT, Gate Driver, Power	0	Imported	35	ZAR 32 177.99	0
Card, Locomotive, Battery Voltage Regulator Tested	0	Imported	34	ZAR 34 797.54	0
Assembly, Bus Bar	0	Imported	24	ZAR 33 635.16	0
Coupler, type F self aligning (E4020AE1246)	0	Imported	25	ZAR 33 008.67	0
Bearing, 1pc Cage	0	Imported	30	ZAR 31 366.39	0
Panel	0	Imported	37	ZAR 32 817.69	0
CYLINDER HEAD LINER ASM	0	Imported	30	ZAR 26 132.50	0
Oil Filter Asm Centrifugal	0	Imported	15	ZAR 30 436.56	0
Resistor	0	Imported	17	ZAR 29 729.70	0
PANEL ASM ASI	0	Imported	23	ZAR 29 415.24	0
Resistor	0	Imported	16	ZAR 29 144.34	0
Resistor	0	Imported	12	ZAR 29 069.10	0
HARNESS	0	Mix	26	ZAR 26 322.84	0
CAPACITOR	0	Imported	33	ZAR 25 158.15	0
Journal Bearing	0	Imported	23	ZAR 24 441.30	0
Bearing Cyl Roll - 1 Pc	0	Imported	43	ZAR 24 181.56	0
Card FIBER OPTIC TMC Panel Slot 7	0	Imported	43	ZAR 23 709.69	0
Card FIBER OPTIC TMC Panel Slot 0	0	Imported	44	ZAR 23 374.35	0
CARD ESS TESTED	0	Imported	34	ZAR 12 471.25	0
Brake Valve Assembly	0	Mix	25	ZAR 22 733.46	0
Card/Printed Circuit Board, Voltage And Current Monitoring, EXC/CAX/CIO 137 Tested	0	Imported	31	ZAR 20 632.50	0
Contactor	0	Imported	34	ZAR 19 611.45	0
Sensor Fwd End	0	Imported	32	ZAR 19 502.28	0
Bearing (axle Big Arm)	0	Imported	44	ZAR 16 993.44	0
DB Contactor Ac Loco	0	Imported	35	ZAR 16 752.24	0
YAW DAMPER	0	Imported	34	ZAR 16 480.80	0
Panel, Power, Tap	0	Imported	40	ZAR 16 300.98	0
Card	0	Imported	45	ZAR 16 298.82	0
Ground Detection Panel	0	Imported	35	ZAR 16 031.79	0
Bearing axle Bridge Assembly	0	Imported	44	ZAR 15 671.95	0
Panel Fuel Monitor	0	Imported	20	ZAR 15 654.13	0
HORN ASM	0	Imported	22	ZAR 17 981.34	0
EX End Section	0	Imported	22	ZAR 14 990.13	0
Power Converter, Motorola 72/12VDC	0	Imported	24	ZAR 14 439.87	0
Cam Journal	0	Imported	21	ZAR 14 291.82	0
Card, 122	0	Imported	33	ZAR 13 996.08	0
Contactor	0	Imported	38	ZAR 13 930.20	0
Panel Ethernet Sw	0	Imported	27	ZAR 23 183.18	0
Pinion 18T Grade 3	0	Imported	8	ZAR 13 673.61	0
Panel, Cpl	0	Imported	30	ZAR 13 404.87	0
Resistor, Crank, Ac4400/6	0	Imported	26	ZAR 13 208.04	0
Check Valve	0	Imported	20	ZAR 13 039.02	0
Panel	0	Imported	26	ZAR 12 989.52	0
Main Section	0	Imported	27	ZAR 12 960.36	0
Panel, AC Voltage Filter, Rectifier Snubber Panel (IGBT)	0	Imported	37	ZAR 12 816.54	0
Sensor Speed	0	Imported	26	ZAR 12 769.11	0
Primary Damper	0	Imported	34	ZAR 12 252.42	0
Manifold Air Pressure Sensor 102HP2-5	0	Imported	16	ZAR 9 770.42	0
Injector, Diesel Engine, Fuel	0	Imported	50	ZAR 11 923.47	0
Drive Gear Auxiliary Drive	0	Imported	41	ZAR 11 858.85	0
HOT PLATE	0	Imported	18	ZAR 11 570.76	0
Card	0	Imported	33	ZAR 11 441.61	0
SENSOR	0	Imported	22	ZAR 11 360.34	0
Engine Crankc Sensors EPL 1&2 Positions	0	Imported	32	ZAR 11 321.37	0
Engine Crankc Sensors EPL 1&2 Positions	0	Imported	32	ZAR 11 321.37	0
Alarm Panel Audio	0	Imported	32	ZAR 10 832.58	0
Contact	0	Imported	35	ZAR 9 940.05	0
Gage Assm.	0	Imported	19	ZAR 9 860.04	0
Transmitter, water pressure (101HP4-7)	0	Imported	28	ZAR 6 376.43	0
Camera, Loccam, Color	0	Imported	26	ZAR 9 547.20	0
relay	0	Imported	32	ZAR 9 445.14	0
Connector, 3 Pole Air Compressor Drive	0	Imported	21	ZAR 9 021.89	0
Panel	0	Imported	22	ZAR 9 206.46	0
Sensor, Engine Fuel Temp	0	Imported	24	ZAR 8 956.17	0
Valve, Safety, Air Mr, 150 pound	0	Imported	16	ZAR 8 855.19	0
Bearing, PE 130 MM	0	Imported	46	ZAR 8 561.34	0
Valve Asm, Regulating Relief	0	Imported	11	ZAR 8 324.19	0
Panel	0	Imported	30	ZAR 9 503.83	0
SIDEBEARER PAD	0	Local	30	ZAR 9 352.40	0
Sensor, crankcase -/ 0.5 PSIG	0	Imported	24	ZAR 7 956.99	0

Spares Component	Quantity	Local or Imported	Lead Time	Price per Component (ZAR)	Total
Card, 114	0	Imported	37	ZAR 7 933.19	0
Bearing Cap, Thrust	0	Imported	23	ZAR 7 647.75	0
Bearing Cap, Main	0	Imported	23	ZAR 7 576.29	0
TRANSDUCER	0	Imported	23	ZAR 7 467.12	0
Cover	0	Imported	17	ZAR 6 596.04	0
LATERAL DAMPER	0	Local	34	ZAR 7 419.15	0
Suspension Link, Truck Assembly, Locomotive	0	Imported	35	ZAR 6 852.20	0
Card, Digital Input, 102	0	Imported	44	ZAR 5 255.13	0
Microphone	0	Imported	21	ZAR 6 760.18	0
Crankcase Pressure Sensor	0	Imported	20	ZAR 5 626.24	0
Bearing, Main, Lower, Sputter	0	Imported	39	ZAR 6 425.73	0
Camshaft, Journal	0	Imported	18	ZAR 6 154.11	0
SENSOR OPTICAL LEVEL	0	Imported	13	ZAR 6 093.63	0
SENSOR	0	Imported	23	ZAR 5 827.32	0
COIL SPRING	0	Local	23	ZAR 5 665.14	0
Cover	0	Local	16	ZAR 6 490.97	0
Relay	0	Imported	32	ZAR 5 591.52	0
Fuse, 1600V, IGBT Switch (1 piece)	0	Imported	24	ZAR 5 508.45	0
Fuel Line Nova Swiss	0	Imported	27	ZAR 5 121.90	0
Sputter Bearing, Upper Shell - Conn Rod	0	Imported	33	ZAR 5 081.04	0
Transducer, barometric 0-15PSIA	0	Imported	22	ZAR 4 724.91	0
Overload Relay, Abc	0	Imported	16	ZAR 4 524.66	0
Transformer	0	Imported	24	ZAR 4 503.87	0
Filter Discharge Relay	0	Imported	30	ZAR 4 446.00	0
THERMOCOUPLE	0	Imported	16	ZAR 4 439.79	0
Sensor, Fuel Pressure Transducer	0	Imported	20	ZAR 4 365.09	0
Pushbutton Switch	0	Imported	24	ZAR 4 215.24	0
Switch	0	Imported	14	ZAR 4 174.74	0
Circuit Breaker, 75v, 25amp	0	Imported	16	ZAR 4 153.05	0
THERMOCOUPLE	0	Imported	21	ZAR 4 118.58	0
Bus Bar	0	Imported	22	ZAR 4 086.45	0
Cam Thrust Bearing	0		31	ZAR 4 070.16	0
Hose, Coalescer Short	0		19	ZAR 4 041.09	0
THERMOCOUPLE	0		22	ZAR 4 015.71	0
Dipstick, Oil, GEVO12 Diesel Engine	0		20	ZAR 3 934.44	0
cam follower assembly	0		24	ZAR 3 923.46	0
Airnol Valve 1in 1CMA107508-A4	0		18	ZAR 3 148.03	0
Gauge, Fuel	0		23	ZAR 3 896.01	0
Valve Drain (680-112)	0		15	ZAR 3 891.33	0
Exhaust Bellow, 6 Convolutions	0		22	ZAR 3 793.05	0
Valve, Locomotive, Sander, Control	0		15	ZAR 3 980.49	0
Switch, Pressure	0		20	ZAR 3 382.47	0
Switch, 690V Rotary	0		23	ZAR 3 376.62	0
Sensor Fuel Temperature	0		20	ZAR 3 318.21	0
Antenna, GPS,30 ft cable male right angle plug	0		21	ZAR 3 282.30	0
Bearing, Main, Upper	0		33	ZAR 3 248.37	0
Sensor, manifold air 0-76PSIA	0		21	ZAR 3 238.92	0
Mag Valve Asm	0		17	ZAR 3 121.38	0
MAG VALVE ASM	0		17	ZAR 3 121.38	0
Bearing, Thrust	0		30	ZAR 3 025.08	0
Transformer	0		30	ZAR 2 961.99	0
Switch, Push-Button	0		23	ZAR 3 510.31	0
SENSOR	0		23	ZAR 2 849.85	0
Switch, Rotary, 690V	0		12	ZAR 2 839.14	0
Pressure Sensor Oil Filter	0		23	ZAR 2 813.04	0
Pressure Transducer 0-200 psi	0		28	ZAR 2 558.43	0
Circuit Breaker	0		15	ZAR 2 558.16	0
Rotary Switch	0		28	ZAR 2 504.70	0
SWITCH, RED PUSH BUTTON	0		16	ZAR 2 456.28	0
Cam journal	0		34	ZAR 2 416.05	0
Cam Bearing	0		30	ZAR 2 341.35	0
Lube Oil Pressure Sensor	0		22	ZAR 1 935.87	0
Thermistor Thermistor	0		24	ZAR 2 302.11	0
GUTTER MOTOR SIDE	0		14	ZAR 2 295.63	0
GUTTER AXLE BRG ASM	0		13	ZAR 2 272.77	0
MAG VALVE W/O BRACKET	0		17	ZAR 2 264.13	0
Alarm Bell, W/Volt Suppressor	0		11	ZAR 2 243.43	0
Cover Asm	0		30	ZAR 2 229.84	0
Cam Bearings	0		62	ZAR 2 215.35	0
Busbar Negative	0		22	ZAR 2 190.15	0
Busbar Positive	0		21	ZAR 2 109.33	0
Bearing, C Rod, Lower	0		39	ZAR 2 081.70	0
Thermistor Thermistor	0		24	ZAR 2 046.78	0
TRANSDUCER TIER 2 HDL	0		18	ZAR 1 801.53	0
Air Duct Boot	0		14	ZAR 1 776.42	0
CAMSHAFT JOURNAL, NO 1	0		22	ZAR 1 675.44	0
STUD, MAIN BEARING CAP	0		12	ZAR 1 657.62	0
Duct Flexible Air 16 1/2 dia 9" lg	0		32	ZAR 1 655.64	0
Manif Air Temp Sensor	0		22	ZAR 1 647.90	0
Sensor, Temperature, Engine Fuel	0		32	ZAR 1 645.92	0
Switch Rotary	0		13	ZAR 1 595.07	0
Cylinder Stud	0		13	ZAR 1 585.62	0
Sander	0		22	ZAR 1 560.33	0
Holder, Brush	0		18	ZAR 1 388.52	0
Valve Air-main Resv Chk(A1505, A1521 CBX)	0		11	ZAR 1 384.02	0
Circuit Breaker	0		15	ZAR 1 334.61	0
WIPER MOTOR	0		17	ZAR 1 318.32	0
Switch, Sand, Pushbutton	0		17	ZAR 1 269.00	0
Wiper Motor, 30 Deg Lh	0		18	ZAR 1 826.24	0
Wiper Motor, 30 Deg Rh	0		18	ZAR 1 695.96	0
HOSE ASM 182X65	0		18	ZAR 1 242.81	0
Wiper Motor	0		17	ZAR 1 207.08	0
Eng Stop Push Butt	0		15	ZAR 1 170.18	0
SEAL PE BRG	0		23	ZAR 1 156.77	0
BRAKE SHOE KEY	0		14	ZAR 1 118.07	0
Hose, 87"L	0		17	ZAR 1 053.00	0
Switch, Pushbutton, BLK MUSHROOM	0		13	ZAR 1 045.35	0
RECTIFIER, POWER BLOCK	0		38	ZAR 1 011.78	0
Push Rod	0		55	ZAR 992.97	0
HOSE	0		19	ZAR 963.09	0
CIRCUIT BREAKER,FOUR POLE, 25/10A	0		15	ZAR 898.11	0
Air Humidity indicator	0		12	ZAR 847.05	0
Gasket, Viton, 3.5 in Oil	0		13	ZAR 863.37	0
Circuit breaker	0		18	ZAR 851.13	0
Air Cleaner spin Filter	0		15	ZAR 826.20	0
Hose, 58.5"L	0		18	ZAR 825.75	0

Spares Components	Quantity	Used or Invented	Lead Time	Price per Component (ZAR)	Total
Switch, Snap Action	0		12	ZAR 808.11	0
Hose,turbo Wat Disch,split	0		13	ZAR 795.60	0
Speed Sens - Honeywell	0		19	ZAR 2 022.67	0
Switch	0		15	ZAR 778.69	0
HOSE	0		16	ZAR 746.55	0
Switch, Thermostat (20400F1-68)	0		18	ZAR 739.62	0
Resistor	0		29	ZAR 716.22	0
Piston Ring Asm.	0		34	ZAR 676.80	0
Gasket	0		14	ZAR 654.37	0
Rheostat, 10 Ohm; 50 W	0		28	ZAR 641.25	0
Circuit Breaker, Automatic	0		18	ZAR 636.12	0
Circuit Breaker, Automatic, 15 amp-2p	0		17	ZAR 629.01	0
Fuse	0		26	ZAR 612.36	0
Switch, Push Button	0		13	ZAR 598.32	0
HOSE	0		16	ZAR 581.67	0
SEALANT 80.3 OZ TUBE DOW862	0		12	ZAR 543.60	0
Thermocouple	0		23	ZAR 540.66	0
Cover Asm	0		22	ZAR 478.44	0
Circuit Breaker, Automatic, 20 amp-2p	0		17	ZAR 458.64	0
Washer,Main Bearing Cap	0		19	ZAR 430.38	0
Valve, Relief 185 Psig	0		20	ZAR 418.95	0
Mn Brg Cap Nut	0		11	ZAR 417.87	0
Circuit Breaker, Automatic, 6amp,74dc	0		18	ZAR 409.95	0
COVER PLATE BARRING DEVICE	0		12	ZAR 400.77	0
GASKET, GEAR COVER	0		11	ZAR 375.93	0
Varistor Asm	0		25	ZAR 374.40	0
Pedestal Liner	0		26	ZAR 365.96	0
Rectifier Power Block	0		27	ZAR 360.99	0
Cylinder Stud,Washer	0		20	ZAR 348.48	0
Circuit Breaker, Automatic	0		17	ZAR 334.08	0
Circuit Breaker, Automatic	0		26	ZAR 333.81	0
Circuit Breaker, Automatic, 30 amp-2p	0		13	ZAR 333.81	0
Circuit Breaker, Automatic	0		38	ZAR 333.81	0
Sealing Ring Exhaust Pipe	0		16	ZAR 323.55	0
Circuit Breaker, 6 Amp 75 Volt DC	0		18	ZAR 319.41	0
Switch	0		25	ZAR 317.25	0
O-ring,Vent Clamp Connector	0		12	ZAR 301.86	0
Gasket 1.31 x .562 x .75	0		13	ZAR 298.26	0
Nut, Hexagonal, Steel	0		23	ZAR 294.57	0
CIRCUIT BREAKER 2 POLE	0		15	ZAR 272.70	0
O-RING HOLLOW	0		8	ZAR 270.54	0
Gasket, Viskanit, EPDM, 8"	0		12	ZAR 264.51	0
Holder Cap,bearings	0		15	ZAR 228.15	0
Bolt, Steel, Camcar	0		17	ZAR 225.81	0
Cap,oil Fil, Expanding	0		20	ZAR 197.10	0
Circuit Breaker 75v,5amp	0		21	ZAR 188.28	0
Diode, Assembly	0		24	ZAR 186.84	0
Gasket, EPDM, 4in Pipe	0		13	ZAR 180.09	0
Gasket, Steel, T-section to turbo	0		19	ZAR 173.79	0
Circuit Breaker, Molded Case, 75 V, 30 amp	0		12	ZAR 173.16	0
Circuit Breaker, Molded Case, 75 VDC, 15 amp	0		13	ZAR 158.13	0
Resistor, 375 Ohm, 225 Watt	0		23	ZAR 149.31	0
Gasket, Cylinder Head Cover	0		11	ZAR 144.00	0
Gasket, EPDM, 3in Pipe	0		13	ZAR 136.69	0
Clamp, Hose, turbo Boot	0		18	ZAR 136.89	0
Gasket, Viskanit, EPDM, 2.5"	0		11	ZAR 126.45	0
Resistor, 15.000 Ohm, 225	0		34	ZAR 118.17	0
Diode	0		28	ZAR 109.17	0
Gasket, Viskanit, EPDM, 2"	0		14	ZAR 106.38	0
Guard Cap, Cylinder Stud	0		22	ZAR 105.48	0
Suppresion Module	0		18	ZAR 88.38	0
Switch	0		18	ZAR 76.77	0
Gasket, Stainless Steel, Exhaust	0		14	ZAR 69.03	0
Gasket 2.88 x .562 x 7.0	0		19	ZAR 62.82	0
O-ring, 63.00 Mm Id	0		18	ZAR 58.59	0
Lower Nozzle O-Ring Viton	0		19	ZAR 52.20	0
Gasket (mtr Acc)	0		19	ZAR 40.05	0
Air Gap,compatible Mag	0		11	ZAR 34.94	0
Top Nozzle O-Ring Viton	0		19	ZAR 27.00	0
Lamp, Standard Filament, GE 44, 6.6v	0		12	ZAR 26.73	0
Nut, Steel, Hex	0		17	ZAR 22.84	0
Washer, Steel, Hardened	0		16	ZAR 16.75	0
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Note that quantities were not supplied by GE. We assumed 1 of each spare to obtain a spares holding value. This to ensure that a value is included in the price to be consistent with other bidders.

COMMISSION OF INQUIRY
INTO STATE CAPTURE


COMMISSION OF INQUIRY
INTO STATE CAPTURE
ANNEXURE FC 78
FOC-824

Wrking 1 Negotiations Diesels 17 Mar 14.xlsx

Timeline of diesels: CNR and GE through to negotiation

[redacted]

		Base Price		Base cost Excl TE		Negotiations		Base Price	Base cost Excl TE	Negotiations
1	[redacted]	39,735,833	+32,375,611	[illegible]		[illegible]		[illegible]	[illegible]	[illegible]
2		135,000		135,000		[illegible]		70,000	[illegible]	70,000
3		22,787		22,787		22,787		31,075	[illegible]	31,075
4		483,842		483,842		483,842		490,939	[illegible]	[illegible]
5		5,221		5,221		5,221		3,066	3,066	[illegible]
6		215,054		215,054		[illegible]		0	0	[illegible]
7		0		0		[illegible]		[illegible]	[illegible]	[illegible]
8		27,595		27,595		[illegible]		[illegible]	[illegible]	[illegible]
9		0		[illegible]		[illegible]		[illegible]	[illegible]	[illegible]
10		138,655		138,655		138,655		132,100	[illegible]	[illegible]
11		270,229		270,229		270,229		0	[illegible]	[illegible]
12										[illegible]
13		496,108		496,108		496,108		[illegible]	[illegible]	[illegible]
14	[redacted]	9		9		9		[illegible]	[illegible]	[illegible]
15		11.46		[illegible]		[illegible]		[illegible]	[illegible]	[illegible]
16	Import Content % 1st exchange rate	27.0%		[illegible]		[illegible]	Cab	[illegible]	[illegible]	[illegible]
17	Import Content % 2nd exchange rate	73.0%		[illegible]		[illegible]	Import Content	[illegible]	[illegible]	[illegible]
18	Total import content % (per declaration)	38.9%		38.9%		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
19	[redacted]	USD 484,285	USD 9,015	[illegible]	USD 425,470	[illegible]	[illegible]	USD 1,240,[illegible]	[illegible]	[illegible]
20		EUR 913,613	EUR -568,031	[illegible]	EUR [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21	Indicated Forex hedging cost	[illegible]		[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22	[redacted]	10.3773		10.3773		[illegible]		10.3773	10.3773	[illegible]
23		13.9086		13.9086		14.8700		[illegible]	[illegible]	[illegible]
24	Difference in currency - 1st exchange rate	1.377		1.377		1.660		1.209	[illegible]	1.555
25	Difference in currency - 2nd exchange rate	3.049		[illegible]		[illegible]		[illegible]	[illegible]	[illegible]
26	[redacted]	[illegible]		[illegible]		[illegible]		[illegible]	[illegible]	[illegible]
27	[redacted]	[illegible]		[illegible]		[illegible]		[illegible]	[illegible]	[illegible]

① See 10 January 2014 Clarification letter & 21 Nov 2013 Clarification

② See Annexure F of original tender submission

Diesels Zondo

③ See options realignment workings in CFET Finance report.

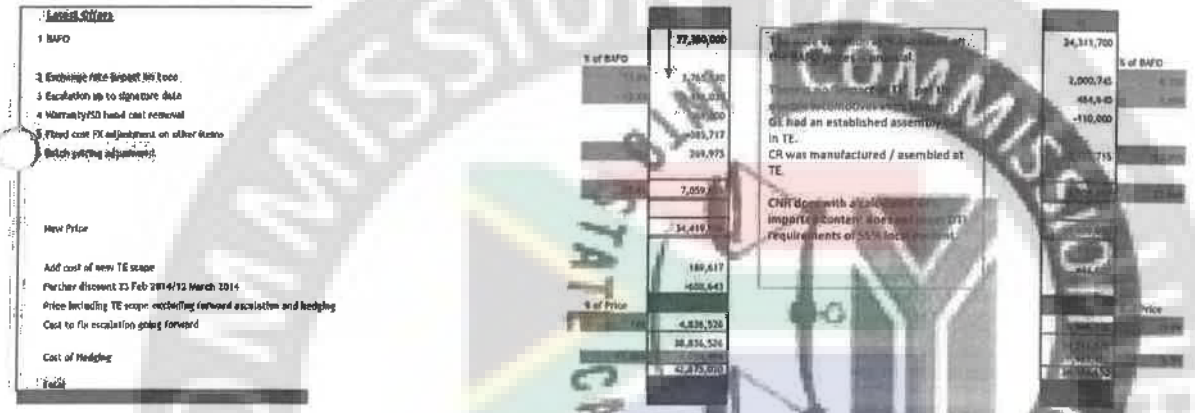
④ See note 4.4. of "Base cost excl TE" worksheet.

⑤ Rate of 10.89 finally agreed to. At 10.89 exchange rate impact = 20007145. Spreadsheet not updated due to pressures on March 14 and spreadsheet kept on master computer.

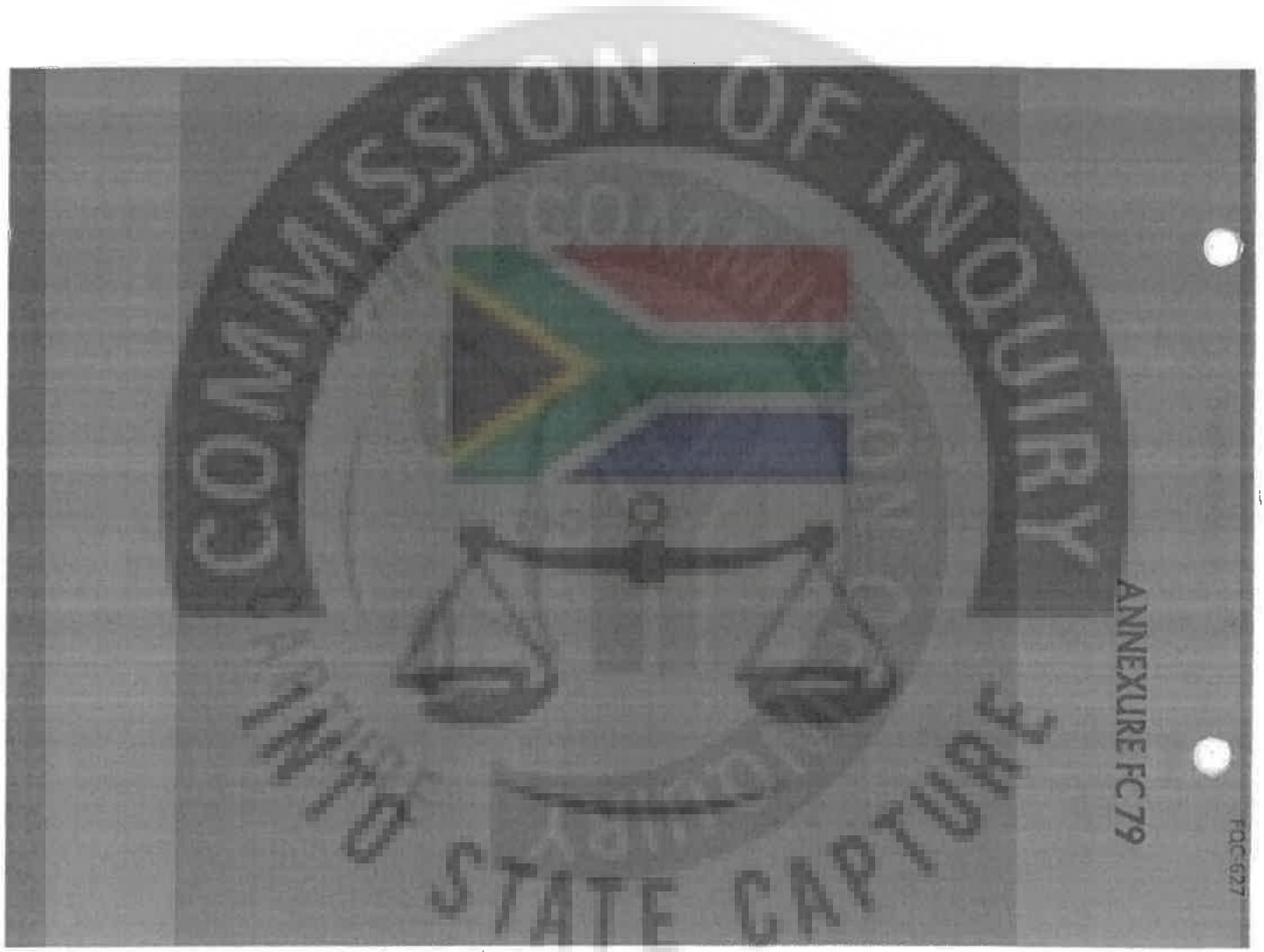
FQC-625

Wrking 1 Negotiations Diesels 17 Mar 14.xlsx

Timeline of diesels: CNR and GE through to negotiation



Diesels Zondo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ANNEXURE FC 79
FOC-027

YL-RESP-142

YL 30

YL 30

Document as received from CNR.

This document was found in the records kept by SCS.

Exposure At Spot	Per Loco	Total Covered		Amounts Per Loco	Adjustments
Dollar Exposure	$938 789	$213 159 155	Rand Portion	R 18 140 981	
Euro Exposure	€774 064	€179 882 824	Dollar Portion	R 9 812 671	R 321 578
Total Exposure At Spot	R 21 323 034	R 4 945 936 848	Euro Portion	R 11 510 332	R 193 516
			Negotiated Pre-Hedging Price	R 39 352 216	R 515 092
Total Exposure At Fwd Rates (Per Loco)		R 25 352 945			
		R 38 857 124			
Pre-Hedging Price Adjusted for Spot		R 4 896 604			
Hedging Costs Per Loco (Agreed)		-R 598			
Rounding		R 42 879 000			
Final Contract Price (Agreed)					
Currency	Current Spot	Quoted Spot			
USD Spot Rate	10.69	11.03			
EUR Spot Rate	14.87	15.12			

CNR

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in alliance with > Linklaters

2900086IF

[redacted]

Cost of Hedging agreed with CNR R4 038 494

Rate $R 10,68
€R 14,87

Cb was drawn from Bloomberg on 2014/03/16 @ 10h00

39 382 216
818 092
38 837 124
1109

agreed costs for two
42 875 020

From: Sam Mokorosi <sam.mokorosi@cadiz.co.za>
Sent: Sunday, March 16, 2014 10:57 PM
To: Lindiwe Mdletshe Transnet Freight Rail JHB
Cc: Martin@globalgroups.org; Robbie Gonsalves; Rowlen@globalgroups.org
Subject: Agreed Contract Price
Attachments: Forex Cash Flows - Agreed Contract Price .xlsx; Forex Cash Flows - Agreed Contract Price .pdf

http://www.cadiz.co.za/

Dear Lindiwe,

Please see attached the agreed contract price based spot rates of R10.68 per US dollar and R14.87 per euro, and agreed locomotive hedging costs of R4 038 494.

Thanks,
Sam

Sam Mokorosi
CADIZ CORPORATE SOLUTIONS

Tel: +27 11 853 8066
Fax: +27 11 483 0867
Cell: +27 83 408 1984
E-mail: sam.mokorosi@cadiz.co.za
Website: www.cadiz.co.za

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CNR CONSORTIUM/UNINCORPORATED JOINT VENTURE

14 March 2014

Ms Lindiwe Mdletshe
Commodity Manager
Supply Chain
Transnet Freight Rail
Johannesburg

[redacted]

465 new Diesel Locomotives for General Freight – Price Reduction

Dear Madam

As a result of the discount granted by TE in their offer dated 14 March 2014 as well as changes in Warranty Bond as per our letter of today, copy attached for ease of reference, CNR Consortium hereby amends the bid price as follows:

Original negotiated fixed contract price: R39 900 000.00

CNR discounted price as per reduced TE quotation: 197/232 x R541 000
= R459 383.62

New price after the discount of R459 383.62: R39 900 000 – R459 383.62
= R39 440 616.38

CNR discounted price due cancellation of Warranty Bond: R39 440 616.38 - R88 400.00
= R39 352 216.38

Therefore the final Fixed Contract Price per Locomotive is **R39 352 216.38.**

[redacted]

Kind regards

exclude cost of hedging

Cao Guobing
On behalf of CNR Consortium

Care of: Global House, 60 Tulbagh Road, Kempton Park 1630
P.O. Box 102-5, Aston Manor, Kempton Park, 1619

Tel: +27 11 230 1900
Fax: +27 11 396 1594
Email: R wlen@globalgroups.org

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CNR CONSORTIUM/UNINCORPORATED JOINT VENTURE

THE CHAIRPERSON
TRANSNET FREIGHT RAIL
ACQUISITION COUNCIL
GROUND FLOOR
TENDER BOX
Inyanda House 1
21 Wellington Road
Parktown

14 JANUARY 2014

Dear Sirs, Madams

TENDER NO: TFRAC-HO-8609
DESCIPTION: SUPPLY OF 465 NEW DIESEL LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB)

Return Date: 14 January 2014 @ 15:00

With reference to your letter TFRAC-HO-8609 dated 14 January 2014 in the above regard,

1. Or Local Content target as originally committed to in our tender will remain unchanged based on the assumptions contained in the RFP issued by Transnet.

2. For individual foreign currency import amounts, please refer to our tender proposal which was submitted to you on 30 April 2013.

Please do not hesitate to contact us should any additional information be required.

Yours faithfully

Rowlen von Gericke
On behalf of CNR Consortium/Unincorporated Joint Venture

Care of: Global House, 60 Tulbagh Road, Kempton Park 1630
P.O. Box 10285, Aston Manor, Kempton Park, 1619

Tel: +27 11 230 1900
Fax: +27 11 396 1594
Email: Rowlen@globalgroups.org

10 Copy 1

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CNR CONSORTIUM / UNINCORPORATED JOINT VENTURE

The Chairperson
Transnet Freight Rail
Acquisition Council
Ground Floor
Tender Box
Inyanda House 1
21 Wellington Road
Parktown

20 November 2013

Dear Sirs, Madams

TRANSNET FREIGHT RAIL (an Operating Division of TRANSNET SOC LTD) REQUEST FOR PROPOSAL NO. TFRAC-HO-B609 FOR THE SUPPLY OF 465 NEW DIESEL LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB)

TFR Questions for Clarification: Return Date: 21 November 2013 @ 09:00

Thank you very much for your letter dated 15 November 2013 and the opportunity to submit our Clarifications in that regard.

Therefore, our response to your questions as follows:

1.

COMPONENT	Included in Base Price	Price per Component in ZAR
Test Benches to be used for in-house testing by TFR	No	Please refer to Repair tool and test bench price list attached.
ADU for the driver assistant	Yes	R 94 500
Real time signal (Analysis feature to view logged signals offline)	Yes	R18 700
Functionality to display information. Any information on locomotive should be accessible via any other locomotive in consist	Yes	R18 700
Display of total tractive/braking effort of entire consist	Yes	R18 700
Installation of ECP/WDP/ and cabling	Yes	R430 000
Installation of RDP and cabling	No	R450 000
Installation of combination of RDP/WPD and cabling	No	R710 000
Supply of dummy train line power supplies and ECP junction boxes	Yes	R110 000
Solid multi-wear wheels with the option of tiring the wheel. The wheels shall conform to AAR-Specification M-107 for class B wheels or an equivalent international standard.	No, tender based on Monoblock Forged Wheel	R29 222
Control system with the capability to inhibit traction if the park brake is applied on any locomotive in the consist	Yes	R12 500
Heat /smoke /fire detectors	Yes	R38 025
The capability of the loco to MU with TFR's existing fleet of diesel locomotives. The network cable will be embedded in a single MU cable which can connect to existing diesel locomotives	Yes	R31 200
Special tools and equipment (all special tools for the duration of the warranty and for Transnet use and at end of the warranty period)	No	Please refer to Repair tool and test bench price list attached.

c/o Global House, 60 Tulbagh Road, Kempton Park 1630
PO Box 10285, Aston Manor, Kempton Park, 1619
Tel: +27 11 230 1900
Fax: +27 11 396 1594
email: Rowlen@globalgroups.org

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01 - 21 NOV 2013

CHAIRMAN
ACQUISITION COUNCIL

2. We confirm that the base price as reflected in the base cost sheet of our TCO model excludes escalations and hedging costs.

3. As indicated in question 2 above, our submitted contract price excludes any hedging costs. As described in our original submission (File 6, Annexure 3 (ii) – Exchange rate hedging strategy (page 16 of the electronic version of file 6)):

   "The final forward exchange contract (FEC) rates will only be determined on the Effective Date of the Supply Agreement. Once the final FEC rates are accepted, the final Contract Price will be agreed and no additional cost in respect of the hedging strategy will be payable by Transnet. The "cost" of taking out the FECs will be included in the foreign currency (FC) exchange rate quoted by a South African Bank."

4. Please see the "Forex Components" sheet which we have inserted into Clarification Annexure A. We have indicated the exchange rates used at tender submission date, as well as the exchange rates on 11 November 2013.

5. As indicated in our submission (File 6 – Price Schedule (page 2 of the electronic version of File 6)):
   "We have assumed a 5% annual increase in the Contract Price. The actual escalation rate will be determined and agreed to by Transnet and the CNR Consortium. This rate will be a composite index based on the weighting of relevant indices with a minimum 10-year history, and published by recognised and accredited bodies, for example:
   - CPI
   - PPI
   - Siefsa indices (labour and materials)
   - Any other relevant indices agreed to by the parties"

   We have thus used the assumed 5% annual escalation across the delivery schedule in the attached Clarification Annexure A. The weighted average cost per locomotive is R48,841,026 (forty eight million, eight hundred and forty one thousand, and twenty six rands).

6. The payment profile in the cash flow is correct. Note that it is based on Tranche 1 of our delivery schedule which is 50 locomotives.

We trust the above to be to your satisfaction and please do not hesitate to contact us should any additional information be required.

Kind regards

Rowen Gericke

Rowlen von Gericke
On behalf of CNR Consortium / Unincorporated Joint Venture

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Page 2 of 2
01 - 21 NOV 2013
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Annexure O - Diesel Locos - Per November 13 Clarification

SCHEDULE OF LOCOMOTIVE ORIGINAL BOM AND DESIGNATED COMPONENTS

NO.	COMPONENT / ACTIVITY		Component Cost	SUPPLIER	CURRENCY	Exchange Rate Used in Tender	Exchange Rate on 11 Nov 2013
1	Assembly of Locomotives						
1.1	LOCOMOTIVE ASSEMBLY	R	1 391 135.00	TE	ZAR	n/a	n/a
2	Car Body:						
	Cab steel structure	R	202 572.00	TE	ZAR	n/a	n/a
	Cut, Form and prepare cab parts	R	59 620.00	TE	ZAR	n/a	n/a
	Underframe steel structure	R	874 650.00	TE	ZAR	n/a	n/a
	Cut, For and prep underframe parts	R	203 250.00	TE	ZAR	n/a	n/a
	Side wall	R	183 270.00	TE	ZAR	n/a	n/a
	Cut, form and prep Side wall parts	R	52 032.00	TE	ZAR	n/a	n/a
	Roof	R	127 405.00	TE	ZAR	n/a	n/a
	Cut, form and prep Roof parts	R	32 520.00	TE	ZAR	n/a	n/a
	Portion wall	R	43 625.00	TE	ZAR	n/a	n/a
	Cut, form and prep Portion wall parts	R	8 130.00	TE	ZAR	n/a	n/a
	Cow catcher	R	19 530.00	TE	ZAR	n/a	n/a
	Cut, form and prep Cow catcher parts	R	3 252.00	TE	ZAR	n/a	n/a
	Side door	R	145 240.00	TE	ZAR	n/a	n/a
	Cut, form and prep Cab parts	R	62 880.00	TE	ZAR	n/a	n/a
	Toilet & Toilet cubicle	R	60 203.00	TE	ZAR	n/a	n/a
	Stainless steel watertank, tap and water booster pipe set	R	32 650.00	TE	ZAR	n/a	n/a
	Handrail	R	29 780.00	TE	ZAR	n/a	n/a
	Locomotive Ventilator	R	4 201.00	Donkin Fans	ZAR	n/a	n/a
	Loco corridor floor	R	17 775.00	TE	ZAR	n/a	n/a
	Step ladder to Cab	R	13 446.00	TE	ZAR	n/a	n/a
	Step ladder to Roof	R	3 840.00	TE	ZAR	n/a	n/a
	Driver console	R	59 800.00	TE	ZAR	n/a	n/a
	Cut, form Driver console material	R	16 260.00	TE	ZAR	n/a	n/a
	Driver controller	R	23 478.56	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Driver foot switch	R	2 977.11	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Speedometer	R	3 652.64	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Rev counter	R	7 305.28	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Brake gauge	R	3 652.64	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Pressure Gauge	R	7 305.28	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Switches	R	23 977.93	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Buttons	R	17 910.33	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Cab Door	R	8 500.00	TE	ZAR	n/a	n/a
	Wiper for Cab door	R	25 950.00	TE	ZAR	n/a	n/a
	Cab interior decoration	R	77 410.00	TE	ZAR	n/a	n/a
	Cab floor	R	15 920.00	TE	ZAR	n/a	n/a
	Cab front window glass	R	64 544.00	TE	ZAR	n/a	n/a
	High-low horn	R	22 615.00	TE	ZAR	n/a	n/a
	Rearview Mirror	R	4 303.00	TE	ZAR	n/a	n/a
	Driver's seat and attendee's	R	38 432.00	TE	ZAR	n/a	n/a
	Lighting system	R	95 851.00	TE	ZAR	n/a	n/a
3	Bogie:						
	Bogie frame	R	642 490.00	Global Heavy Duty manufacturing	ZAR	n/a	n/a
	Cut form and prep Bogie Frame material	R	106 665.60	Global Heavy Duty manufacturing	ZAR	n/a	n/a
	Machining of Bogie Frame	R	48 935.00	Global Heavy Duty manufacturing	ZAR	n/a	n/a
	Bogie Assembly	R	209 840.00	Global Heavy Duty manufacturing	ZAR	n/a	n/a
	Wheels Forged and solid	R	242 340.00	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	U-tube	R	419 652.00	Rotacon	ZAR	n/a	n/a
	Earthing device of U-tube	R	60 720.00	TE	ZAR	n/a	n/a
	Roller suspension bearing	R	134 640.00	Timken	ZAR	n/a	n/a
	Gearbox casing	R	215 178.00	ROTACON ENGINEERING	ZAR	n/a	n/a
	Pinion	R	37 812.00	BAE	ZAR	n/a	n/a
	Drive gear	R	216 516.00	BAE	ZAR	n/a	n/a
	TM suspension unit			Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	TM hanging rod	R	1 495.33	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1

	TM hanging rod rubber joint	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Traction link kit	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Brake shoe(Brake block)	R	2 460.00	Wabtec	ZAR	n/a	n/a
	Air inlet duct of TM	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Bogie Air Piping	R	61 239.00	TE	ZAR	n/a	n/a
	Motor for cooling blower of alternator	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Cooling fan motor	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Sanding device(valve)	R	73 335.00	TE	ZAR	n/a	n/a
	Final Assembly of Bogie	R	209 840.00	TE	ZAR	n/a	n/a
4	Coupling Equipment :						
	Coupler	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Buffer	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Coupling lever (uncoupling rod)	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
5	Suspension :						
	Primary spring	R	22 004.16	Springmaster	ZAR	n/a	n/a
	Secondary Spring	R	10 469.76	Springmaster	ZAR	n/a	n/a
	Other	R	4 137.84	Springmaster	ZAR	n/a	n/a
	Primary vertical damper	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Axle-box link rod	R	68 815.90	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Axlebox link rod rubber joint	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Assembly of axle-box link rod	R	2 617.00	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Secondary supporting rubber	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Secondary horizontal damper	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Secondary horizontal stopper	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
6	Heat, Ventilation and Air Conditioning						
	HVAC System(Air conditioner)	R	198 961.00	BODYCO	ZAR	n/a	n/a
	Hot plate	R	4 424.00	TE	ZAR	n/a	n/a
	Refridgerator	R	14 180.00	Nikus 40	ZAR	n/a	n/a
7	Braking System :						
	Brake unit(brake valve,display unit,brake cubicle)	R	1 536 000.00	Knorr	ZAR	n/a	n/a
	ECP (EP60)	R	337 670.00	Knorr	ZAR	n/a	n/a
	Main air reservoir	R	31 450.00	TE	ZAR	n/a	n/a
	Turnable plug and end hose connector	R	42 766.00	TE	ZAR	n/a	n/a
	Brake and vaccum piping	R	119 698.00	TE	ZAR	n/a	n/a
8	Alternators Included in ABB Price						
9	AC Traction Motors :						
9.1	Traction system	R	10 008 775.00	ABB	ZAR	n/a	n/a
10	Electric Systems :						
	wires and cables	R	113 080.00	TE	ZAR	n/a	n/a
	Air circuit breaker	R	9 323.06	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Contactor	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Relay	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Breakers	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Gauges	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
11	Engines :			Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Diesel engine	R	[illegible]	MTU	EUR	ZAR 11.86 / EUR 1	ZAR 13.81 / EUR 1
	Radiator	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Cooling fan	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Filter cell (air filter)	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Expansionable water tank	R	[illegible]	Global Heavy Duty manufacturing	ZAR	n/a	n/a
	Water tank level indicator gauge	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Starting fuel pump	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Pump motor	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	TM blower	R	88 766.00	Donkin Fans	ZAR	n/a	n/a
	Alternator cooling blower	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Valve and joint (set)	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
	Protect net	R	[illegible]	Dalian	USD	ZAR 9 / USD 1	ZAR 10.33 / USD 1
12	Steering Mechanisms :						
	Axle	R	97 500.00	SWASAP	ZAR	n/a	n/a
	Assembly of wheel-set	R	118 800.00	Swasap	ZAR	n/a	n/a
	Axle box	R	192 000.00	Timken	ZAR	n/a	n/a
	Axle bearing	R	45 600.00	Timken	ZAR	n/a	n/a
	Axle box Cap	R	36 000.00	Timken	ZAR	n/a	n/a

	CONTROL AND COMMUNICATION SYSTEM						
	Loco communication system	R	42 870.00	Triton & TE	ZAR	n/a	n/a
	Event recorder	R	26 837.00	Wabtec	ZAR	n/a	n/a
	On board Video System	R	87 159.00	Wabtec	ZAR	n/a	n/a
	on-board anti-fire Detection system	R	4 250.00	TE	ZAR	n/a	n/a
21	OTHER						
	Painting	R	218 035.00	TE	ZAR	n/a	n/a
	Lubricating oils grease	R	127 920.00	TE	ZAR	n/a	n/a
	Rubber products	R	[illegible]	Oelkan	USD	ZAR 9 / USD 1	ZAR 10,33 / USD 1
	Complete Vehicle Tests - all locomotives	R	201 000.00	TE	ZAR	n/a	n/a
	Engineering support	R	4 598.00	TE	ZAR	n/a	n/a
	Investment recovery	R	30 287.00	TE	ZAR	n/a	n/a
	Non recurring costs	R	8 632.00	TE	ZAR	n/a	n/a
	Risk and warranty	R	35 402.00	TE	ZAR	n/a	n/a
	Total BOM	R	[illegible]				
	Sum of USD	R	2 028 406,93	[illegible]			
	Percentage USD		7%	27%			
	Sum of Euros	R	5 364 482.56	[illegible]			
	Percentage Euros		19%	73%			

Annexure E from 30 April Submission recantured	EUR	USD	Offer Price
	532100	10245	
		7687	
		39	
		3500	
		379	
		465	
		930	
		465	
		930	
		15536	
		2281	
		1188	
		7158	
		7347	
		833	
		3791	
		3707	
		645	
		2452	
		6975	
		2178	
		2230	
		1050	
		504	
		1225	
		525	
		5516	
		10083	
		3910	
		52900	
		414800	
		8067	
		19965	
		17500	
		2757	
		1750	
		17500	
		46283	
	532 100	685 298	
	452 295		
	5 427 420	6 187 004	40 500 000.00
% Imported	13.40%	15.23%	

Note: Annexure E referred to a % of the cost being imported, we multiplied the amount by the % to arrive at the imported portion.

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Base Cost in yr zero per locomotive

	[illegible]	0 993 201
1	[illegible] per locomotive	39 735 831
2	[illegible]	135 000
3	[illegible]	22 787
4	[illegible]	442 830 (1)
5	[illegible]	5 221
6	[illegible]	215 054
7	[illegible]	0
8	[illegible]	27 595
9	[illegible]	
10	[illegible]	138 655
11	[illegible]	270 229
12	Other (please detail)	

Should the annual spares holding need to change annually, then please specify such detail

(1) See Note 1.5 of evaluation "Base cost" worksheet.

TCO Ref	TCO Item	Diesel	Comments
	A. Locomotives	**R 40 500 000**	**As Per Price Schedule in File 6**
1	Base Price - as per Technical Specs	R 39 735 831	Averaged over total Fleet
2	Engineering Support Cost	R 135 000	
5	Consumables	R 5 221	
6	Setup Costs	R 215 054	Bogie manufacturing Plant
9	Forex Hedging Cost	R 0	See Annexure 3 (ii) Hedging and exchange rate
10	Customs & Excise Duties	R 138 665	
11	Insurance Cost	R 270 229	
	Spares, Tools and Test Equipment		Items B and C are not included in the in the Contract Price Schedule in File 6. These items will be agreed between die Consortium and Transnet and supplied in terms of the Supply Agreement.
	B. Spares		
	Spares	**R 470 425**	Will depend on Transnet's Requirement and will be agreed between the parties
4	Capital Spares	R 442 830	Averaged over total Fleet
8	Spares holding	R 27 595	Averaged over total Fleet
7	Spares holding cost	R 0	Zero Per RFP
	C. Tools And Test Equipment		
3	Initial Tools	R 22 787	Will depend on Transnet's Requirement and will be agreed between the parties
	TCO Capital Acquisition Cost	**R 40 993 202**	

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CNR CONSORTIUM / UNINCORPORATED JOINT VENTURE

TRANSNET FREIGHT RAIL (an Operating Division of TRANSNET SOC LTD)
REQUEST FOR PROPOSAL

NO. TFRAC-HO-8609

FOR THE SUPPLY OF 465 NEW DIESEL LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB)

RETURN DATE: 30 APRIL 2013

File 6 Folder 1

Price Schedule

CNR 中国北车

CNR CONSORTIUM/UNINCORPORATED JOINT VENTURE

PRICE SCHEDULE

Our Consortium is pleased to propose an ex-VAT Contract Price of R40,500,000 (forty million, five hundred thousand rands) per diesel locomotive, DDP Koedoespoort, Gauteng. The Contract Price for each locomotive includes Customs and Excise Duties, Insurance (up to the Acceptance date for such locomotive as required by the draft Supply Agreement).

The Contract Price shall be payable in South African rands, and escalate as described in the indexation section below.

Table 1 below shows our proposed delivery schedule in batches with an assumed escalated price shown per Batch. For illustrative purposes only, it has been assumed that the Contract Price will escalate by 5% per annum (effective on 1 April of each year) as a result of the indexation.

We note that whilst Transnet shall pay for the locomotives in rands, our Contract Price has been calculated using USD/ZAR and EUR/ZAR spot rates of R9/$ and R12/€ respectively for some of our components. These rates are also stated in part 8 of Section 2 of the RFP (see file 1 of our submission).

Table 1: Delivery Schedule in Batches

Delivery Periods 1 April to 31 March	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20
Batch No	1	2	3	4	5	6
						50
					50	118
				50	118	139
			50	118	139	148
	0	50	118	139	148	10
Total number of locomotives in Batches	0	50	168	307	455	465
Pricing per Locomotive	R 42 358 562	R 44 476 490	R 46 700 314	R 49 035 330	R 51 487 096	R 54 061 451

The break price per cancelled locomotive shall be R650 000 (six hundred and fifty thousand rand) across all the batches.

Indexation

As indicated earlier, the pricing in Table 1 above, assumes a 5% annual increase in the Contract Price. The actual escalation rate will be determined and agreed to by Transnet and the CNR Consortium. This rate will be a composite index based on the weighting of relevant indices with a minimum 10 year history, and published by a recognised and accredited bodies, for example:

- CPI
- PPI
- Seifsa indices (labour and materials)
- Any other relevant indices agreed to by the parties

A portion of the Contract Price may even be fixed. Indexation adjustments will take place once a year on 1 April each year.

Care of: Global House, 60 Tulbagh Road, Kempton Park 1630
P.O. Box 10285, Aston Manor, Kempton Park, 1619

Tel: +27 11 230 1900
Fax: +27 11 396 1594
Email: Rowlen@globalgroups.org

-CNR-
Consortium / Unincorporated Joint Venture
P.O. Box 10285 Tel: (011) 230-1900
Aston Manor Fax: 396-1594
1630 SA 29 [illegible] 2013

Capital parts, holding parts, consumable parts and tools.

- **These items are not included in the contract price and no provision has been made in the contract price for these listed spares.**

Respondent's Signature

Date & Company Stamp

COMMISSION OF INQUIRY
INTO STATE CAPTURE

FOC-614

ANNEXURE FC 74

[redacted]

[redacted]		[redacted]	[redacted]	[redacted]	[redacted]
2	[redacted]	155,000	100,000	108,703	70,000
3	[redacted]	22,707	300,000	31,724	31,075
4	[redacted]	481,842	408,687	505,392	490,939
5	[redacted]	5,221	350,000	1,756,463	3,066
6	[redacted]	215,054	100,000	303,814	0
7	[redacted]	0	11,000	0	0
8	[redacted]	27,595	2,472	3,777	6,359
9	[redacted]	0	0	0	0
10	[redacted]	[redacted]	237,839	208,004	132,500
11	[redacted]	[redacted]	100,000	2,534	0
12	[redacted]	[redacted]	[redacted]	3,402,091	0
13	[redacted]	[redacted]	[redacted]	1,059,637	881,342
14–29	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

Notes:

1.1 CHR - provided a [illegible] the currency components as per the clarification request based on the BOM. However this BOM excluded labour, thus we used the import declaration % for the calculation of the November price evaluation (refer 1.7 below)

1.2 CHR - The currency split between 1st & 2nd exchange rate per the BOM was used.

1.3 CHR - even after clarification CHR did not provide a cost of hedging.

1.4 CHR - have confirmed after clarification that the price [illegible] excludes escalation and hedging costs

1.5 CHR quoted [illegible] under cell [illegible] capital spares. They did not include price for turbocharger assembly on capital spares list of TCO model. This was [illegible] on TCO model.

1.6 CHR - SCS have confirmed based on information from the 50 files that CHR have initially quoted excluding TE. This a clarification was not sent to CHR.

1.7 CHR - post clarification [illegible] the foreign portion of the price was not confirmed. The bidder referred us back to the 30 April 13 tender documents. 30 April 13 tender documents referred to an Annexure E for the imported content, we used the import content based on this Annexure E.

2.1 CSR quoted for forex hedging cost based on $6,2564 [illegible] July 2012

2.2 CSR Price is based on the fixed pricing option and no escalation [illegible]. This was confirmed during clarification

2.3 CSR - no hedging strategy provided even after clarification. R [illegible] 000 [illegible] for forex hedging [illegible] we have removed from the normalisation of the price for all bidders

2.4 CSR - has not stipulated the forex portion that they will hedge

2.5 CSR quoted R532 721 under capital spares, cell F9. This was changed to R[illegible] to only reflect the value of section A spares as reflected on TCO model (capital spares). They by mistake include both section A and section B spares.

2.6 CSR - We assumed that the import content remained as prior to clarifications (whereby TE was removed) as CSR did not specify a value that import content would change to. CSR said that they would endevour to keep local content the same.

2.7 R 31251512 is the capital acquisition cost before options, CSR quote R 31986534 as their new price excluding TE. The difference was added to the capital acquisition cost.

2.8 CSR quote a price of R 30929353 whereas the annexure F price is R 31477646. By removing capital spares, spares holding and spares holding cost you reconcile the numbers.

3.1 EMD have quoted different levels of pricing for different quantities (break points) per clause 3.1 of RFP. We are evaluating on the assumption of contracting for the full 465 loco's

3.2 This must be considered as part of the negotiations

3.3 EMD have provided pricing using TE and pricing without TE (own plant). We have used the price based on using TE for the evaluation.

3.4 EMD's pricing offer = R 36.41 million whereas the Annexure F schedule has amount as above. We have used the annexure F schedule for this evaluation. R 36.49 m is made up of base price + engineering +Set up + customs + other.

3.5 EMD quoted R74 399 under spares holding cell G13. This was reflected on annexure F, it was changed to R3 777 as was calculated on TCO model "sheet spares holding"

3.6 EMD have added an amount of R 3403091 to the price of their loco for localisation expenses.

3.7 EMD have not provided a fixed price quotation even after clarification (explained in their clarification letter due to the extended period of time and substantial contract amount)

3.8 EMD quoted a price of R407 915 in cell G8. This was changed to R505 392 as they did not include all the spares listed under schedule A. See notes in TCO model capital spares.

4.1 GE's quoted price specifically states that the price quoted is subject to escalation. We have used a price excluding escalation above.

4.2 GE has not included the cost of Capital spares and spares holding - we have added these costs based on numbers as supplied in annexure F (TCO model R 193495355/465 = R 416119)

4.3 GE quoted a price of R 416 119 in cell H9. This was changed to R490 939 as they did not include all the capital spares listed under schedule A. Also see notes in TCO model (capital spares)

4.4 GE have confirmed post clarification that set up costs is included in the base price and that the US portion is negligable as they already have a production line in place.

4.5 GE have confirmed post clarification that they have not quoted for insurance costs seperately as they carry blanket insurance and that this transaction would not increase their insurance costs as a company.

4.6 GE - the cost of hedging was provided based on rates on 19 November 2013 when R:$ was 10.1237

4.7 GE have used a rate of 8.2564 for the local content declaration however their price offer is based on a rate of 9.168

4.8 GE have indicated that the impact of spot exchange rate on their price would be R 1187340 per loco at 11 November 2013, we could not calculate how they got to this number but should they become the preferred bidder then this must be clarified.

4.9 Note that point 4.8 above does not impact the price evaluation however needs to be considered during a negotiation phase if GE becomes the preferred bidder.

4.10 GE have not supplied the quantities of the spares to hold, we have assumed 1 of each item for purposes of including in the evaluation to be consistent with other bidders.

4.11 We assumed that the import content remained as prior to clarifications (whereby TE was removed) as GE did not mention anything in their clarification letter.

5 Generally where dollar rates were quoted we assumed that the import portion would be in dollars

6 Per clause 3.1 of RFP break point pricing was provided by bidders. For purposes of evaluation pricing based on contracting for the full 465 loco's was used.

7.1 The date to convert foreign exchange to to rands was omitted from the RFP. As such tenderers utilised their own dates. Tenderers should have been told at which date to convert forex and thereby quote on forex hedging costs

7.2 We have stripped the forex hedging costs portion out of the price for evaluation purposes, and through clarification confirmed the exchange rates used.

8 We assumed that the import content remained as prior to clarifications (whereby TE was removed).

9 Refer payment terms file for an additional calculation reconciling annexure F to price offered

10 The Price evaluation has been done on the basis of excluding the cost of using TE as the main subcontractor. Bidders 2 & 4 were requested to quoted as if another private sector subcontractor is used (this was requested via clarification from bidder 2 & 4). SCS only issued the clarifications to those bidders that indicated that they had used TE as the main subcontractor per the 50 files. Bidder 3 already quoted a price including and excluding TE per their 1st tender response.

ANNEXURE FC 75

Print Negotiations Diesels 17 Mar 14.xlsx

Base Cost to yr zero pre Incoterms [partly illegible]

		Per item	Bidder 1 CSR (per Loco)	Bidder 2 (per Loco)
	Capital acquisition cost(separated into)		[illegible]	[illegible]
1	Base price - as per technical specification		27,160,000	[illegible]
2	Engineering support cost		125,000	[illegible]
3	Special tooling and test equipment requirements		22,737	[illegible]
4	Capital spares (detail must be provided on attached 'Capital Spares' sheet)		481,840	[illegible]
5	Consumables		5,221	[illegible]
6	Set up costs		215,054	[illegible]
7	Spares holding costs		0	[illegible]
8	Spares holding (detail must be provided on attached 'Spares holding' sheet)		27,591	6,119
9	Forex Hedging Costs		0	0
10	Customs & excise duties		118,333	[illegible]
11	Insurance costs		270,229	0
12	Other (please detail)		[illegible]	0
13	Options re-alignment (see options sheet)		446,320	[illegible]
14	1st Exchange rate used by bidder - USD		9	[illegible]
15	2nd Exchange rate used by bidder - EUR		[illegible]	[illegible]
16	Import Content % 1st exchange rate		[illegible]	[illegible]
17	Import Content % 2nd exchange rate		[illegible]	[illegible]
18	Total import content % (per declaration)		[illegible]	[illegible]
19	Import content foreign value - 1st rate	9,812,671	[illegible]	[illegible]
20	Import content foreign value - 2nd rate	11,510,332	[illegible]	[illegible]
21	Indicated Forex hedging cost	21,323,004		[illegible]
22	Forex rate @ 10 March 2014 - 1st exchange rate	55%	10.6600	[illegible]
23	Forex rate @ 10 March 2014 - 2nd exchange rate		14.8700	[illegible]
24	Difference in currency - 1st exchange rate		[illegible]	[illegible]
25	Difference in currency - 2nd exchange rate		2.870	[illegible]
26	Additional cost to add to base price	0	[illegible]	[illegible]
27	Impact of TE		[illegible]	[illegible]
28	Capital Acquisition cost excluding forex and escalation rebaselined to 11 November 2013 rates and options re-aligned		[illegible]	[illegible]

4,012,363,00

36403421
36356507
[illegible]

36254701
1212062
0,12271

140272.128
12,415,674
[illegible]12,195.51

36%

-197,877

[illegible]8,530,000,00

1,976,523,00

2040914
1961112

CSR Calculated fx impact for 233

1,750,745,474.44 assuming the Foreign content remains regardless of batch size
7,514,106.75

GE Calculated fx impact for 233

838,333,787.41 assuming the Foreign content remains regardless of batch size
3,597,999.00

Latest Offers

			CSR	[illegible]		
1 BAFO			27,360,000	24,311,700		
2 Exchange rate impact on Loco			3,765,130	2,000,745		
3 Escalation up to signature date			3,498,038	484,640		
4 Warranty/SD bond cost removal			-88,400	-110,000		
5 Fixed cost FX adjustment on other items			-385,717			
6 Batch pricing adjustment			269,975	3,133,715		
			7,059,026	5,509,100		
New Price			34,419,026	29,820,800	15,4%	
Add cost of new TE scope			189,637	444,600		134.73
Further discount 23 Feb 2014/12 March 2014			-408,443			34,73
Price including TE scope excluding forward escalation and hedging			[illegible]	[illegible]	12.3%	11,58
Cost to fix escalation going forward	14%		4,836,526	3,946,138	13.0%	
			38,836,526	34,211,538	13.5%	
Cost of Hedging			[illegible]	1,963,112		228,771
			42,875,020	36,174,650	18.5%	36403421

YL-RESP-163

FQC-617

Print Negotiations Diesels 17 Mar 14.xlsx

465 Diesels - Negotiation Statistics based on latest offers @ 5 March 2014

50/50	Base price excluding TE excl escalation excl hedging	per loco	34,419,036	29,820,800	
		no of loco's	232	[illegible]	
		Total	7,985,214,032	[illegible]	[illegible]
	Note: GE have offerred the Trip Optimser Freebee as part of the latest pricing proposal provided a minimum of 100 Lococontrol systems are ordered				
	GE have offered a further reduction in price by R 600000 per loco based on a reduced SD plan				
50/50	Base price including TE excl escalation excl hedging	per loco	34,000,000	30,265,400.00	
		no of loco's	232	233	
		Total	7,888,000,000	7,051,838,200	[illegible]
50/50	Base price including TE including escalation and hedging	per loco	42,875,020	36,174,650	
		no of loco's	232	233	
		Total	9,947,004,840	[illegible]	18,375,698,090
	Transnet Board Mandate (ETC) for 1064 locomotives excluding hedging and excluding escalations				38,600,000,000
	Total for 1064 locomotives including TE excluding hedging and excluding escalations				40,092,429,615
1	BAFO evaluated price excluding forex and escalations rebaselined to spot on 13 January 2014 rates and including options re-aligned		30,453,335	27,159,485	
2	Delivery Schedule		CNR 1st 20 from China	GE 1st 6 from USA	
	by March 2015		0	0	
	by March 2016		20	34	
	by March 2017		87	126	
	by Oct 2017		84	73	
	by February 2018		42		
			per loco Only offered on the TE work and not on the components	per loco	
3	General warranty extention Current offer 24 months				
		30 months	42,372	current offer per [illegible]	
		36 months	93,218	353,242	
		42 months	159,318	706,485	
		48 months	251,858	not offered	
		54 months	390,668	not offered	
		60 months	612,764	not offered	
			Only if CNR do major overhaul		
	Traction motor warranty extention Current offer 6 years	1 year	52,293	not offered	
		2 years	53,338	not offered	
	Spares warranty	12 months	not offered	per LTPA - 1 % discount annually	
5	Optional SD bond cost		SD bond remains	replace SD bond with PCG and reduce price by R 110 000	

FQC-618

YL-RESP-164

6 Break Pricing	after 200 loco's after 400 loco's	not offered, reference is made to supplier agreement wording Agreed that we will reimburse for reasonable and auditable costs, limited to the liability cap of 15 % of contract value	123,542,[illegible] 604,874,256 Agreed that we will reimburse for reasonable and auditable costs limited to the liability cap of 15 % of contract value
7 Deferral of delivery schedule cost	Benchmarking excercise has indicated that this will cost around 10 % of loco price n.a.	not priced, rather proposed new wording to insert into contract Agreed that we will reimburse for reasonable and auditable costs	not priced, rather proposed new wording to insert into contract Agreed that we will reimburse for reasonable and auditable costs
8 Ranked Options pricing	ECP with WDP RDP Both ECP with WDP & RDP	514,467 1,352,0[illegible] 1,529,7[illegible]	798,712 1,320,390 2,268,955
9 Payment terms	Deposit Design review Acceptance Retention	10.00% 5.00% 75.00% 10%	10% [illegible] 87% 3%
10 Local content		[illegible]	45%
11 Delay penalties 12 SD penalties FRC penalties		Capped @ 10 % of total contract price Capped @ 2,5 % of SD value Capped @ 7,5 % of SD value	Capped @ 10 % of total contract price Capped @ 2,5 % of SD value Capped @ 7,5 % of SD value
13 Hedging cost		[illegible]	1,981,[illegible]
14 Limitation of liability (for both parties)		15% of total contract price No consequential damages	15% of total contract price No consequential damages
15 Escalations if fixed (excluding TE scope) per loco Escalations if fixed (including TE scope) per loco		R 4,836,526	3,517,896 3,946,138
16 TCO penalty regime		Principle to be agreed, mechanics to be dealt with at design review stage	Principle agreed as part of main agreement, mechanics to be dealt with at design review stage
17 Warranty bond Cost of warranty bond		Propose to ladder that we drop the warranty bond and increase the retention to 5 % for 24 months R 88400 per loco = R 20 .5 million for 232 loco's	Warranty Bond to remain as GE only have a retention of 3 % which is not enough to swap for warranty bond $1800 per loco over 30 months = R 19521 per loco's R 4.5 m for 233 loco's
			39270600 39352217

YL 31.

Transnet SOC Ltd.
Registration
Number
1990/000900/30

13 Girton Road.
Parktown
2193

Private Bag X47
Johannesburg
2000
Tel: 011 584 0509
Fax: 011 774 9978

TRANSNET

MEMORANDUM

www.transnet.net

TO : 1064 Locomotive Steering Committee

FROM : The Cross Functional Evaluation Team (CFET) (Finance)

DATE : 15 January 2014

SUBJECT : **465 DIESEL LOCOMOTIVES – RESULTS OF 'BEST AND FINAL OFFER' RESPONSES**

PURPOSE:

1) The purpose of this memo is to provide the Steering Committee with an update of the evaluation results based on the 'Best and Final Offer's (BAFO)' received;

BACKGROUND:

2) On 27 December 2013 the 1064 Steering Committee issued a memo (Attached Annexure A) to the CFET Finance requesting that a 'Best and Final Offer' letter be issued to all Bidders;

3) Responses from Bidders were received on 10 January 2014;

BUDGET IMPLICATIONS:

4) There are no budget implications applicable to this memo;

FINANCIAL IMPLICATIONS:

Outcome of responses received:

5) The table below outlines the BAFO prices as provided by the Bidders:

	Bidder 1	Bidder 2	Bidder 3	Bidder 4
BAFO Evaluated price	R30 455 335	R30 320 728	R40 244 313	R27 159 485
Previous Evaluated price	R44 232 853	R33 254 876	R42 761 272	R27 493 481
Difference	R13 777 518	R2 934 148	R2 516 959	R333 996

Note: A reconciliation of the BAFO price submitted and the previous price used for evaluation is attached hereto (Annexure B)

TD

6) Bidder 1's BAFO price was reduced by R13.8 million (31%). This is a significant reduction from the original price offer;

7) Bidder 1 did not provide confirmation of the foreign currency content applicable to the new BAFO price. This information was requested from the Bidders as any reduction in offer prices could change the proportion of the foreign currency content to the new price. The other 3 Bidders provided this information as requested. A further clarification letter was therefore issued to Bidder 1 in order to obtain this information. The response from Bidder 1 was to make reference back to the tender documents of 30 April 2013. Accordingly we reverted back to the foreign content amounts provided on the original price offer (Appendix E of the original tender submission) and applied the same percentage allocation to the BAFO price for the purposes of completing the evaluation. It should be noted that this percentage does not tie in to the local content % declaration. Any change in the foreign content percentage in relation to the new BAFO price could have a significant impact on the ranking as Bidder 1 and Bidder 2's final scoring are almost the same (0.8 points difference);

8) Bidder 3 in their response indicated their concern around the integrity of the tender process. An extract from their response letter dated 9 January 2014 is quoted below:

"(*Please note that with respect to TFR's request that bidders provide a quotation "using subcontractors of (their) choice not Transnet Engineering"; we trust that this does not allow a bidder who did not previously offer a non-Transnet Engineering option to now amend their bid to include a new "private sector" offer. If this is the case we are concerned that this could jeopardize the integrity of the tender process*)";

9) Some bidders included additional SD related proposals in their response. We advised SCS of these items for further consideration;

10) This memorandum must be read in conjunction with the CFET (Finance) report dated 10th December 2013;

M.M TD

CONCLUSION:

11) The updated evaluation results are reflected below:

SCENARIO 3 - Total Cost Of Ownership (TCO) excluding unscheduled and excluding scheduled maintenance and excluding bonus point allocation

FINANCIAL EVALUATION - FINANCIAL SUMMARY - 465 DIESELS

	WHAT IS BEING MEASURED	WEIGHT	EFFECTIVE WEIGHT	BIDDER			
				1	2	3	4
1	Price	30.00%	18.00%	6.00	6.00	0.00	30.00
2	Total Cost Of Ownership (TCO)	20.00%	12.00%	4.00	0.00	0.00	4.00
3	Delivery Schedule (DS)	25.00%	15.00%	4.00	6.00	4.00	9.00
4	Payment Terms (PT)	10.00%	6.00%	10.00	10.00	8.00	9.00
5	RFP & Contractual Compliance (CC)	10.00%	6.00%	8.75	8.75	7.00	7.88
6	Financial Stability (FS)	5.00%	3.00%	2.38	3.00	3.25	2.38
	TOTAL SCORE	100.00%	60.00%	34.13	32.75	22.25	61.88
				20.48	19.65	13.35	37.13

12) Bidder 4 still has the highest overall points scoring. The final scoring for Bidder 1 and Bidder 2 is almost the same (0.8 points difference).

SUBMITTED BY:

Mr. Mohammed Moola
Senior Manager: TFR
Date: 15/1/2014

Mr. Danie Smit
Deputy Treasurer: Middle Office: Group Treasury
Date: 2014/01/16

15/1/14
Mr. Yousuf Laher
Executive Manager: TFR
Date:

Mr. Thabo Seapi
Senior Manager: TFR
Date: 15/01/2014

Mr. Zunaid Vally
Executive Manager: TFR
Date:

Mr. Tsietsi Tlaletsi
Debt Manager: Group Treasury
Date: 15/1/2014

Transnet SOC Ltd
Registration Number 1990/000900/30

Carlton Centre
150 Commissioner Str. Johannesburg
2001

P.O. Box 72501
Parkview
South Africa, 2122
T +27 11 308 2526
F +27 11 308 2312

ANNEXURE A

TRANSNET

MEMORANDUM

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To: The Chairperson (Mr. Thamsanqa Jiyane) and the Cross Functional Evaluation Team (CFET) for the Tenders for the Supply of 599 (COCO) New Dual Voltage Locomotives and the 465 New Diesel Locomotives for the General Freight Business (GFB)

From: Mr. Brian Molefe, Group Chief Executive, Transnet SOC Ltd
Mr. Anoj Singh, Group Chief Financial Officer, Transnet SOC Ltd
Mr. Siyabonga Gama, Chief Executive, Transnet Freight Rail

Date: 27 December 2013

SUBJECTS: 1. REQUEST FOR APPROVAL TO SHORT LIST TENDERERS AND FINAL AND BEST OFFER FOR THE SUPPLY OF 599 (COCO) NEW DUAL VOLTAGE LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB), AND

2. REQUEST FOR APPROVAL TO REQUEST FOR THE FINAL AND THE BEST OFFER FOR THE SUPPLY OF 465 NEW DIESEL LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB)

PURPOSE:

1) The purpose of this memo is to;

- Acknowledge receipt of the final reports from the CFET dated 23 December 2013
- Approve that option 3 (excluding unscheduled and excluding scheduled maintenance and excluding bonus point allocation) for evaluations will be considered for final evaluations including the final recommendation;
- Authorize the CFET to issue a request for the best and final offer for both the tenders for 599 New Dual Voltage Locomotives (to only the top 2 highest scoring tenderers while the rest will be informed that Transnet will only engage them should negotiations with the top 2 be unsuccessful and 465 New Diesel Locomotives (all the 4 bidders) for the GFB;
- Note that the above actions are subject to Board of Directors approval;
- Recommend to the Transnet Board of Directors to negotiate with 2 highest scoring tenderers and to award the business for the supply of 599 New Dual Voltage locomotives; and
- Recommend to the Transnet Board of Directors to negotiate with 2 highest scoring tenderers and to award the business for the supply of 465 New Diesel locomotives;

BACKGROUND:

2) The CFET finalized the evaluations for 599 New Dual Voltage and 465 Diesel Locomotives on or about the 21 December 2013.

ANNEXURE A

3) The reports were presented to the subcommittee of the Locomotive Steering Committee that oversees the evaluations being Mr Gama; Mr Singh and Mr Molefe.

4) The subcommittee raised concerns regarding the pricing on the diesel locomotives as well as the significant impact the overall locomotive acquisition process has on the MDS strategy in particular the Company' s ability to achieve its GFB volume targets.

5) The CFET was requested to address the concerns relating to the price of the diesel locomotives but their report once again reconfirmed that the base prices were a concern.

6) The consolidated report for the evaluations proposing to negotiate (with a request for best and final offer including the TE scope of work) and award for the 599 New Dual Voltage Locomotives and proposing a best and final offer with TE scope for 465 New Diesel Locomotives.

MOTIVATION

7) It is critical for Transnet to receive these locomotives as soon as possible due to the impact on MDS volumes.

8) The recommended approach allows for the most efficient and effective BADC and Board approval process whilst still addressing the commercial concerns around pricing.

9) The tenders will be split between 2 tenderers each i.e. there will be 2 tenderers awarded the 599 New Dual Voltage Locomotives and 2 tenderers awarded the 465 New Diesel Locomotives.

10) The selection of 2 tenderers in our opinion reduces delivery risk; allows for locomotive standardization and reduced complexity from a TE build perspective.

11) The request for the Final and Best offer on both tenders ~~should be based on a minimum split of 50/50 but~~ will be finalized after the final and best offers are received but before submission to Board for approval.

12) The Chairpersons of the BADC and Board of Directors of Transnet has been briefed on the above process and the recommended way forward and they are both in support of this process.

13) TIA has also been has been briefed on the above process and the recommended way forward and they are both in support of this process.

ANNEXURE A

RECOMMENDATION

14) The following items are approved to be done immediately

- Acknowledge receipt of the final reports from the CFET dated 23 December 2013
- Approve that option 3 (excluding unscheduled and excluding scheduled maintenance and excluding bonus point allocation) for evaluations will be considered for final evaluations including the final recommendation;
- Authorize the CFET to issue a request for the best and final offer for both the tenders for 599 New Dual Voltage Locomotives (to only the top 2 highest scoring tenderers while the rest will be informed that Transnet will only engage them should negotiations with the top 2 be unsuccessful and 465 New Diesel Locomotives (all the 4 bidders) for the GFB;
- Note that the above actions are subject to Board of Directors approval;
- Recommend to the Transnet Board of Directors to negotiate with 2 highest scoring tenderers and to award the business for the supply of 599 New Dual Voltage locomotives; and
- Recommend to the Transnet Board of Directors to negotiate with 2 highest scoring tenderers and to award the business for the supply of 465 New Diesel locomotives;

PREPARED BY:

Mr. Siyabonga Gama
Chief Executive: Transnet Freight Rail
Date: 2014 · 01 · 14

Mr. Anoj Singh
Chief Financial Officer: Transnet SOC Ltd
Date: 31/12/13

APPROVED/ ~~NOT APPROVED BY:~~

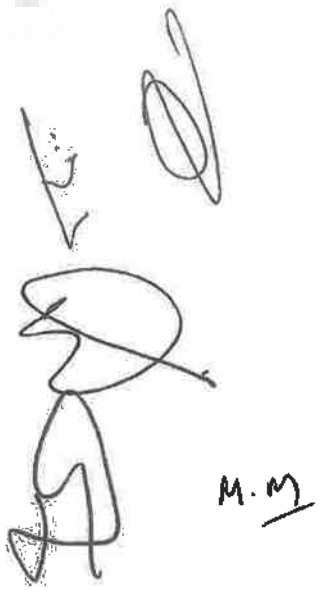
Mr. Brian Molefe
Group Chief Executive: Transnet SOC Limited
Date: 31 · 12 · 13 ·

Annexure B

Reconciliation between BAFO (Best and Final Offer) submitted in January 2014 and prices used for evaluation as per December 2013 report

	Bidder 1	Bidder 2	Bidder 3	Bidder 4
BAFO price per loco as submitted by bidder	28 124 160	26 900 000	32 789 000	24 311 700
Add adjustments for items to reconcile to price per Annexure F:	493 202	548 193	2 275 091	34 141
Special tooling	22 767		33 724	31 075
Engineering support				
Capital Spares	442 830	532 721	407 915	
Consumables			1 756 462	3 066
Spares holding	27 595	15 472	74 399	
Setup cost				
Insurance			2 534	
Rounding	-10		-1	
Customs				
Forex Hedging				
Price per loco submitted as per annex F , before the impact adjustments and options	28 617 391	27 448 193	34 064 251	24 345 841
Adjustments to normalise:				
Deduct Schedule 9 capital spares		-126 034		
Add spares not included	41 012		26 855	497 257
Deduct Forex hedging		-100 000		
Sub Total 1 (Amended BAFO Price excluding impact of hedging and escalations)	28 658 383	27 222 159	35 090 890	24 843 098
Add Options	496 108	196 399	1 049 437	881 342
Sub Total 2 - Amended BAFO Price with options included (Capital acquisition cost)	29 154 491	27 418 558	36 140 326	25 724 440
Impact of Re-basing for foreign exchange movements	1 300 844	2 902 170	4 122 287	1 415 046
Sub Total 3 (Amended BAFO Total price before TE adjustment)	30 455 335	30 320 728	40 244 313	27 139 486
Impact of not using TE as the main sub-contractor				
BAFO - Price used for evaluation	30 455 335	30 320 728	40 244 313	27 139 486
Price used for evaluation before BAFO	44 232 853	33 254 876	42 761 272	27 493 481
Difference	13 777 518	2 934 148	2 516 959	353 995
Made up of:				
Discount on price	12 375 831	2 499 153	2 091 800	368 800
Forex change due to import content and rate changes	1 401 687	434 995	425 159	67 195

Note: 1. The BAFO prices requested from bidders was without the use of TE as a subcontractor.
Therefore the impact of using TE as main subcontractor is already being factored into the initial BAFO price.



Transnet SOC Ltd.
Registration
Number
1990/000900/30

13 Girton Road.
Parktown
2193

Private Bag X47
Johannesburg
2000
Tel: 011 584 0509
Fax: 011 774 9978

TRANSNET

www.transnet.net

MEMORANDUM

TO : 1064 Locomotive Steering Committee

FROM : The Cross Functional Evaluation Team (CFET) (Finance)

DATE : 15 January 2014

SUBJECT : **599 ELECTRIC LOCOMOTIVES – RESULTS OF 'BEST AND FINAL OFFER' RESPONSES**

PURPOSE:

1) The purpose of this memo is to provide the steering committee with an update of the results of the 'Best and Final Offer (BAFO)' response from Bidders 1 and 2;

BACKGROUND:

2) On 27 December 2013 the 1064 steering committee issued a memo (Attached Annexure A) to the CFET Finance requesting that a 'Best and Final Offer' letter be issued to Bidders 1 and 2;

3) Responses from Bidders 1 and 2 were received on 10 January 2014;

BUDGET IMPLICATIONS:

4) There are no budget implications applicable to this memo;

FINANCIAL IMPLICATIONS:

Outcome of responses received:

5) The table below outlines the BAFO prices as provided by the Bidders 1 and 2:

		Bidder 1	Bidder 2
	BAFO Evaluated price	R32 377 762	R32 462 295
	Previous Evaluated price	R32 833 423	R34 716 188
	Difference	R455 661	R2 253 893

Note: A reconciliation of the BAFO price submitted and the previous price used for evaluation is attached hereto (Annexure B)

M.M

TB

Transnet SOC Ltd
Registration
Number
1990/000900/30

Carlton Centre
150 Commissioner
Str. Johannesburg
2001

P.O. Box 72501
Parkview
South Africa, 2122
T +27 11 308 2528
F +27 11 308 2312

ANNEXURE A

TRANSNET

MEMORANDUM

Copy - Return to Finance

www.transnet.net

To: The Chairperson (Mr. Thamsanqa Jiyane) and the Cross Functional Evaluation Team (CFET) for the Tenders for the Supply of 599 (COCO) New Dual Voltage Locomotives and the 465 New Diesel Locomotives for the General Freight Business (GFB)

From: Mr. Brian Molefe, Group Chief Executive, Transnet SOC Ltd
Mr. Anoj Singh, Group Chief Financial Officer, Transnet SOC Ltd
Mr. Siyabonga Gama, Chief Executive, Transnet Freight Rail

Date: 27 December 2013

SUBJECTS: 1. REQUEST FOR APPROVAL TO SHORT LIST TENDERERS AND FINAL AND BEST OFFER FOR THE SUPPLY OF 599 (COCO) NEW DUAL VOLTAGE LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB), AND

2. REQUEST FOR APPROVAL TO REQUEST FOR THE FINAL AND THE BEST OFFER FOR THE SUPPLY OF 465 NEW DIESEL LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB)

PURPOSE:

1) The purpose of this memo is to;

- Acknowledge receipt of the final reports from the CFET dated 23 December 2013
- Approve that option 3 (excluding unscheduled and excluding scheduled maintenance and excluding bonus point allocation) for evaluations will be considered for final evaluations including the final recommendation;
- Authorize the CFET to issue a request for the best and final offer for both the tenders for 599 New Dual Voltage Locomotives (to only the top 2 highest scoring tenderers while the rest will be informed that Transnet will only engage them should negotiations with the top 2 be unsuccessful and 465 New Diesel Locomotives (all the 4 bidders) for the GFB;
- Note that the above actions are subject to Board of Directors approval;
- Recommend to the Transnet Board of Directors to negotiate with 2 highest scoring tenderers and to award the business for the supply of 599 New Dual Voltage locomotives; and
- Recommend to the Transnet Board of Directors to negotiate with 2 highest scoring tenderers and to award the business for the supply of 465 New Diesel locomotives;

BACKGROUND:

2) The CFET finalized the evaluations for 599 New Dual Voltage and 465 Diesel Locomotives on or about the 21 December 2013.

ANNEXURE A

RECOMMENDATION

14) The following items are approved to be done immediately

- Acknowledge receipt of the final reports from the CFET dated 23 December 2013
- Approve that option 3 (excluding unscheduled and excluding scheduled maintenance and excluding bonus point allocation) for evaluations will be considered for final evaluations including the final recommendation;
- Authorize the CFET to issue a request for the best and final offer for both the tenders for 599 New Dual Voltage Locomotives (to only the top 2 highest scoring tenderers while the rest will be informed that Transnet will only engage them should negotiations with the top 2 be unsuccessful and 465 New Diesel Locomotives (all the 4 bidders) for the GFB;
- Note that the above actions are subject to Board of Directors approval;
- Recommend to the Transnet Board of Directors to negotiate with 2 highest scoring tenderers and to award the business for the supply of 599 New Dual Voltage locomotives; and
- Recommend to the Transnet Board of Directors to negotiate with 2 highest scoring tenderers and to award the business for the supply of 465 New Diesel locomotives;

PREPARED BY:

Mr. Siyabonga Gama
Chief Executive: Transnet Freight Rail
Date: 2014 · 01 · 14

Mr. Anoj Singh
Chief Financial Officer: Transnet SOC Ltd
Date: 31/12/13.

APPROVED/ ~~NOT APPROVED BY:~~

Mr. Brian Molefe
Group Chief Executive: Transnet SOC Limited
Date: 31.12.13.

Annexure B

Reconciliation between BAFO (Best and Final Offer) submitted in January 2014 and prices used for evaluation as per December 2013 report

	Bidder 1	Bidder 2
BAFO price per loco as submitted by bidder	**29 049 486**	**28 890 000**
Add adjustments for items to reconcile to price per Annexure F:	1 821 465	636 007
Special tooling	3 762	34 789
Engineering support		
Capital Spares	491 240	402 918
Consumables	45 302	
Spares holding	27 405	198 300
Setup cost		
Insurance		
Rounding		
Forex Hedging	1 253 756	
Price per loco submitted as per annex F, before the impact adjustments and options	**30 870 951**	**29 526 007**
Adjustments to normalise:		
Deduct Schedule B capital spares	-16 360	-122 648
Deduct Forex hedging	-1 253 756	-
Sub Total 1 (Amended BAFO Price excluding impact of hedging and escalations)	**29 600 836**	**29 403 359**
Add Options	1 266 001	1 262 187
Sub Total 2 - Amended BAFO Price with options included (Capital acquisition cost)	**30 866 836**	**30 665 546**
Impact of Re-basing (foreign exchange movements)	1 510 926	1 796 749
Sub Total 3 (Amended BAFO Total price before TE adjustment)	**32 377 762**	**32 462 295**
Impact of not using TE as the main sub-contractor		
BAFO - Price used for evaluation	**32 377 762**	**32 462 295**
Price used for evaluation before BAFO	32 833 423	34 716 188
Difference	**455 661**	**2 253 893**
Made up of:		
Discount on price	-	2 010 000
Forex change due to import content and rate changes	455 661	243 893

Note:
1. The BAFO prices requested from bidders was without the use of TE as a subcontractor.
   Therefore the impact of using TE as main subcontractor is already being factored into the initial BAFO price.
2. Bidder 1 did not provide BAFO price but provided the foreign currency component percentage which was used to update the rebasing of foreign portion of the price.
3. Bidder 2 provided a new BAFO price and a new foreign currency component percentage. These were used to update the price.

M.M

TD

YL 32

CSR 中国南车

To:
Lindiwe Mdletshe
Commodity Manager
Supply Chain Services

TRANSNET FREIGHT RAIL

Inyanda House 2, 21 Wellington Road,
Parktown, Johhanesburg, South Africa

E-mail: Lindiwe.Mdletshe@transnet.net

From:
Wang Pan
General Manager

CSR E-Loco Supply (Pty) Ltd.

1st Floor, China Construction Bank Building,.
95 Grayston Drive, Sandton, 2196,
Johannesburg

Tel.: +27-10 007 1127
Cell: +27-72 562 5154
Fax: +27-86 599 7734
E-mail: alton@csrzelc.com

Date: 21st February, 2014
Our Ref.: TFRAC-HO-8608/CSRE-007

Subject: Updated Price Proposal for Supply of 599 New Dual-Voltage Electric Locomotives for the General Freight Business (GFB) for TFR

RFP No.: HOAC-HO-8608

Dear Lindiwe,

CSR E-Loco Supply (Pty) Ltd would like to thank you for the opportunity to provide Transnet Freight Rail with an ***Updated Price Proposal***.

According to the post-tender negotiation between Transnet Freight Rail (TFR) and CSR E-Loco Supply Pty Ltd from 04th February 2014 to 20th February 2014, CSR E-Loco Supply Pty Ltd would like to provide TFR with updated price based on the payment term and conditions, but based on that TE can delivery up to 12 electric locomotives per month. This price is still based on our Bid Response Document and the updated subcontract offer provided by Transnet Engineering.

1 Updated Price Proposal based on Option 1

1.1 TE's Scope of Supply (Option 1)

The option 1 is based on scope of supply of Transnet Engineering as its original proposal as following, which excluded wheelset assembly, traction motor assembly, HV cubicle assembly and LV cubicle assembly. CSR E-Loco Supply Pty Ltd also provides CSR ZELC's cost of respective items. Please TFR kindly check and evaluate it.

Table 1(a) TE's Scope of Supply (Option 1 for 360 sets of Co-Co locomotives)

No.	Name of component	Qty. of locos	TE –price / Loco	CSR ZELC –Cost /Loco
1	Carbody	305	R 3,386,433	R 2,294,483
2	Bogie	305	R 1,450,214	R 749,641
3	Electrical system	305	R 168,112	R 84,056

CSR 中国南车

No.	Name of component	Qty. of locos	TE –price / Loco	CSR ZELC –Cost /Loco
4	Cooling and ventilation system	305	R 103,590	R 94,760
6	Cab (only mechanical parts)	305	R 450,654	R 255,567
7	Interior equipment	305	R 173,861	R 112,919
10	Wiring	305	R 831,191	R 294,554
11.	Components of brake system	305	R 74,524	R 62,476
12.	Final assembly of locomotive			
12.1	Final assembly of locomotive	305	R 1,586,772	R 506,324
12.2	Final assembly of locomotive	15	R 1,586,772	R 506,324
13.	Test and commission	320	R 244,716	R 66,895
Subtotal per locomotive			**R 8,560,139**	**R4,549,866.16**

Table 1(b) TE's Scope of Supply (Option 1 for 300 sets of Co-Co locomotives)

No.	Name of component	Qty. of locos	TE –price / Loco	CSR ZELC –Cost /Loco
1	Carbody	245	R 3,386,433	R 2,294,483
2	Bogie	245	R 1,450,214	R749,641
3	Electrical system	245	R168,112	R84,056
4	Cooling and ventilation system	245	R103,590	R94,760
6	Cab (only mechanical parts)	245	R450,654	R255,567
7	Interior equipment	245	R173,861	R112,919
10	Wiring	245	R831,191	R294,554
11.	Components of brake system	245	R74,524	R62,476
12.	Final assembly of locomotive			

CSR 中国南车

No.	Name of component	Qty. of locos	TE –price / Loco	CSR ZELC –Cost /Loco
12.1	Final assembly of locomotive	245	R 1,586,772	R506,324
12.2	Final assembly of locomotive	15	R 1,586,772	R506,324
13.	Test and commission	260	R244,716	R66,895
Subtotal per locomotive			**R 8,582,198**	**R4,556,770.10**

Table 1(c) TE's Scope of Supply (Option 1 for 240 sets of Co-Co locomotives)

No.	Name of component	Qty. of locos	TE –price / Loco	CSR ZELC –Cost /Loco
1	Carbody	185	R 3,386,433	R 2,294,483
2	Bogie	185	R 1,450,214	R 749,641
3	Electrical system	185	R 168,112	R 84,056
4	Cooling and ventilation system	185	R 103,590	R 94,760
6	Cab (only mechanical parts)	185	R 450,654	R 255,567
7	Interior equipment	185	R 173,861	R 112,919
10	Wiring	185	R 831,191	R 294,554
11.	Components of brake system	185	R 74,524	R 62,476
12.	Final assembly of locomotive			
12.1	Final assembly of locomotive	185	R 1,586,772	R 506,324
12.2	Final assembly of locomotive	15	R 1,586,772	R 506,324
13.	Test and commission	200	R 244,716	R 66,895
Subtotal per locomotive			**R 8,618,565**	**R4,568,152.26**

1.2 Updated Locomotive Price Proposal

Based on the above-mentioned offer from TE and according to technical proposal, negotiated terms and conditions with Transnet Freight Rail, CSR E-Loco Supply (Pty) Ltd. would like to provide TFR with following updated price.

The base price of each new electric locomotive with Co-Co bogie configuration, excluding VAT, hedging cost and escalation is as following. The updated prices are based on our technical proposal and negotiation terms from 4th February 2014 to 20th February 2014, especially 10% of advance payment and TE production ramp up to 12 locos per month at the peak.

Table 2 Updated Price Proposal based On Option 1

No.	Description	Qty.	Base price per locomotive excluding VAT, escalation and hedging cost on April 2013	Base price per locomotive excluding VAT, escalation and hedging cost on February 2014	Fixed price including escalation, excluding VAT and hedging cost	Fixed price including escalation and hedging cost, excluding VAT	Price for fleet of locomotives
1	Co-Co Locomotive	480	R32,370,000.00	R 38,164,225.00	R 49,993,707.00	R52,048,202.00	R 24,983,136,960.00
2	Co-Co Locomotive	420	R33,341,100.00	R 39,223,635.00	R 50,379,426.00	R52,352,311.00	R 21,987,970,620.00
3	Co-Co Locomotive	360	R34,312,200.00	R 40,283,045.00	R 51,034,721.00	R52,907,164.00	R 19,046,579,040.00
4	Co-Co Locomotive	300	R37,316,136.00	R 43,560,141.00	R 54,802,654.00	R56,716,643.00	R 17,014,992,900.00
5	Co-Co Locomotive	240	R38,196,600.00	R 44,520,674.00	R 56,169,400.00	R57,967,319.00	R 13,912,156,560.00

ESCALATION FORMULA

	Weight in South African portion	Weight in the total price	Weighted Index**		Weight in US Dollar portion	Weight in the total price	Weighted Index**
South African Rand Portion		55.00%	10.44%-	US Dollars Portion		45.00%	8.82%
PPI	20.00%			PPI	20.00%		
CPI	47.00%			CPI	47.00%		
Hot Rolled Steel Plates	28.00%			Hot Rolled Steel Plates	28.00%		
Fixed portion	5.00%			Fixed portion	5.00%		
Integrated Escalation Rate per year		9.71%					

2 Updated Price Proposal based On Option 2

2.1 TE's Scope of Supply (Option 2)

The option 2 is based on scope of supply of Transnet Engineering as following, which include TE's original proposal and wheelset assembly, traction motor assembly, HV cubicle assembly and LV cubicle assembly. CSR E-Loco Supply Pty Ltd. also provides CSR ZELC's cost of respective items.

Table 3 (a) TE's Scope of Supply (Option 2 for 360 sets of Co-Co locomotives)

No.	Name of component	Qty. of locos	TE –price/ Loco	CSR ZELC– Cost / Loco
1	Carbody	305	R 3,386,433	R2,294,483
2	Bogie	305	R 1,522,980	R 778,020
3	Electrical system	305	R206,373	R 100,508
4	Cooling and ventilation system	305	R103,590	R 94,760
6	Cab (only mechanical parts)	305	R450,654	R 255,567
7	Interior equipment	305	R 1,176,565	R 514,001
10	Wiring	305	R831,191	R 294,554
11.	Components of brake system	305	R74,524	R 62,476
12.	Final assembly of locomotive			
12.1	Final assembly of locomotive	305	R 1,586,772	R 506,324
12.2	Final assembly of locomotive	15	R 1,586,772	R 506,324
13.	Test and commission	320	R244,716	R 66,895
Subtotal per locomotive			**R 9,673,871**	**R 4,995,779.13**

Table 3 (b) TE's Scope of Supply (Option 2 for 300 sets of Co-Co locomotives)

No.	Name of component	Qty. of locos	TE –price / Loco	CSR ZELC –Cost / Loco
1	Carbody	245	R 3,386,433	R2,294,483
2	Bogie	245	R 1,522,980	R 778,020
3	Electrical system	245	R206,373	R 100,508
4	Cooling and ventilation system	245	R103,590	R 94,760
6	Cab (only mechanical parts)	245	R450,654	R 255,567

CSR 中国南车

No.	Name of component	Qty. of locos	TE –price / Loco	CSR ZELC –Cost / Loco
7	Interior equipment	245	R 1,176,565	R 514,001
10	Wiring	245	R831,191	R 294,554
11.	Components of brake system	245	R74,524	R 62,476
12.	Final assembly of locomotive			
12.1	Final assembly of locomotive	245	R 1,586,772	R 506,324
12.2	Final assembly of locomotive	15	R 1,586,772	R 506,324
13.	Test and commission	260	R244,716	R 66,895
Subtotal per locomotive			**R 9,695,930**	**R 5,002,683.07**

Table 3(c) TE's Scope of Supply (Option 2 for 240 sets of Co-Co locomotives)

No.	Name of component	Qty. of locos	TE –price / Loco	CSR ZELC –Cost /Loco
1	Carbody	185	R 3,386,433	R2,294,483
2	Bogie	185	R 1,522,980	R 778,020
3	Electrical system	185	R206,373	R 100,508
4	Cooling and ventilation system	185	R103,590	R 94,760
6	Cab (only mechanical parts)	185	R450,654	R 255,567
7	Interior equipment	185	R 1,176,565	R 514,001
10	Wiring	185	R831,191	R 294,554
11.	Components of brake system	185	R74,524	R 62,476
12.	Final assembly of locomotive			
12.1	Final assembly of locomotive	185	R 1,586,772	R 506,324
12.2	Final assembly of locomotive	15	R 1,586,772	R 506,324
13.	Test and commission	200	R244,716	R 66,895
Subtotal per locomotive			**R 9,732,297**	**R 5,014,065.23**

2.2 Updated Locomotive Price Proposal

Based on the above-mentioned offer from TE and according to technical proposal, negotiated terms and conditions with Transnet Freight Rail, CSR E-Loco Supply (Pty) Ltd. would like to provide TFR with following updated price.

The base price of each new electric locomotive with Co-Co bogie configuration, excluding VAT, hedging cost and escalation is as following. The updated prices are based on our technical proposal and negotiation terms from 4th February 2014 to 20th February 2014, especially 10% of advance payment and TE production ramp up to 12 locos per month at the peak.

Compared with the Option 1, Transnet Engineering requested to add assembly of wheelset, traction motor, HV cubicle and LV cubicle into its scope of supply. These components are high-tech and safety critical for locomotive. According to the current capacity, capability and resource of TE, even if CSR ZELC transfers technology of the mentioned components to TE properly, there are huge risk for the delivery schedule and quality of locomotives. In this case, CSR E-Loco Supply (Pty) Ltd should not get any penalty from TFR regarding the delay of delivery schedule, non-conformity of quality, reliability and availability of the locomotives, which are caused by manufacturing and assembly of these components by TE.

And CSR E-Loco Supply (Pty) Ltd will reserve the right to claim for compensation, which caused by manufacturing and assembly of these components by TE.

CSR E-Loco Supply (Pty) Ltd commits to realize the localization target in our Bid Response Documents. CSR E-Loco Supply (Pty) Ltd would like to achieve the commitment through the following solutions:

- manufactured by the local subsidiaries of CSR ZELC, or
- manufactured by the joint venture established by CSR ZELC and local partners, or
- cooperatively manufactured by the local suppliers

CSR ZELC would like to cooperate with TE to manufacture and assembly these components in one of above-mentioned way, in the condition that TE has obviously improved the quality management system, manufacturing capability and capacity, procurement and supplier management, human resource and production process.

Table 4 Updated Price Proposal based On Option 2

No.	Description	Qty.	Base price per locomotive excluding VAT, escalation and hedging cost on April 2013 without additional scope	Base price per locomotive excluding VAT, escalation and hedging cost on February 2014	Fixed price including escalation, excluding VAT and hedging cost*	Fixed price including escalation and hedging cost, excluding VAT	Price for fleet of locomotives
1	Co-Co Locomotive	480	R 32,370,000.00	R38,832,463.00	R54,993,078.00	R57,307,118.00	R 27,507,416,750.00
2	Co-Co Locomotive	420	R 33,341,100.00	R39,891,873.00	R56,424,957.00	R58,634,589.00	R 24,626,527,235.00
3	Co-Co Locomotive	360	R 34,312,200.00	R40,951,283.00	R58,689,929.00	R60,843,238.00	R 21,903,565,751.00
4	Co-Co Locomotive	300	R 37,316,136.00	R44,228,379.00	R65,763,185.00	R68,059,971.00	R 20,417,991,381.00
5	Co-Co Locomotive	240	R 38,196,600.00	R45,188,912.00	R67,403,280.00	R69,560,783.00	R 16,694,587,983.00

Note:* The risk consideration and calculation is included.

ESCALATION FORMULA

	Weight in South African portion	Weight in the total price	Weighted Index**		Weight in US Dollar portion	Weight in the total price	Weighted Index**
South African Rand Portion		55.00%	10.44%-	US Dollars Portion		45.00%	8.82%
PPI	20.00%			PPI	20.00%		
CPI	47.00%			CPI	47.00%		
Hot Rolled Steel Plates	28.00%			Hot Rolled Steel Plates	28.00%		
Fixed portion	5.00%			Fixed portion	5.00%		
Integrated Escalation Rate per year		9.71%					

3 Break Pricing

Tender TFRAC-HO-8608 requires 'break pricing' in the event that the Locomotive acquisition program or any part thereof is terminated prior to its anticipated completion. The table below indicates the 'cancelation costs' that will be invoiced should termination take place at the break points provided by TFR Tender TFRAC-HO-8608.. CSR E-Loco Supply (Pty) Ltd calculated break pricing at intervals indicated in the table that follows.

Table 5 Breaking Price

Break point based on delivered locomotives	Cancellation costs
40 Locomotives	R 548,720,697.40
90 Locomotives	R 477,012,876.06
140 Locomotives	R 349,185,897.04
190 Locomotives	R 190,000,000.00
290 Locomotives	R 72,331,367.35
340 Locomotives	R 12,193,615.00
400 Locomotives	R6,600,000.00

Note:

1. This break cost is calculated based on the influence of breaking on the amortization of design cost, human resource reservation, financial amortization cost and others. The breaking price doesn't include any profit of CSR E-Loco Supply (Pty) Ltd.

2. This cancelation cost will be levied strictly at break points set out in the Table 5 above.

3. The above breaking price assumes that CSR E-Loco Supply (Pty) Ltd will be able to liquidate any material components procured for locomotive supply prior to notice of cancellation (due no fault of CSR E-Loco Supply (Pty) Ltd). This means the notice period has been assumed to be sufficient to complete the manufacture of the relevant locomotives and to accommodate their acceptance by TFR.

4 Capital Spares and Warranty Spares

CSR E-Loco Supply (Pty) Ltd has updated the price of capital spare parts, which is effective before end of 2015. The price will be escalated in the future according to the CPI index of South African. The quantity of the spare parts will be determined during design review and finalized after design frozen.

Table 6 Unit Price of Capital Spares

Component	The unit price of acquisition before end of 2015
Main Transformer	R2,333,084.67
Main Transformer Cooling Tower	R907,310.71

Component	The unit price of acquisition before end of 2015
Pantograph	R140,800.56
Vacuum Circuit Breaker	R253,106.16
Power Converting Cubicles	R5,153,954.30
Low Voltage Cubicle	R1,114,183.68
Control System Components	R1,345,984.31
Brake Resistor Tower complete	R435,938.63
Traction Motor complete with Pinion	R725,848.56
Traction Motor Blower assembly	R 94,964.68
Air Equipment Frame	R801,949.15
Main Air Compressor Assembly	R472,485.69
Bogie Complete	R5,545,860.22
Wheelsets complete with gear wheels (including wheels, axle, gear and cannon box, excluding traction motor, axle box and gear box)	R771,897.57
HV voltage transformer	R160,723.61
Main converter module	R809,002.10
Auxiliary converter module	R803,173.22
Control power supply cabinet	R492,540.10
Draft gear	R131,036.22
Air conditioner set	R209,646.48

5 Hedging Cost

The above-mentioned price is based on the exchange rate 1 USD = 9.1508 South African Rand, and 1 Euro = 11.9304 South African Rand, which is referred from South African Reserve Bank on 26th April 2013.

Based on our calculation, about 55% of the Bid price is South Africa Rand, and about 45% of the Bid Price is US dollars. The exchange rate between US dollars and South Africa Rand is about 10.9 on 17th February 2014.

According to proposal from Bank, the hedging cost will be as follows, which is based on the initial exchange rate 10.9. This information is just for TFR's reference.

Table 7 Hedging Cost Provided by Bank

Period	Forward	Hedging Cost	Required Credit Ratio
1st Year	11.90	7.3%	20%
2nd Year	12.78	15.24%	30%
3rd Year	13.67	23.26%	35%

Period	Forward	Hedging Cost	Required Credit Ratio
4th Year	14.56	31.29%	40%
5th Year	15.44	39.22%	45%

6 Delivery Schedule

Table 8 Proposed Delivery Schedule

	2014/2015		2015/2016		2016/2017		2017/2018		2018/2019		Total
			CSR	TE	CSR	TE	CSR	TE	CSR	TE	
April	EOC					12		12		12	
May						12		12		12	
June						12		12		12	
July						12		12		12	
August			2			12		12		12	
September			8			12		12		12	
October			10	2		12		12		12	
November			10	5		12		12		12	
December			10	8		10		10		10	
January				9		12		12		2	
February				12		12		12			
March				12		12		12			
Subtotal			40	48	0	142	0	142	0	108	480

Note:

a) The above-mentioned delivery schedule is based on that the Contract will come into effectiveness on 1st April 2014.

b) The delivery date is the acceptance date.

c) CSR E-Loco Supply (Pty) Ltd will provide CKD components for the first 15 locomotives delivered by Transnet Engineering.

d) 240 sets of Co-Co electric locomotives will be delivered before end of April 2017.

e) 300 sets of Co-Co electric locomotives will be delivered before end of September 2017.

f) 360 sets of Co-Co electric locomotives will be delivered before end of February

2018.

g) 420 sets of Co-Co electric locomotives will be delivered before end of July 2018.

h) 480 sets of Co-Co electric locomotives will be delivered before end of January 2019

7 Deferral of Delivery Schedule

According to the requirements provided by TFR expert regarding the cost of holding the locomotive, CSR E-Loco Supply (Pty) Ltd would like to provide the following response for holding the locomotives manufactured in China based on the good cooperation between Transnet Freight Rail and CSR E-Loco Supply (Pty) Ltd.:

a) if TFR asks CSR E-Loco Supply (Pty) Ltd. to keep them for less than 3 months, CSR E-Loco Supply (Pty) Ltd. will keep these locomotives for free.

b) if TFR asks CSR E-Loco Supply (Pty) Ltd. to keep them for more than 3 months but less than 6 months, CSR E-Loco Supply (Pty) Ltd. will keep the locomotives based on the cost of 1% per month per locomotive contract price.

c) if TFR asks CSR E-Loco Supply (Pty) Ltd. to keep them for more than 6 months but less than 12 months, CSR E-Loco Supply (Pty) Ltd. will keep the locomotives based on the cost of 1.5% per month per locomotive contract price.

d) if TFR asks CSR E-Loco Supply (Pty) Ltd. to keep them for more than 12 months but less than 24 months, CSR E-Loco Supply (Pty) Ltd. will keep the locomotives based on the cost of 2% per month per locomotive contract price.

e) If TFR asks CSR E-Loco Supply (Pty) Ltd. to keep them for more than two year, these locomotive should be treated as delivered, and TFR should pay the locomotive to CSR E-Loco Supply (Pty) Ltd.

Note: The above cost is based on the cost for occupation of funds, site fee, insurance fee, security fee and others.

Regarding the locomotives manufactured and assembled by Transnet Engineering in South Africa, it will be a fixed rate of R50 000 000 per month for each month that production is interrupted based on TE's updated offer.

8 Extended Warranty

According to the requirements of draft Contract, CSR E-Loco Supply (Pty) Ltd will provide TFR with the warranty for two years after the locomotive is accepted by TFR. Based on the calculation of CSR E-Loco Supply (Pty) Ltd., the cost for warranty extension of locomotive is as follows:

- 80% of each contract locomotive excluding VAT will be paid after the locomotive is accepted.
- 5% of the contract locomotive value will be paid after the reliability target is achieved.
- 5% of the contract locomotive value will be paid after the availability target is achieved.

100% payment is required upon completion of each work and to be paid within 10 Business Days after receipt of the Tax Invoice.

12 Local Content and Supplier Development

CSR E-Loco Supply (Pty) Ltd will consider manufacturing most of locomotives in South Africa based on its technology transfer in 20E locomotives project. The local content of the whole project will achieve 65.3% based on Co-Co locomotive according to our Bid Response Documents.

According to the calculation, the local content phase will be as follows:

Table 14 Local Content Commitment

Delivery Period	2015/2016	2016/2017	2017/2018	2018/2019
Local content	61.50%	64.00%	68.00%	75.00%

Thank you very much.

王攀

Wang Pan

Director of CSR E-Loco Supply (Pty) Ltd.

YL 33

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

WITNESS STATEMENT OF YOUSUF ISMAIL LAHER

I, the undersigned,

Yousuf Ismail Laher

do hereby state that:

1. I was previously requested in February 2019 by the Commission to provide a statement in respect of the procurement and evaluation processes followed by Transnet in the awarding of certain high value tenders to specific entities where I was personally involved in such processes.

2. I was also advised by the commission that I would testify and present my evidence before the commission on the 28th of May 2019.

3. Subsequently, due to evidence that Mr Callard presented to the commission, I was advised on the 24th of May that I would no longer be required to present my evidence to the commission.

4. I was provided with a rule 3.3 notice by the Commission on the 21st of May.

5. From a review of Mr Callards witness statement and the annexures provided by the commission, I wish to provide the commission with additional information that I believe will provide context to the statements or allegations made by Mr Callard and will eliminate confusion, misunderstanding and unintended inferences.

6. Therefore, I intend to request permission in terms of rule 3.3. to present evidence to the commission, both verbal and by way of a written submission. I also intend to request permission to present the evidence per my original statement to the commission dated 15 April 2019 as I believe that the evidence I present will add value to the commission and will shed further light on the 1064 locomotive and 100 locomotive transactions.

7. In the meantime I would like to apply for an extension to submit my application and statement later than the 14 days as directed in the rule 3.3. notice served upon me.

8. The reason for my request for an extension is because I would like to take legal counsel, however my legal counsel is travelling overseas presently and will only be back after the 6th of June 2019. I would therefore like to request an extension to Tuesday the 18th of June if that's possible. I will submit earlier if I can.

9. Per advice given to me by Ms Shannon Van Vuuren from the Commission, I will request for condonation for late filing when I submit my application and statement.

10. Your favourable consideration of my request for an extension would be appreciated.

31/05/2019

Yousuf Ismail Laher


COMMISSION OF INQUIRY
INTO STATE CAPTURE

YL 34

Yousuf Laher Transnet Freight Rail JHB

From:	Yousuf Laher Transnet Freight Rail JHB
Sent:	30 October 2017 09:54 AM
To:	Lindiwe Mdletshe Transnet Freight Rail JHB
Cc:	Nkululeko Sibiya Transnet Freight Rail JHB; Thamsanqa Jiyane Transnet Engineering KPK; 'Harold Jacobs'; 'Thandi Tshabalala'
Subject:	Info request from Werksmans

Dear Lindiwe, I got a call from Harold this morning.

He is requesting a soft copy of the finance CFET report, which you agreed to make available to him at last Fridays meeting.

Please can you make arrangements accordingly.

Regards

Siyabonga Gama, Group Chief Executive

TRANSNET

Our Ref No: SG/22047

The Cross Functional Evaluation Team
Transnet Freight Rail
15 Girton Road
Parktown
JOHANNESBURG
2001

Dear Member

REQUEST FOR THE 1064 LOCOMOTIVES CROSS FUNCTIONAL EVALUATION TEAM TO PROVIDE SUPPORT IN CLARIFYING ISSUES PERTAINING TO THE EVALUATIONS CONDUCTED FOR THE ACQUISITION OF THE LOCOMOTIVES

As you may be aware that there has been a number of media reports published to the general public around the procurement of 1064 Diesel and Electric locomotives for the General Freight Business. In response to the matter, the Transnet Board has tasked a dedicated sub-committee with the assistance of Werksmans Attorneys to oversee the investigations which must be concluded with utmost urgency.

To the extent that you were part of the evaluation team in specific stages of the procurement process, you might be required to make time available to provide assistance to the investigators by clarifying certain areas of the evaluations which were conducted at the time. Mr Jiyane who was the TFR Lead at the time has been tasked with responsibility to coordinate efforts regards to making the documents available to the investigators.

Mr Jiyane will be in contact with you to introduce the process and also answer some of the questions you may have.

Yours sincerely

Siyabonga Gama
Group Chief Executive
Date: 2017 · 10 · 25

Transnet SOC Ltd
Registration Number
1990/000900/30

Carlton Centre
150 Commissioner Street
Johannesburg
2001

P.O. Box 72501
Parkview, Johannesburg
South Africa, 2122
T +27 11 308 2309
F +27 11 308 2315

www.transnet.net

Yousuf Laher **Transnet Freight Rail JHB**

From: Nkululeko Sibiya Transnet Freight Rail JHB
Sent: 29 January 2018 11:43 AM
To: Nomfuyo Galeni Transnet Freight Rail JHB
Cc: Yousuf Laher Transnet Freight Rail JHB
Subject: RE: 1064 Locomotives - Local Content Committed Percentages

Hi Nomfuyo

It was a request from Yousuf on behalf of Francis since he is busy with the business case.

Regards

Nkululeko

From: Nomfuyo Galeni Transnet Freight Rail JHB
Sent: 29 January 2018 11:41 AM
To: Nkululeko Sibiya Transnet Freight Rail JHB <Nkululeko.Sibiya@transnet.net>
Cc: Yousuf Laher Transnet Freight Rail JHB <Yousuf.Laher@transnet.net>
Subject: Re: 1064 Locomotives - Local Content Committed Percentages

Where did the question emanate from .??
Sent from my iPad

On 29 Jan 2018, at 11:35 AM, Nkululeko Sibiya Transnet Freight Rail JHB <Nkululeko.Sibiya@transnet.net> wrote:

> Good morning Yousuf
>
> I hope this email finds you well.
>
> Kindly refer to the requested Local Content information below:
>
> GE = 55.74%
> CNR = 55.00%
> CSR = 60.52%
> BT = 60.1%
>
> Kind regards
>
> Nkululeko Sibiya

Yousuf Laher Transnet Freight Rail JHB

From: Orla Murphy <omurphy@werksmans.com>
Sent: 26 October 2017 06:53 PM
To: Lindiwe Mdletshe Transnet Freight Rail JHB
Cc: Thamsanqa Jiyane Transnet Engineering KPK; Harold Jacobs; Thandi Tshabalala; Adele Richards; Garry Pita Transnet Corporate JHB; Yousuf Laher Transnet Freight Rail JHB
Subject: RE: Acquisition of 1064 Locomotives [IWOV-Litigation.FID385171]

Dear Lindiwe

We refer to our trailing email and would appreciate your acknowledgment and confirmation that the documentation requested is available for collection.

Kind Regards

Orla Murphy
Candidate Attorney
T: +27 11 535 8127 | F: +27 11 535 8717 | omurphy@werksmans.com

Werksmans Attorneys
155 5th Street, Sandton, Johannesburg, 2196
Private Bag 10015, Sandton, 2146, South Africa
T: +27 11 535 8000 | F: +27 11 535 8600 | www.werksmans.com

From: Orla Murphy
Sent: 26 October 2017 09:05 AM
To: Lindiwe Mdletshe Transnet Freight Rail JHB <Lindiwe.Mdletshe@transnet.net>
Cc: 'Thamsanqa.Jiyane@transnet.net' <Thamsanqa.Jiyane@transnet.net>; Harold Jacobs <HJacobs@werksmans.com>; Thandi Tshabalala <ttshabalala@werksmans.com>; Adele Richards <arichards@werksmans.com>
Subject: Acquisition of 1064 Locomotives [IWOV-Litigation.FID385171]

Dear Lindiwe

1. The email below refers. Kindly confirm when we can collect items 3 and 4.

2. Kindly also provide all documentation including but not limited to all memoranda, submissions and minutes that served before the Steering Comitee on the 12th of December 2013. For your ease of reference we attach an attendance register of the meeting.

3. We note that the RFP Part 2 states the following:

Yousuf Laher Transnet Freight Rail JHB

From: Yousuf Laher Transnet Freight Rail JHB
Sent: 30 May 2016 03:55 PM
To: Lindiwe Mdletshe Transnet Freight Rail JHB
Cc: Abdool Lutchka Transnet Freight Rail JHB; Abendran Govender (AbendranG@sng.za.com); Mohammed Moola Transnet Freight Rail JHB
Subject: FW: LSS Training Contracts

Hi Lindiwe, refer below, please can you provide a copy of the CSDP contract with GE to our external auditors.

They require this in order to provide a technical opinion in terms of whether the training costs are capitalisable from an accounting perspective.

Ben – please can you contact Lindiwe on 083 268 3365 to collect a hard copy of the contract, which you will have to sign for.

Best Regards
Yousuf Laher CA(SA)

From: Mohammed Moola Transnet Freight Rail JHB
Sent: 30 May 2016 03:47 PM
To: Yousuf Laher Transnet Freight Rail JHB
Subject: FW: LSS Training Contracts

Sim Yousuf,
Please can you get the CSDP contract from SCS – Ben wants it as well.

regards

From: Abendran Govender [mailto:AbendranG@sng.za.com]
Sent: 30 May 2016 12:40 PM
To: Mohammed Moola Transnet Freight Rail JHB
Subject: RE: LSS Training Contracts

Thanks, do you also have a copy of this agreement, as I only have the locomotive execution contract copy only.

Abendran Govender
Senior Manager

T: +27 (11) 231 0600 | M: +27 (83) 500 8584

20 Morris Street East, Woodmead, 2191;
P.O. Box 2939, Saxonwold, 2132
www.sng.za.com

SizweNtsalubaGobodo
AUDIT • ADVISORY • FORENSICS

OPPORTUNITY. EXCEEDED.

From: Mohammed Moola Transnet Freight Rail JHB [mailto:Mohammed.Moola@transnet.net]
Sent: 30 May 2016 12:43 PM


COMMISSION OF INQUIRY
INTO STATE CAPTURE

ANNEXURE B

The table below indicates the items that were added or deducted to the base price as submitted by the bidders in order to normalise the price of the locomotive for evaluation purposes.

System Item	Bidder 1	Bidder 2	Bidder 3	Bidder 6	Bidder 7	Comments
On-Board to Ground Communication System						[illegible] as a free issue.
Fault information for Maintenance Personnel						No adjustment, as it is included in the base price for all tenderers.
WSP Hardware and Software				91 878		All tenderers included this item in their base price except for tenderer [illegible], therefore add to the base price of tenderer 5.
Remote Access to Control System			2 747			All tenderers included this item in their base price except for tenderer 3, therefore add to the base price of tenderer 3.
Energy Management System	305 300		325 085		427 100	[illegible] price of 1, 3 and 7.
Illustrations of Software Algorithms and High level description of Control Algorithms						All tenderers included this item in their base price therefore no adjustment required.
Redundant Central (Vehicle) Control Unit	17 102		221 142	-105 019		Only tenderer 2 and 7 included the cost in their base price therefore add to the base price of 1, 3 and 5.
Supply of 2 Driver Display Units			85 786			All tenderers included the item in their base price except tenderer 3, therefore add to the cost of tenderer 2.
Installation of ECP/WDP and cabling						[illegible] As a result no adjustment to the base [illegible]
Installation of RDP and cabling						[illegible] to the base [illegible]
Installation of a combination of RDP/WDP and cabling						[illegible]
Fire detection system			20 213			All tenderers included the item in their base price except for tenderer 3, therefore add to the cost of tenderer 3.
Supply of the FFCCTV on the locomotive	124 650		114 727			All tenderers included the item in their base price except for tenderer 1 and 3, therefore add to the cost of tenderer 1 and 3.
Simu-Train			23 350		15 460	All tenderers included the item in their base price except for tenderer 3 and 7, therefore add to the cost of tenderer 3 and 7.
Anti wheel skid tread brake system			52 033	91 878		All tenderers included the item in their base price except for tenderer 3 and 5, therefore add to the cost of tenderer 3 and 5.
Transformer Short circuit test	2 851			2 009	4 705	All tenderers included the item in their base price except for tenderers 1, 5 and 7, therefore add to the cost of tenderers 1, 5 and 7.
Transformer Cage			157 564			All tenderers included the item in their base price except for tenderer 3, therefore add to the cost of tenderer 3.
Ablation requirements			41 429			All tenderers included the item in their base price except for tenderer 3, therefore add to the cost of tenderer 3.
Wheels			-118 447			Tenderer 3 included a more expensive option, therefore we reduced their price by the difference in cost between our requirement and their proposed option.
Roof Equipment Design			102 164			All tenderers included the item in their base price except for tenderer 3, therefore add to the cost of tenderer 3.
MU functions with Diesel locomotives	65 100		194 593			All tenderers included the item in their base price except for tenderers 1 and 3, therefore add to the cost of tenderers 1 and 3.
Additional tests on Traction motors	9 250					All tenderers included the item in their base price except for tenderer 1, therefore add to the cost of tenderer 1.
Main Transformer Cost: Insulation Level			53 431		364 137	All tenderers included the item in their base price except for tenderers 3 and 7, therefore add to the cost of tenderers 3 and 7.
Center Bogie			270			All tenderers included the item in their base price except for tenderer 3, therefore add to the cost of tenderer 3.
Equipment cost of WDP/ECP combination and RDP in a ratio of 340:259 over the fleet of 599 locos	742 549	1 262 187	1 048 657	1 012 258	1 310 344	As per the technical team, this option will probably be exercised. On the 2nd Dec 2013, JD provided the split which we used to calculate the unit price per loco for this option
Total adjustment to base price	1 306 091	1 262 187	3 [illegible]	1 [illegible]	2 122 [illegible]	

Workings:

	Bidder 1	Bidder 2	Bidder 3	Bidder 6	Bidder 7	
Cost of WDP/ECP equipment	966 050	650 000	746 280	689 010	593 000	
Cost of RDP equipment	552 000	950 000	1 453 898	421 167	973 750	
Cost of WDP/ECP and RDP combination	887 700	1 500 000	1 349 370	1 330 177	1 566 750	
Equipment cost of WDP/ECP and RDP combination and RDP only in a ratio of 340:259 over the fleet of 599 locos	742 549	1 262 187	[illegible]	[illegible]	1 310 344	As per the technical team, this option will probably be exercised. On the 2nd Dec 2013, JD provided the split which we used to calculate the unit price per loco for this option.

Annexure E

Reconciliation of price

The following table provides a reconciliation between the submitted bid prices to the final evaluated prices, highlighting the impact of each change to the final price used for evaluation:

Price per loco as submitted by bidder	30 955 000	34 380 000	39 906 949	31 358 000	29 880 000
Add: Additional items to balance back to annexure F	1 821 465	636 007	1 165 646	698 720	809 401
Special tooling	3 762	34 789	39 997	136 998	37 080
Engineering support					
Capital Spares	491 240	402 918	855 648	538 547	507 550
Consumables	45 302		7 817		
Spares holding	27 405	198 300	253 334	8 150	264 762
Setup cost			8 799	15 025	
Insurance					
Rounding			51		1
Forex Hedging	1 253 756				
Price per loco submitted as per annex F (capital acquisition cost)	32 776 465	35 016 007	41 072 595	32 056 720	30 689 399
Adjustments to normalise:					
Deduct Schedule 8 capital spares	-16 360	-122 648	-19 114	-	-23 996
Deduct Forex hedging	-1 253 756	-	-	-	
Sub Total 1 (Price excluding impact of hedging and escalations)	31 506 349	34 893 359	41 053 481	32 056 720	30 665 403
Add Options	1 266 001	1 262 187	3 165 748	1 303 041	2 122 546
Sub Total 2 (Price with Options included)	32 772 350	36 155 546	44 219 229	33 359 761	32 787 949
Impact of Re-basing (foreign exchange movements)	1 966 587	2 040 643	2 082 677	4 731 994	907 051
Sub Total 3 (Total price before TE adjustment)	34 738 937	38 196 188	46 301 906	38 091 755	33 695 000
Impact of not using TE as the main sub-contractor	-1 905 514	-3 480 000	-	-	-
Price used for evaluation	32 833 423	34 716 188	46 301 906	38 091 755	33 695 000


COMMISSION OF INQUIRY
INTO STATE CAPTURE

YL 36

Yousuf Laher **Transnet Freight Rail JHB**

From: Yousuf Laher Transnet Freight Rail JHB
Sent: 21 March 2014 11:09 AM
To: Francis Callard Transnet Freight Rail JHB (Francis.Callard@transnet.net)
Cc: Johan Bouwer Transnet Freight Rail JHB; Nomfuyo Galeni Transnet Freight Rail JHB
Subject: Memo prepared for 1064
Attachments: Memo to BADC inc in ETC on 1064 locos for 19 Mar 2014.doc

Hi Francis, herewith the 1064 memo prepared by Niresh, which I updated with Yusuf Mohammed yesterday.

Please confirm that the NPV is still positive.

Also please confirm IRR.

Please

Best Regards

Yousuf Laher CA (SA)
Transnet Freight Rail

COMMISSION OF INQUIRY
INTO STATE CAPTURE

Transnet SOC Ltd
Registration
Number
1990/000900/30

Carlton Centre
150 Commissioner
Str. Johannesburg
2001

P.O. Box 72501
Parkview
South Africa, 2122
T +27 11 308 2526
F +27 11 308 2312

TRANSNET

www.transnet.net

MEMORANDUM

To: Board Acquisitions and Disposals Committee (BADC)

From: Brian Molefe, Group Chief Executive

SUBJECT: INCREASE IN ESTIMATED TOTAL COST OF THE ACQUISITION OF 1064 LOCOMOTIVES FOR FREIGHT RAIL'S GENERAL FREIGHT BUSINESS

PURPOSE:

1. The purpose of this memo is to request the Board Acquisitions and Disposals Committee (BADC) to recommend an increase in estimated total cost (ETC) for the acquisition of 1064 locomotives for Transnet Freight Rail's (TFR's) General Freight Business from R38,6 billion to R54.5 billion, to the Board of Directors for approval.

BACKGROUND:

2. The acquisition of 1064 Locomotives for GFB was approved by the Shareholder Minister (Department of Public Enterprises) on 3 august 2013.

3. The rationale for the investment is essentially to increase capacity of GFB from 80mt to 180mt.

DISCUSSION:

4. The estimates and assumptions on which the 1064 business case is premised have fundamentally changed since approval was obtained from the Shareholder in August 2013. The business case itself was prepared long before lodgement with the Shareholder as it required processing through the TFR Investment Committee (TFRIC), Transnet Group CAPIC, Transnet Group Exco, BADC and the Transnet Board. Development of the business case took close to 24 months. A number of parameters having materially changed between the dates of approval of the investment and contract negotiation. These include:

    a. Foreign exchange rates. The rand has depreciated significantly over the past 24 months against the US Dollar (approximately 40%). The spot rate of exchange used in the business case to calculate the base price of the locomotive was 9.13 Rand to the US Dollar, as compared to the spot exchange rate as at contract signature date of 10.72 Rand to the US Dollar. This has impacted the expected price of the locomotive as per the business case and ultimately the Estimated Total Cost (ETC) as approved by the board by approximately 17 %. It should also be considered that during the negotiation process the Rand was impacted by the possibility of war in the Ukraine which resulted in Transnet taking the view that the Rand should be fixed at current levels and negotiations and contracting should be speedily concluded.

b. Labour cost increase. The cost of labour required to build the locomotives have increased locally within South Africa and globally over this period. Local labour will predominantly be utilised for the assembly of the locomotives as part of the localisation imperatives contained in the procurement strategy for this acquisition.

c. Material cost increase. A significant component of the locomotive is steel. The price of steel is firstly impacted by the steel commodity price of which the trading currency is in US Dollars and secondly thereby foreign exchange deterioration as well. The local index for hot rolled steel plates has deteriorated by approximately 12 % since December 2012, which is indicative of the level of increase in the price of steel.

d. Inflation. Local Producer Price Index (PPI) has increased by over 7.5 % since December 2012 thereby affecting the price of locally sourced products required for the build of the locomotives. Foreign equivalent indices also increased over this period. This together with the foreign exchange deterioration indicated above has resulted in the price of imported components for this project increasing.

e. Economic forecasts indicate that this upward trend will continue over the next few years. As the price negotiations were premised on the basis of fixing the price for these locomotives and making bidders responsible for inflation linked escalation risk, bidders have built a risk premium into their pricing for forward looking inflation, to cater for the unpredictable nature of the labour environment within South Africa.

5. The Transnet Board approved Estimated Total Cost (ETC) for 1064 locomotives of R 38.6 million, excluded the costs of future inflationary escalations and foreign exchange hedging costs. In order to mitigate against the risk that the cost of forward looking inflation and any change in spot exchange rates will materially impact the price of the locomotive over the delivery period, it has been agreed with bidders that the cost of escalation linked to forward looking inflation and cost of hedging against changes in spot exchange rates is included in the price of the locomotive as detailed i.e. escalation risk and foreign exchange risk for Transnet is removed as the cost of escalation and foreign exchange hedging is now included in the price and the price is not subject to a change in inflation related escalation indices or changes to the spot exchange rate. The cost to mitigate this risk amounts to R 9.5 billion for 1064 locomotives.

6. As approved by the Transnet Board the preferred bidders were advised that the batch size has been split on a 50/50 basis for the Diesels and a 60/40 basis for the electrics, amongst them. This was done to mitigate the MDS risk related to volumes as well as to ensure accelerated on time delivery of the locomotives. As a result, the fixed costs related to setting up the production line would have to be recouped over a smaller batch. This resulted in an increase in the cost per locomotive. Although the cost per locomotive would have increased, an overall saving is realised due to splitting the batch, because of the saving made on future escalations and hedging costs as a result of a shorter delivery period.

7. The final agreed locomotive price was influenced by the above factors as well as the outcome of the negotiation process.

FINANCIAL IMPLICATIONS:

8. The business need and rationale remains as originally indicated in the submission. The financial models for the Business case have been updated for the following and is still NPV positive:
    a. Final pricing
    b. Revised cash flow profile for the capital investments
    c. Commensurate changes to the volume ramp up and tariff increases on commodities that are priced relative to the investment outlay.

BUDGET IMPLICATIONS:

9. The investment is included in the 2014/15 seven year capital investment plan, however changes between the contracted delivery schedule and planned cash flows for the investment will be accommodated through a prioritisation process such that other investments which do not impact MDS volume targets will be deferred so that Transnet's key affordability limits (gearing and cash interest cover) are not breached.

10. The difference between the 2014/15 seven year investment plan and the projected cash flows based on the supplier agreements with contractors with an additional ~10 % added for options, variation orders, special tooling, test equipment, initial spares and capital spares, is illustrated in the table below:

	Rand million								
	ETC	**13/14**	**14/15**	**15/16**	**16/17**	**17/18**	**18/19**	**19/20**	**20/21**
Budget per Corporate Plan	41 468	-	315	4 188	8 344	9 123	9 420	8 382	1 696
Contracted	49 547								
Add 10 %	4 955								
Expected	54 502	4 824	5 296	1 567	12 489	19 638	5 733	4 955	-
Difference	(13 034)	(4 824)	(4 981)	2 360	(4 415)	(14 660)	3 687	3 427	1 696

11. The change in the ETC of the project was also updated to R 41 468 million in the 7 year investment plan contained in the Corporate Plan (original approval was R38,6 billion), however not to the extent as reflected above based on the of the outcomes of the negotiation process.

RECOMMENDATION:

12. It is recommended that the Board Acquisitions and Disposals Committee recommends the increase in estimated total cost (ETC) of acquisition of the 1064 locomotives for Freight Rail's General Freight Business from R38,6 billion to R54,5 billion to the Board of Directors for approval.

Recommended by:

_____
Anoj Singh
Group Chief Financial Officer
Date:

Recommended by:

_____
Siyabonga Gama
TFR CE
Date:

Recommended by:

_____
Brian Molefe
Group Chief Executive
Date:

YL-RESP-212

YL37.

YL 37

Yousuf Laher Transnet Freight Rail JHB

From: Yousuf Laher Transnet Freight Rail JHB
Sent: 15 April 2014 10:27 AM
To: Francis Callard Transnet Freight Rail JHB (Francis.Callard@transnet.net)
Subject: RE: Memo BADC inc in ETC on 100 Class 19E locos 11 April
Attachments: Memo BADC inc in ETC on 100 Class 19E locos 11 April 2014.doc

Hi Francis, the cashflows were incorrect on the version I sent you. Please use cashflows per attached version.

Best Regards

Yousuf Laher CA (SA)
Transnet Freight Rail

From: Yousuf Laher Transnet Freight Rail JHB
Sent: 15 April 2014 09:34 AM
To: Francis Callard Transnet Freight Rail JHB (Francis.Callard@transnet.net)
Subject: FW: Memo BADC inc in ETC on 100 Class 19E locos 11 April

Hi Francis, refer attached regarding the NPV calculation, as discussed.

Best Regards

Yousuf Laher CA (SA)
Transnet Freight Rail

From: Yousuf Laher Transnet Freight Rail JHB
Sent: 11 April 2014 07:16 PM
To: Anoj Singh Corporate JHB
Cc: Siyabonga Gama Transnet Freight Rail JHB; Thamsanqa Jiyane Transnet Freight Rail JHB; Yusuf Mahomed Transnet Corporate JHB
Subject: RE: Memo BADC inc in ETC on 100 Class 19E locos 11 April

Dear Anoj, I have updated the memo for the 100 electrics as requested.

The yellow parts must be completed by Francis Callard. I have requested that he furnishes the required information.

Please can you check the background and history for accuracy as I was not involved at that stage.

Yusuf – please can you print for Anoj.

Best Regards

Yousuf Laher CA (SA)
Transnet Freight Rail

From: Yusuf Mahomed Transnet Corporate JHB
Sent: 11 April 2014 03:08 PM
To: Yousuf Laher Transnet Freight Rail JHB
Subject: FW: Memo BADC inc in ETC on 100 Class 19E locos or ECL 19 Mar 2014

From: Thato Dube Transnet Corporate JHB
Sent: 11 April 2014 12:37 PM

To: Yusuf Mahomed Transnet Corporate JHB
Subject: Memo BADC inc in ETC on 100 Class 19E locos or ECL 19 Mar 2014

Hi Yusuf

Please see attached is the correct updated one.

Kind Regards
Thato

Transnet SOC Ltd
Registration
Number
1990/000030/30

Carlton Centre
150 Commissioner
Str. Johannesburg
2001

P.O. Box 72501
Parkview
South Africa, 2122
T +27 11 308 2526
F +27 11 308 2312

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www.transnet.net

MEMORANDUM

To: Board Acquisitions and Disposals Committee (BADC)

From: Brian Molefe, Group Chief Executive

SUBJECT: INCREASE IN ESTIMATED TOTAL COST OF THE ACQUISITION OF 100 CLASS 19E DUAL VOLTAGE ELECTRIC LOCOMOTIVES FOR THE EXPORT COAL LINE

PURPOSE:

1. The purpose of this memo is to request the Board Acquisitions and Disposals Committee to recommend an increase in the estimated total cost (ETC) for the acquisition of 100 Class 19E Dual Voltage Electric Locomotives for the Export Coal Line from R3,871 billion to R4,840 billion, to the Board of Directors for approval.

BACKGROUND:

2. The acquisition of 100 Class 19E Dual Voltage Locomotives was approved by the Board of Directors on 24 January 2014.

3. The rationale for the investment is essentially to mitigate against the shortfall on MDS volumes anticipated due to tractive capacity shortage as a result of the delivery on the 1064 programme taking longer than expected.

4. The locomotives are destined for the Export Coal Line but will result in existing Coal Line locomotives being cascaded to the General Freight Business and will be deployed until such time that the 1064 locomotive contract starts to produce locomotives where after the cascaded locomotives will be run out.

ECONOMIC AND OTHER FACTORS THAT HAVE IMPACTED THE PRICE:

5. The submission prepared for the 24 January 2014 BADC and Board meetings were based on economic estimates obtained in May 2013. 10 months have elapsed since the initial calculations resulting in a number of parameters having materially changed between the dates of preparing the calculations and contract negotiation. These are summarised in the table below:

Table 1:

	Board Submission January 2014	Negotiation/ Contracting Stage	% movement	
Rand to the Yen	0.09823	0.10878	10.74%	
Local CPI	100%	105.10%	5.10%	**
Local Hot rolled Steel plates Index	100%	110.80%	10.80%	**
Local PPI	100%	106.40%	6.40%	**
Chinese Equivalent CPI index	100%	102.50%	2.50%	**
US Equivalent CPI index	100%	101.33%	1.33%	**
Euro Equivalent CPI index	100%	102.08%	2.08%	**
Japanese Equivalent CPI index	100%	101.34%	1.34%	**
* Index movements calculated from May 13 to Mar 14				

a. Foreign exchange rates: The rand has depreciated by 10.74 % against the Japanese Yen. This has impacted the expected price of the locomotive as per the business case and ultimately the Estimated Total Cost (ETC) as approved by the board by approximately 10.74 %. It should also be considered that during the negotiation process the Rand was impacted by the possibility of war in the Ukraine which resulted in Transnet taking the view that the Rand should be fixed at current levels and negotiations and contracting should be speedily concluded.

b. Labour cost increase: During the May 2013 to March 2014 period the cost of labour increased in South Africa and globally. Local labour will be utilised for the assembly as part of the localisation imperatives contained in the procurement strategy for the acquisition.

c. Material cost increase: A significant component of the locomotive is steel which is firstly impacted by the steel commodity price of which the trading currency is in US Dollars. The local hot rolled steel plates index increased by 10.8 % over the period.

d. Inflation. Local Producer Price Index increase on average by 6.4 % over the period affecting locally sourced scope of the project. Foreign equivalent indices increased on average by about 1.3 % to 2.5 % over the same period. This together with the foreign exchange deterioration indicated above resulted in the import component of the project increasing.

e. Economic forecasts indicate that the upward trend will continue over the next few years and as the price would be agreed on a fixed basis, the bidder incorporated all these factors into calculations when agreeing to a price.

f. The Overall impact on the locomotive price due to the change in economic conditions is summarised in the table 2 below:

6. In order to mitigate against the risk that changes to spot foreign exchange rate will materially impact the price of the locomotive over delivery period, it has been agreed with the bidder that this risk would remain on their balance sheet. It was also agreed that the bidder would be responsible for hedging the foreign exchange exposure. The cost of foreign exchange hedging is included in the price of the locomotive as detailed in table 2 below. i.e. foreign exchange risk and hedging risk for TFR is removed as the cost of hedging is now included in the price and the price is not subject to a change in foreign exchange rates. Bidders are also now responsible for the costs related to the maintenance and rolling of hedges should delays in delivery be experienced. The premium paid per locomotive to fix this foreign exchange hedging cost into the price is reflected below:

7. In order to mitigate against the risk that the cost of forward looking inflation will materially impact the price of the locomotive over the delivery period, it has been agreed with the bidder that the cost of escalation linked to forward looking inflation is included in the price of the locomotive as detailed in table 2 below i.e. escalation risk for TFR is removed as the cost of escalation is now included in the price and the price is not subject to a change in inflation related escalation indices. The premium paid per locomotive to fix this escalation cost into the price is reflected in table 2 below:

Table 2:

	R (m)
Price per locomotive as per Board submission 21 January 2014	34.34
Impact of the exchange rate to contract date	3.69
Impact of inflation up to contract date	1.26
Additional cost for variations/duties	3.47
Cost to fix forward escalation	4.63
Cost to fix forward forex hedging	1.08
Discount negotiated	-4.47
Final Contracted Price per Locomotive	44.00

8. The locomotive price is based on the above factors as well as the general outcome of the negotiation process.

FINANCIAL IMPLICATIONS:

9. The business need and rationale remains as indicated in the original submission.

10. The acquisition will benefit the Export Coal Line and create efficiency which will translate to volume increase and reduce maintenance and energy consumption costs due to the new fleet and regenerative capability respectively.

11. The locomotives to be cascaded to GFB are a temporary measure to mitigate against partial MDS volume loss.

12. The financial models for the Business case have been updated for the following based on the conditions per the signed final contracts:
    a. Final pricing
    b. Revised cash flow profile for the capital investments
    c. Commensurate changes to the volume ramp up and tariff increases on commodities that are priced relative to the investment outlay.

The updated NPV result is a positive NPV of R xx million at the new hurdle rate of 15.2 % and R xx million at the TFR WACC of 12.6 %. The NPV would become a negative R xx billion at the original hurdle rate of 18.56%. [Francis Callard to provide updated calculations]

BUDGET IMPLICATIONS:

13. The investment is included in the 2014/15 seven year capital investment plan, however changes between the delivery schedule contracted and planned cash flows for the investment will be accommodated through a prioritisation process such that other investments which do not impact MDS volume targets will be deferred so that Transnet's approved key affordability limits (gearing and cash interest cover) are not breached.

14. The difference between the January 2014 business case and the cash flows agreed with the contractor is illustrated in the table below:

	Rand million				
	ETC	**2014/15**	**2015/16**	**2016/17**	**2017/18**
Business Case	3 871	1 290	1 290	1 291	
Contracted	4 840	1 320	1 888	1 487	145
Difference	(969)	(30)	(598)	(196)	(145)

*10% added for options, variation orders, special tooling, test equipment, initial spares and capital spares

RECOMMENDATION:

12. It is recommended that the Board Acquisitions and Disposals Committee recommends the increase in estimated total cost of the Acquisition of 100 Class 19E Dual Voltage Electric Locomotives for the Export Coal Line from R3,871 billion to R4,840 billion to the Board of Directors for approval.

Compiled by:

_____
Anoj Singh
Group Chief Financial Officer
Date:

Recommended by:

_____
Brian Molefe
Group Chief Executive Officer
Date:

COMMISSION OF INQUIRY
INTO STATE CAPTURE

YL-RESP-221

YL 52

TRANSNET

COMBINED *AD HOC* CONFIDENTIALITY AGREEMENT & DECLARATION OF INTEREST

Please select (tick) the appropriate stage of the procurement process:		
Involvement in the evaluation of the Bids	☒	* *To be completed at every meeting of the evaluation committee*
Involvement in the adjudication of the recommendation (ACs)	☐	* *To be completed at every meeting of the Acquisition Council*
Involvement in post tender negotiation (PTN)	☐	* *To be completed at every PTN meeting where PTN is caucused or undertaken*

Tender No. TFRAC-HO-8608 - SUPPLY OF 599 NEW DUAL VOLTAGE ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB) AND TFRAC-HO-8609- SUPPLY OF 465 NEW DIESEL LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB)

EMPLOYEE: Yousuf Jaher **SAP NUMBER:** 32722

Declaration of Interest:

☒ I hereby declare that I have no direct or indirect interest in the above tender or direct or indirect relationship with any of the tenderers/suppliers/agents/entities who have tendered/quoted to supply the above-mentioned commodity / service to Transnet
or

☐ I hereby declare that I have an interest in the abovementioned tender as indicated below.

I consequently recuse myself from involvement in this specific matter.(* Chairman will consider recusal)
Chairman's Ruling on Recusal:

Recused Yes/No: Signature of Chairman: _____ Date:

	Nature and Extent of Interest
1	
2	

Confidentiality Agreement:
I acknowledge that all the information and records pertaining to this tender constitute valuable, special and unique intellectual property, proprietary to Transnet Ltd. I hereby undertake that I will not, under any circumstances, disclose the information, or any part thereof, to any third party for any reason or purpose whatsoever without the prior written consent of the AC Chairperson.

NAME & SURNAME: Yousuf Jaher

SIGNATURE: _____

DATE OF MEETING: 30 October 2013

**DECLARATION / AGREEMENT TO BE COMPLETED, SIGNED AND HANDED IN BEFORE INVOLVEMENT IN BUSINESS RELATING TO THE TENDER PROCESS*

TRANSNET

TFRAC-HO-8608 - SUPPLY OF 599 NEW DUAL VOLTAGE ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB)

LIST OF TENDER DIRECTORS

TENDERER NO.1	BOMBARDIER TRANSPORTATION		
	SURNAME	NAME	COMMENTS
1.	Flint	James Allan	Director
2.	Van Biljon	Johannes Hendrik	Director
3.	Dayanand	Saueeth	Director
4.	Lekwane	Aubrey Mmudtswane	Director
5.	Feher	Calvin Laszlo	Director
6.	Matolo	Christinah Noko	Director
7.	Dias	Violette Rhoda	Director
8.	Sampson	Paul Ashley	Director
9.	Ngcobo	Armstrong Sthembiso	Director
10.	Dlambulo	Dumisa	Director
TENDERER NO.2	CSR E-LOCO SUPPLY PROPRIETARY LIMITED		
	SURNAME	NAME	COMMENTS
1.	Wang	Pan	Director
2.	She	Yongjun	Director
3.	Mohapeloa	Lietsiso	Director
TENDERER NO.3	ALSTOM (Women Rail Consulting and engineering (PTY)Ltd & New Africa Rail)		
	SURNAME	NAME	COMMENTS
1.	Mavundla	Zabile Angel	Director
2.	Mtose	Cwayita	Director
3.	Mahamotosa	Nthabiseng Marry Philadelphia	Director
4.	Africa	Monde Vusumuzi	Director
5.	Seopele	Sesinyi Malope	Director

Transnet SOC Limited
Registration Number
1990/000900/30

Carlton Centre
150 Commissioner
Street
Johannesburg
2001

P.O. Box 72501
Parkview, Johannesburg
South Africa, 2122
T +27 11 308 3001
F +27 11 308 2638

www.transnet.net

TENDERER NO.4	BONGIVELI		
	SURNAME	NAME	COMMENTS
1.	Magagula	Vusumuzi	Director
2.	Sibiya	Bongani Louishenry	Director
3.	MacMillan	Nate Duanne	Director
4.	Ngwenya	Themba Romeo	Director
TENDERER NO.5	SIEMENS		
	SURNAME	NAME	COMMENTS
1.	Rugwurm	Siegfried Konrad	Director
2.	Probstil	Siegmar Gunter	Director
3.	Dall'Omo	Sabine Ulrike	Director
4.	Nkuhlu	Rita	Director
5.	Surve	Mohammed Iqbal	Director
6.	Guntermann	Ralf Paul	Director
7.	Amod	Ismet	Director
8.	Klaas	Clifford Mohale	Director
TENDERER NO.6	CNR IMPORT & EXPORT CORPORATION LTD		
	SURNAME	NAME	COMMENTS
THE CNR IMPORT & EXPORT			
1.	Jian	Wang	Director
2.	Bing	Liang	Director
3.	Guobing	Cao	Director
GLOBAL RAILWAY AFRICA/ CADIZ CORPORATE SOLUTIONS & ENDINAMIX (PTY) LTD			
4.	Von Gericke	Rowlen Ethelbert	Director
5.	Nkosi	Morley Zebulon	Director
6.	Nobanda	Mpumelelo Julius	Director
7.	Von Gericke	Johan Karl	Director
8.	Von Gericke	Martin Werner	Director

9.	Gonsalves	Roberto	Director
10.	Shaw	Fraser_Charles	Director
11.	Schmahl	Charl	Director
12.	Jahnig	Richard Ivan	Director
13.	Matjila	Marake Collin	Director
14.	Xate	Lulamile Lincolin	Director
15.	Ncgobo	Lindiwe Barbara	Director
TENDERER NO.7	MISTUI/ TOSHIBA (MARS)		
	SURNAME	NAME	COMMENTS
MISTUI			
1.	Mateya	Grieselda Thandile	Director
2.	Ngubane	Baldwin Sipho	Director
3.	Afzal	Saib	Director
4.	Uchiyama	Hideyuki	Director
5.	Miki	Atsuyuki	Director
TOSHIBA			
6.	Ngubane	Shella Thabisile	Director
7.	Kobayashi	Takeharu	Director
8.	Ujiie	Akihiko	Director

TRANSNET

TFRAC-HO-8609-SUPPLY OF 465 NEW DIESEL LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB)

LIST OF TENDER DIRECTORS

TENDERER NO.1	THE CNR CONSORTIUM		
	SURNAME	NAME	COMMENTS
CNR IMPORT & CORPORATION LTD			
1.	Jian	Wang	Director
2.	Bing	Liang	Director
3.	Guobing	Cao	Director
GLOBAL RAILWAY AFRICA/ CADIZ CORPORATE SOLUTIONS & ENDINAMIX (PTY) LTD			
4.	Von Gericke	Rowlen Ethelbert	Director
5.	Nkosi	Morley Zebulon	Director
6.	Nobanda	Mpumelelo Julius	Director
7.	Von Gericke	Johan Karl	Director
8.	Von Gericke	Martin Werner	Director
9.	Gonsalves	Roberto	Director
10.	Shaw	Fraser Charles	Director
11.	Schmahl	Charl	Director
12.	Jahnig	Richard Ivan	Director
13.	Matjila	Marake Collin	Director
14.	Xate	Lulamile Lincolin	Director
15.	Ncgobo	Lindiwe Barbara	Director
TENDERER NO.2	CSR LOLIWE CONSORTIUM		
	SURNAME	NAME	COMMENTS
CSR QISHUYAN Co.,Ltd			
1.	Qian	Yulong	Director
PIN EZY INVESTMENTS			
2.	Mafolo	Magashe Titus	Director
3.	Matjila	Ntsebe Florah	Director

TENDERER NO.3	EMD AFRICA		
	SURNAME	NAME	COMMENTS
1.	Gule	Sibusiso	Director
2.	Mngomezulu	Sibani	Director
3.	Seale	Tebogo Nancy	Director
4.	Graney	Bernard	Director
5.	Graves	William Arthur	Director

TENDERER NO.4	GE SOUTH AFRICA		
	SURNAME	NAME	COMMENTS
1.	Schweikert	Tim Joel	Director
2.	Kabi	Mahlatse Martha	Director
3.	Noormohamed	Shakira	Director
4.	Khaole	Nchaupe	Director
5.	Ebrahim	Zeenith	Director
6.	Zimba	Gorman Gordon	Director
7.	Cowan	Karma	Director