

COMMISSION OF INQUIRY INTO STATE CAPTURE

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20

HEARING RESUMES

CHAIRPERSON: Good morning.

ADV MAHLAPE SELLO: Good morning Chair.

CHAIRPERSON: Ms Sello, good morning everybody. This is not because of me this time that we are starting a few minutes late it is the technicians, technical people who needed to sort something out for television.

ADV MAHLAPE SELLO: Thank you Chair.

CHAIRPERSON: When it is me I take full responsibility.

10 **ADV MAHLAPE SELLO**: I know Chair.

CHAIRPERSON: Okay.

ADV MAHLAPE SELLO: Thank you Chair.

CHAIRPERSON: Yes thank you.

ADV MAHLAPE SELLO: We start today with the evidence of Mr Francis Callard. Mr Callard has prepared three – a statement and annexures. They span three files. The two big arch lever files we have taken the liberty of marking BB4[a], BB4[b] the second file and Chair you should have together with those files a black folder marked BB4[c] I will talk to that folder in a short while.

20 **CHAIRPERSON**: Black folder.

ADV MAHLAPE SELLO: Yes Chair the back is black that is the side I am using too. I had no better way of describing it Chair. And that would be BB4[c].

CHAIRPERSON: The lever arch file containing Mr Callard's statement will be marked Exhibit BB4[a] and the other lever arch file will be

marked Exhibit BB4[b] and

ADV MAHLAPE SELLO: And at this juncture may I address myself to the black folder if I may call it that still. The Chair will notice that that is marked supplementary statement.

CHAIRPERSON: Where is – where is that? It is certainly not on the outside.

ADV MAHLAPE SELLO: Unfortunately not. At page – at page – the index of that bundle the description is supplementary statement of Mr Francis Quintin Callard.

10 **CHAIRPERSON**: The folder which has got Mr Callard's supplementary statement will be marked Exhibit BB4[c].

ADV MAHLAPE SELLO: Thank you Chair.

CHAIRPERSON: Thank you.

ADV MAHLAPE SELLO: Before I ask for the swearing in of Mr Callard I would like to address the Chair on BB4[c].

CHAIRPERSON: Oh I am sorry I may have pronounced his surname correctly. Mr Callard I am sorry I think I may have said Culland. I apologise.

ADV MAHLAPE SELLO: Thank you Chair.

20 **CHAIRPERSON**: Thank you.

ADV MAHLAPE SELLO: File BB4[c] the supplementary it has got a statement and about nine annexures. I would like to point out that there are no factual allegations advanced in the supplementary statement. The purpose of the statement is to introduce further documents that Mr Callard had omitted in his main statement. So we

will refer to those extra annexures as and when they arise in the course of delivery of his testimony.

CHAIRPERSON: Ja that is fine.

ADV MAHLAPE SELLO: Thank you Chair. Against that background may I ask for Mr Callard to be sworn in?

CHAIRPERSON: Yes.

REGISTRAR: Please state your full names for the record?

MR FRANCIS QUENTIN CALLARD: Francis Quentin Callard.

10 **REGISTRAR**: Do you have any objections to taking the prescribed oath?

MR FRANCIS QUENTIN CALLARD: No.

REGISTRAR: Do you consider the oath to be binding on your conscience?

MR FRANCIS QUENTIN CALLARD: I do.

REGISTRAR: Do you swear that the evidence that you will give will be the truth; the whole truth and nothing but the truth; if so please raise your right hand and say, so help me God.

MR FRANCIS QUENTIN CALLARD: So help me God.

REGISTRAR: Thank you.

20 **ADV MAHLAPE SELLO**: Thank you Chair.

CHAIRPERSON: Thank you. Yes you may proceed.

ADV MAHLAPE SELLO: Mr Callard you heard me referring to your various files when addressing the Chair. You should have to your left two arch lever files at the spine with your name and the first one is marked BB4[a] small a and the second is marked BB4[b] small b. You

should have the little folder I will rephrase that.

CHAIRPERSON: You are afraid to say black?

ADV MAHLAPE SELLO: I am refraining from giving it a colour Chair. Which as I explained to the Chair is your supplementary statement together with annexures that has been marked BB4[c]. Each time I want you to refer to a particular document I will do so with reference to their file to help – to assist us to locate the document. Now could you please turn to BB4 – have before you BB4[a]?

MR FRANCIS QUENTIN CALLARD: I have.

10 **ADV MAHLAPE SELLO:** Mr Callard do you confirm that you have submitted a statement to this commission?

MR FRANCIS QUENTIN CALLARD: I do.

ADV MAHLAPE SELLO: And if you could please turn to page 001 of BB4[a] is that your statement? If you – it should run up to page 59.

MR FRANCIS QUENTIN CALLARD: It is my statement.

ADV MAHLAPE SELLO: And at page 59 do you confirm the signature appearing at the end of that document is your signature?

MR FRANCIS QUENTIN CALLARD: It is my signature.

ADV MAHLAPE SELLO: Thank you Sir. Now before I ask you –
20 apologies. Before I ask you to confirm this statement you have brought to my attention that there are a number of corrections you would like to effect to this statement?

MR FRANCIS QUENTIN CALLARD: There are.

ADV MAHLAPE SELLO: Can we take this opportunity then to give effect to those corrections and we shall be led by you in this regard.

Please refer to the page, the paragraph – the specific paragraph and then address yourself to the nature of correction you would like effected.

MR FRANCIS QUENTIN CALLARD: Thank you. And for the corrections is we could first turn to page 6 paragraph 26.

ADV MAHLAPE SELLO: Thank you.

MR FRANCIS QUENTIN CALLARD: That date April 2012 should read April 2013. In paragraph 26.1 there is the phrase additional 119E for the sake of clarity and to avoid confusion please delete the work
10 additional and just read for 119E locomotives. Further on in this...

CHAIRPERSON: I am sorry that second correction is in which paragraph?

MR FRANCIS QUENTIN CALLARD: 26.1

CHAIRPERSON: Oh okay.

ADV MAHLAPE SELLO: The second line.

MR FRANCIS QUENTIN CALLARD: Second line.

CHAIRPERSON: Oh additional is the ...

MR FRANCIS QUENTIN CALLARD: Yes it gives the wrong impression that it is added to but I am

20 **CHAIRPERSON:** Yes.

MR FRANCIS QUENTIN CALLARD: But I am referring actually to an original.

CHAIRPERSON: Okay. So – but all of these are dealt with in the supplementary or not yet?

ADV MAHLAPE SELLO: No Chair they are not dealt with in the

supplementary.

CHAIRPERSON: Okay a supplementary – another supplementary will be submitted which will point the corrections out?

ADV MAHLAPE SELLO: We will do so Chair.

CHAIRPERSON: Okay thank you.

ADV MAHLAPE SELLO: Thank you.

MR FRANCIS QUENTIN CALLARD: And my apologies for the number of them. Also in the same paragraph I incorrectly spelt the name Mahomedy that should read M-a-h-o-m-m-o-d-y. I would further like to
10 correct paragraph 27.1.

ADV MAHLAPE SELLO: Mr Callard please excuse me. In relation to the change to Mr Mahomedy's name.

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: You would like to change it from Moha – mmody to

MR FRANCIS QUENTIN CALLARD: Mohommody.

ADV MAHLAPE SELLO: Mohommody.

MR FRANCIS QUENTIN CALLARD: Yes.

CHAIRPERSON: Oh.

20 **MR FRANCIS QUENTIN CALLARD**: Mohammed Mohommody.

CHAIRPERSON: E instead of the ...

ADV MAHLAPE SELLO: Instead of o

CHAIRPERSON: Second o.

MR FRANCIS QUENTIN CALLARD: Sorry e apologies.

ADV MAHLAPE SELLO: So you have Mohommody right now and you

would like to change it to Mohommody

MR FRANCIS QUENTIN CALLARD: Dy ja.

CHAIRPERSON: Hm okay.

ADV MAHLAPE SELLO: Yes thank you. Please continue.

CHAIRPERSON: Thank you.

MR FRANCIS QUENTIN CALLARD: Further to paragraph 27.1 please change that 119E to 110 19E. If I may further go to page 9 please at the bottom paragraph 40.6.

ADV MAHLAPE SELLO: Yes.

10 **MR FRANCIS QUENTIN CALLARD:** And that should read to the statement para 90 and not page 90.

ADV MAHLAPE SELLO: Thank you.

MR FRANCIS QUENTIN CALLARD: To page 100 – to page 15 paragraph 62 the top line. It is Natasha McMahon and the McMahon is spelt incorrectly. The correct spelling is McMahon.

ADV MAHLAPE SELLO: Thank you.

MR FRANCIS QUENTIN CALLARD: If I may turn to page 20 please. The top paragraph the numbering is on the previous page there should be a full stop on the third line after 38 146 million. There is a full stop
20 missing.

CHAIRPERSON: That last one is on page?

MR FRANCIS QUENTIN CALLARD: Page 20.

CHAIRPERSON: 20. And on paragraph?

MR FRANCIS QUENTIN CALLARD: The top paragraph it is paragraph 83.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: But it is just before paragraph 84.

CHAIRPERSON: Yes okay just repeat the correction again?

MR FRANCIS QUENTIN CALLARD: It is full stop after 38 14.14 – 38 146 million various amendments were requested. There is a full stop [indistinct].

CHAIRPERSON: Oh 38. That is what you mean?

MR FRANCIS QUENTIN CALLARD: 38.146 million.

CHAIRPERSON: Yes. Oh the full stop comes after?

10 **MR FRANCIS QUENTIN CALLARD**: After million.

CHAIRPERSON: Oh okay thank you. But there is also a dot or point after 38?

MR FRANCIS QUENTIN CALLARD: Yes.

CHAIRPERSON: There should be or?

MR FRANCIS QUENTIN CALLARD: It should read 38.146 million.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Ja.

CHAIRPERSON: Okay.

MR FRANCIS QUENTIN CALLARD: Correct.

20 **ADV MAHLAPE SELLO**: Thank you Mr Callard you may proceed.

MR FRANCIS QUENTIN CALLARD: Thank you. Page 22 please paragraph 102. For clarity that should read in April 2013 just to avoid confusion. Paragraph 102 reads in April 2013.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: Paragraph – page 26 paragraph

105.4 first line 18 April please change 2014 to 2013.

ADV MAHLAPE SELLO: Is that at page 26?

MR FRANCIS QUENTIN CALLARD: That is at page 26. Page 27.

ADV MAHLAPE SELLO: Just a second.

MR FRANCIS QUENTIN CALLARD: Sorry.

ADV MAHLAPE SELLO: Chair have you located page 26?

CHAIRPERSON: No I have decided not to continue.

ADV MAHLAPE SELLO: To stop. Okay.

CHAIRPERSON: There are too many.

10 **MR FRANCIS QUENTIN CALLARD:** My apologies they are.

CHAIRPERSON: I think what we should do is a supplementary statement or affidavit must be done as soon as possible and then one must just find a way to have something on the main statement that will indicate that one must go to the supplementary statement to get the correction. So – so if it is – if it is fine with you he can continue and finish.

ADV MAHLAPE SELLO: Yes Chair.

CHAIRPERSON: Otherwise I think as and when as he proceeds with his evidence he can just point.

20 **ADV MAHLAPE SELLO:** Then he will point out.

CHAIRPERSON: Again that in regard to certain paragraphs there is an error and then – so that will be on the record as well.

ADV MAHLAPE SELLO: We will do that Chair.

CHAIRPERSON: Ja.

ADV MAHLAPE SELLO: As we get to the point where a correction is

required particularly in regard to a date because that is very relevant.

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: We will point it out at that juncture.

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: When – on Monday we will bring a full supplementary.

CHAIRPERSON: Ja.

ADV MAHLAPE SELLO: Listed all the corrections that have been effected.

10 **CHAIRPERSON:** Yes, yes.

ADV MAHLAPE SELLO: We will do so Chair.

CHAIRPERSON: Ja okay thank you.

ADV MAHLAPE SELLO: We will then leave the corrections aside for now Mr Callard as you have understood we will affect them as we go along should the need arise.

MR FRANCIS QUENTIN CALLARD: Thank you.

ADV MAHLAPE SELLO: Before we get into your topic for the day could you please give the Chair a sense of your background, your service in Transnet, positions you have held and basically in brief what you
20 functions have been over the period?

MR FRANCIS QUENTIN CALLARD: Thank you. Well I qualified with a Bachelor of Science in Electrical Engineering in 1970 and I joined Transnet in October 1970 as an assistant engineer. I had some services Transnet for a period of some twenty – forty odd years and I retired in April 2012. I was subsequently contracted back to Transnet

for a further period of five years.

CHAIRPERSON: And I just wanted to say it looks you know only one employer?

MR FRANCIS QUENTIN CALLARD: That is true.

CHAIRPERSON: Okay.

MR FRANCIS QUENTIN CALLARD: Many aspects of that employer but one employer. During my some 45 years with Transnet I had various portfolios in Freight Rail and I gained significant experience in both railway signalling, managing major new works projects, information
10 technology, railway operations, railway infrastructure business, restructuring and engineering, business strategy and I ended my career with the development of business cases for major capital projects covering the technical and financial justification and the viability of those projects. These business cases covered in particular the requirement and the financial scope of capital related to the acquisition and maintenance of infrastructure locomotives and wagons. And that was really the – what occupied my last five years with Transnet.

ADV MAHLAPE SELLO: And just to complete that what are you – what do you currently do? Are you employed?

20 **MR FRANCIS QUENTIN CALLARD**: I am currently – I have been contracted by MNS Attorneys and I assist them with specialised railway expertise in the course of their investigation into the acquisition of the locomotives and this was in terms of the mandate given to them by the Transnet board of directors. And I did other trans – another Transnet related investigation at the request of Transnet which will appear later

in my evidence.

ADV MAHLAPE SELLO: Thank you. At you paragraph 1.1 you provide the scope of your testimony before the Chair today.

MR FRANCIS QUENTIN CALLARD: That is so yes.

ADV MAHLAPE SELLO: We know that the investigations into Transnet are very wide and broad but your testimony will be limited only to two main issues. Could you identify them for the record?

MR FRANCIS QUENTIN CALLARD: Certainly and those two issues are the acquisition of the 100 21 E locomotives and the acquisition of the
10 1064 as we will call it diesel and electric locomotives.

ADV MAHLAPE SELLO: Thank you. Having covered those aspects then Mr Callard that brings us to page 3 of your statement. And you start at paragraph 11 with a background to Transnet Freight Rail. What would you like to bring to the Chair's attention in respect thereto?

MR FRANCIS QUENTIN CALLARD: I would really just like to bring to the attention that Transnet is an operating correction Transnet Freight Rail it is an operating division of the Transnet state owned company Limited and it is recognised as the national Freight Rail carrier in South Africa. It is a – as a Freight Rail company it is a heavy haul Freight
20 Rail company it specialises in transportation of freight with an extensive rail network which the details are given there. And with its extent it covers some 80% of Africa's total rail network. For context to what will follow in 2013/14 and I quote the figures from then we trans – Freight Rail transported 208.5 million tonnes which was made up of I will round the figures 53 million tonnes of export iron ore through

Saldahna. We will not be addressing that at all. 62 million tonnes of coal through what we call the export coal line through Richards Bay but of particular importance which will follow will be the 86 tonne – million tonnes of general freight and where that moves. This is quite extensive it represents some 14% of South Africa's rail tonnage. The details of the network below but what I would just like to bring more to the fore is that we have – Freight Rail has approximately 2132 locomotives at that time and that is relevant to the 1064 process.

ADV MAHLAPE SELLO: You have included in your supplementary
 10 statement some pictures and if I may call for annexure A to the supplementary affidavit and if you could explain that in relation to your paragraphs 13 and 14 just so we have proper context before we deal with your evidence?

MR FRANCIS QUENTIN CALLARD: Thank you. If we could...

ADV MAHLAPE SELLO: Chair that will be in your BB4[c] at page 5.

CHAIRPERSON: Thank you. C you said he?

ADV MAHLAPE SELLO: BB4[c] page 5.

CHAIRPERSON: Page 5. Ja. Thank you.

ADV MAHLAPE SELLO: We are at page 5.

20 **MR FRANCIS QUENTIN CALLARD:** We are on page 5.

ADV MAHLAPE SELLO: Annexure A.

MR FRANCIS QUENTIN CALLARD: Thank you. I would like to point out that this slide depicts the broadly the network as I described it. On the left hand side we will have the iron ore line. On the right hand side we have the coal line. The orange network is the general freight

network and the blue network is the branch line. What I would particularly like to highlight from this because it becomes relevant later.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Is the concept of axil loading. The iron ore line you will see has an axil loading of 30 tonnes and the concept of the axil loading is the picture on the top left hand corner where it relates to the weight of the axil on the rail and the point contact.

10 **CHAIRPERSON:** Hm.

MR FRANCIS QUENTIN CALLARD: The rail network, the rail infrastructure and supporting infrastructure is designed to support an axil loading mass.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: And this relates to the weight of the locomotives and the weight of the wagons.

CHAIRPERSON: Hm.

20 **MR FRANCIS QUENTIN CALLARD:** And this is a – a one delineation of the network. The coal line as you will see has an axil loading of 26 tonnes per axil. The general freight network which is the brown has an axil loading of 20 tonnes per network and the branch line – sorry the one in the statement has a slightly is between 16 to 18.5 tonnes per axil which we will see on the – towards the bottom right hand side. Of critical importance to this is that a locomotive and or wagon may not traverse that part of the network with a lower axil loading than it has.

So for example a 26 tonne locomotive cannot traverse the 20 tonne general freight network. A 20 tonne wagon or locomotive from general freight cannot traverse a branch line with an axil loading of 18.5. The converse of course is different because a wagon or locomotive with a lesser axil loading cannot of course traverse a network with a higher axil loading. So you can put a 20 tonne wagon on a 26 tonne network that is not a problem. It is the going down that is the problem. A distinction which is not on the slide is that locomotives for the general freight network are at 22 tonnes per axil. This is a specific
 10 dispensation for the locos only it does not hold for the wagons. The importance of this slide is it delineates specific boundaries of operations for various categories of rolling stock that boundary definition will become more clear and important later. If I may move to the second slide.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: The network is also characterised by the type of traction across the network. We have various types of locomotives. The primary distinction between are they diesel or electric and the electrics are further sub-divided into categories of are
 20 they direct current locomotives which are the older type, alternating current locomotives are the newer type and even the new locomotives are differentiated into 25 kilovolt alternating current or 50 kilovolt alternating current. Of prime consideration here for the general freight network is the earlier locomotives were of one particular voltage. So a 3KV D3 locomotive could only traverse what we would see as the purple

line 1 – purple blue line and it would be limited to that. A 25KV AC locomotive – sorry if we could – could only travel a 25KV network and it could not move over to a DC network. The newer locomotives and particularly those are the 1064 the electric locomotives were specified as dual voltage locomotives enabling them to traverse both the direct current and the alternating current networks the DC or the AC network giving them far greater operational flexibility. I think it goes without saying that a diesel locomotive can go anywhere subject to its axil loading.

10 **ADV MAHLAPE SELLO:** If I – if I may go back to your Annexure A and just so we understand as you go through your testimony if we could go back. Would it be a correct summation of your testimony thus far that in order to transport coal you require a 26 tonne axil to transport coal?

MR FRANCIS QUENTIN CALLARD: Yes a feature of that is the more powerful the locomotive the more heavier it has to be. That has to do with how it – the wheels grips the rail so the more powerful the locomotive the more heavier. Given that the coal line runs 200 wagon trains they have an approximate weight of between 16000 or 16500 tonnes. They have more powerful locomotives than those which
20 operate on the general freight line at 22 tonnes per axil. So there is a very definite power difference between the types of locomotives over the various sectors of the network.

ADV MAHLAPE SELLO: Thank you. At page 4 you then provide a very brief history of the acquisition of locomotives for – by Transnet in particularly for freight. Could you work – could you take the

Chairperson through that aspect of your testimony?

MR FRANCIS QUENTIN CALLARD: Certainly and I will talk to the – the paragraphs very briefly. Around 2008/9 I was tasked by Mr Siyabonga Gama then the Freight Rail Chief Executive to develop a locomotive fleet plan for Freight Rail. If I may add that the last time we had bought a locomotive for general freight was in 1992. So there had been a significant period before since we had bought locomotives for general freight and replacement was becoming quite urgent. And I developed this initial fleet plan with concepts – fleet plan concept with
10 various experts from Freight Rail. In 2010 I handed over responsibility for this fleet plan to one Vilva Nair a colleague a senior manager who developed a five year plan for locomotives which was matched to market requirements. The reason it is matched to market requirements the locomotives are expensive assets you only want as few as necessary to convey the related tonnage. One does not want to have too many locomotives or too few so market requirements and locomotives need to be very closely matched. In 2011, April 2011 this five year plan was presented to the Transnet board and it recommended that we procure 776 locomotives and it was predicated that the market
20 would then be 155.8 million tonnes over this five year period. I contrast this to the tonnage the General Freight currently conveyed then which I mentioned in earlier of 86 million tonnes. One can see there was a significant growth. The board approved this modernisation plan at a cost then of some 23.6 billion subject to submission of a holistic funding plan given the significant amount of money. There was

then around that time a change in the strategic thinking within the organisation. Because the railways are a very capital intensive industry we had the policy or strategy of responding to market demand. That is if a mine were to open up a new mine for example on the coal line one would say okay if you going to open up this mine in five years' time we will increase the capacity of the railways and we will procure the rolling stock and the wagons to meet your requirements when the mine is – is ready for production. But we had also lost significant traffic to road since 1992 and we were – it was a strategy from the

10 Department of Public Enterprise that we return road traffic to rail and there was considerable traffic, rail friendly traffic that was running on the road. This led to the change in strategy that instead responding to market demand to change the strategy create the infrastructure and procure the assets to create capacity to absorb demand that was out there so that we were not seen to be holding up infrastructure or industry in conveying traffic but to say we had the capacity to create traffic. It was this creating capacity - as I said – to capture the rail friendly traffic that was already conveyed by road and (intervenes).

CHAIRPERSON: I am sorry Mr Callard. Just the change of strategy ...

20 **MR FRANCIS QUENTIN CALLARD:** Yes.

CHAIRPERSON: The old one where you would respond to market demand ...

MR FRANCIS QUENTIN CALLARD: Yes.

CHAIRPERSON: Is something that is probably applied across the Board or most of the time but I am wondering where you change it. I

mean in terms of the old one as you pointed out if there was somebody who wanted to open a coal mine you would respond to that and then make sure that there would be a railway line and so on. So if you changed it how would that work at a practical level? You would not build a railway line in the hope that somebody would – would open ...

MR FRANCIS QUENTIN CALLARD: No, no, not at that (intervenes).

CHAIRPERSON: So how would it work? At practical level how would it work?

MR FRANCIS QUENTIN CALLARD: If I may then differentiate for – for
 10 a coal mine for example there, there would be joint long term planning because a coal mine also takes five years or three or four years to come to fruition. One would plan the railway links and the assets over a significant period and have them all in place so that when the coal mine started production one would have the locomotives available and the wagons available to be able to transport the coal for example but there was a lot of criticism from industry of the organisation at the time. Industry general – the maize industry, the cement, the container industry, the fuel petroleum products alliance which said we want to move traffic by rail but you do not have sufficient wagons and you keep
 20 on telling us you do not have enough locomotives. It is there that the strategy came well we need to buy more to create this capacity to absorb what the market was asking us to do.

CHAIRPERSON: But that – that is responding to a market demand?

MR FRANCIS QUENTIN CALLARD: We were slow to respond to the market demand if I could put it that way (intervenes).

CHAIRPERSON: *Ja*, because I am trying to understand the distinction between the two. If you – if there are complaints from the market that you do not have capacity and they would actually like to make use of your – your company and so on and as a result of those complaints you want to do something about it to address the capacity issue you are responding to the market demand – as I see it. So – so I am trying to understand how a company such as a State Owned Entity would at a practical level not respond to a market demand – market demands but kind of create – I do not know whether create it depends.

10 **MR FRANCIS QUENTIN CALLARD:** I wish I could answer your question in the – in the detail it requires Chair.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: But the market demand strategy to create capacity essentially it said we would double our available capacity ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: In seven years.

CHAIRPERSON: Yes.

20 **MR FRANCIS QUENTIN CALLARD:** So where our average tonnage had been gradually increasing from 70 around the 70s to the 80 million tons of general freight ...

CHAIRPERSON: *Ja*.

MR FRANCIS QUENTIN CALLARD: I stress this with the general freight traffic. The market demand strategy said we are now going to create capacity to double this tonnage over a period of seven years.

Now that is a significant increase and that was creating capacity to absorb whatever was there in the market.

CHAIRPERSON: So was it this that you would look at the current situation and the market and then make a projection to say over the next 10 years what is likely to be the position. Is the position likely to be that there is going to be a lot of demand and we must then make sure that when that demand reaches that level we are ready in terms of our capacity?

MR FRANCIS QUENTIN CALLARD: It is not in my statement but if I
10 may give ...

CHAIRPERSON: *Ja.*

MR FRANCIS QUENTIN CALLARD: Context to that?

CHAIRPERSON: *Ja.*

MR FRANCIS QUENTIN CALLARD: It was around this time I have said the tonnages – were conveying about 14 percent of South Africa's volumes. Around this time various studies were done of what is the total transport market in South Africa and that was round that time. It was around 900 million tons. That market was then further subdivided into what is traffic exclusively for road – which rail cannot compete in -
20 what market is exclusively rail – which road cannot compete in – and then there was two segments in between. That of the general freight which we were doing by rail which we were in competition with road and that of the general freight traffic which was carried by road which we said should be done by rail and we could capture that by rail. This was part of that holistic thinking and this increase – predicted growth – from

the 80 million tons to this 170 million tons was predicated on capturing that rail friendly traffic in the total market that was currently conveyed by road within this greater holistic transport market of 900 million tons currently in South Africa and in that we included traffic which was conveyed by private companies. For example major retailers have their own transport fleet and we could not get into that market but then there were road transport operators who were operating for others and we wanted to compete and get their slice of the pie – if I may put it that way – and that was how the change in the strategy came about.

10 **CHAIRPERSON**: Thank you. Hopefully it will be clearer later on.

ADV MAHLAPE SELLO: Chair it will be clearer. We will get to – if I may point out – page 18 where we briefly touched on this market demand strategy ...

CHAIRPERSON: Okay.

ADV MAHLAPE SELLO: But he deals with it more by way of criticism. So hopefully it will crystallise at that point Chair.

CHAIRPERSON: That is fine.

ADV MAHLAPE SELLO: Thank you and if you could just complete then your – this section ...

20 **MR FRANCIS QUENTIN CALLARD**: Sure. Thank you. Coming back then this market demand strategy impacted the locomotive fleet plan and in November 2011 I personally learnt that Mr Gama had presented this fleet plan to the Department of Public Enterprises and the number of locomotives had – the locomotive fleet plan was extended from five years to seven years - which forms the basis of the 1 064 plan fleet

plan – increase from 776 to 1 064 and the tonnages had increased to – from the 155 million tons as at paragraph 19. They had now increased to this 176 million tons. So effectively over a seven year period we were predicating a virtual doubling of the growth of general freight. A significant hockey stick effect if you consider the relatively flat line we had been on and this very rapid increase that we were forecasting.

ADV MAHLAPE SELLO: You indicated that your testimony before the Chair today covers two specific acquisitions. The acquisition of 100 and the acquisition of the 1 064 locomotives?

10 **MR FRANCIS QUENTIN CALLARD:** Correct, yes.

ADV MAHLAPE SELLO: From page 5 you then start with that part of your evidence relating to the acquisition of the 100 locomotives and we are now at page 5 paragraph 23 and if you could take us through that. We understand from your statement that you will deal with this aspect of your testimony under four distinctive headings which you set out in paragraph 24. If you could take the Chair through – through these issues that you would like to highlight insofar as the acquisition of the 100 locomotives is concerned.

MR FRANCIS QUENTIN CALLARD: *Ja*, thank you. The acquisition of
20 the 1 064 locomotives did not proceed as smoothly as we had initially hoped and there were some significant delays. Those delays I will talk to later - but if we can accept for the moment that the program was delayed – because of this delay in the program and there was an urgent need for (indistinct) power it said where can we get locomotives from. Now there were locomotives on the coal line that were available – could

be used on areas of the general freight network but we said to release those locomotives we need new locomotives for the coal line. These old locomotives or these locomotives in the coal line that could be released were at the end of their economic life and they were going to be a temporary stopgap into the general freight network while we bought – were awaiting for the delivery of the 1 064. The aim – there was also a need requirement – vision – to standardise the locomotive fleet on the coal line - and if I use the coal line phrase please that is generally the line from Ermelo Coal Fields through to Richards Bay – to

10 standardise that fleet with dual voltage locomotives. As we saw on the network diagram - and perhaps I did not make it clear. I should have – that the DC Network stops at Ermelo. The alternating current network then goes from Ermelo to Richards Bay and we had to change locomotives at Ermelo. This introduced significant deals in the operation. Dual voltage locomotives which could travel right through the coal mine through to Richards Bay Terminal and back to the coal mine would significantly improve the efficiency of operations. Hence we wanted to standardise the fleet on dual voltage locomotives. That was the genesis and thinking behind 100 locomotives for the coal

20 export line and I will show in this one that I prepared a case for these 100 locomotives. That it was unilaterally changed by Transnet Group Executives and/or Freight Rail's Supply Chain Services to favour CSR.

ADV MAHLAPE SELLO: Sorry and for the record CSR is China South Rail?

MR FRANCIS QUENTIN CALLARD: China South Rail.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: Yes. There was a material – the changes and implications were material and I submit that the representation that was made to the BADC Committee in respect of the business case I prepared as it had been changed was misleading in certain respects. It is also my considered opinion that the confinement to CSR was flawed in concept and execution and the upfront payments to CSR before the first locomotive was delivered were excessive. That is where I wish to go to.

10 **ADV MAHLAPE SELLO:** Okay. Then can you provide us the sequence of events as you set them out from your paragraph 26?

MR FRANCIS QUENTIN CALLARD: Certainly, thank you. The sequence of events – and if I could go there to 26. I prepared a first business case in April 2013 – and please that is 2012 which should read 2013 – for additional locomotives for the – for the coal line. These were to be dual voltage locomotives and the initial business case that I first prepared in April was that they go out on open tender. There were various iterations of this business case. It went through changes from being initially 100, then it was up to 160 with options to 160 and
20 down but the key element is of this is that in September/October 2013 I was requested to update this business case for 100 19E type equivalent electric locomotives and 80 diesel export locomotives for the coal – coal export line.

ADV MAHLAPE SELLO: If I may interject there. The 100 19E type equivalent electric locomotives are those what we call the 100 coal line

locomotives?

MR FRANCIS QUENTIN CALLARD: Those are the 100 coal line locomotives yes. The phrase 19E equivalent ...

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: Has particular importance because it was the way of specifying that it was both a dual voltage locomotive. That it had a particular axle loading as we have seen on the slide of 26 tons per axle and that it had a particular power requirement given that it was to be used for the coal line. It needed to be a higher power locomotive than those we had previously used on general freight.

ADV MAHLAPE SELLO: And why do we use the 19E type? What do we mean by 19E type? Is it reference to a specific locomotive because you are looking for 100 19E type equivalent? Could you explain that phrase?

MR FRANCIS QUENTIN CALLARD: Certainly. The – we had 110 locomotives on the coal line of a 19E type.

ADV MAHLAPE SELLO: Okay.

MR FRANCIS QUENTIN CALLARD: We sought to have equivalency of that type with full interoperability with those 110 locomotives. 110 plus the 100 would have brought us to 210 locomotives as a coal line fleet standardised was the operational vision.

ADV MAHLAPE SELLO: That was the aim of the business plan? Okay.

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: Thank you. You may proceed.

MR FRANCIS QUENTIN CALLARD: So this memorandum was on a –

dated 15 October. It went through virtually everybody in the organisation. It was signed by Mr Gama, by the Group Supply Chain Officer then – Garry Pita – by the General Manager Capital Integration – Mohammed Mahomedy and also by then the Group Chief Financial Officer – Anoj Singh – and this is referenced in Annexure 1.

ADV MAHLAPE SELLO: If we could then just quickly turn to Annexure 1 because I think beyond this point you deal with specific items arising therefrom. Annexure 1 Chair would start at your page 70 of BB4A.

CHAIRPERSON: Well I wanted to say something before you started.

10 So you will have to repeat what you just said.

ADV MAHLAPE SELLO: I will. I will.

CHAIRPERSON: I think in the supplementary statement that you will prepare just make sure that there is something that gives the first names of the person that the witness gives in paragraph ...

ADV MAHLAPE SELLO: Indeed Chair.

CHAIRPERSON: 26.1 because it refers to Singh ...

ADV MAHLAPE SELLO: Just to Singh.

CHAIRPERSON: And we do not know - he has now said it is Anoj – Mr Anoj Singh and then there was Mahomedy and I was wondering
20 whether it was Mr Mohammed Mahomedy.

MR FRANCIS QUENTIN CALLARD: It was.

CHAIRPERSON: Which he has now confirmed but I think he is mentioning them for the first time.

ADV MAHLAPE SELLO: Yes Chair.

CHAIRPERSON: So it is important that the supplementary affidavit

clarifies who they really are.

ADV MAHLAPE SELLO: I will definitely do so Chair ...

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: And if then for the record if in relation to paragraph 26.1 I may request Mr Callard to confirm the full names of the people referred thereto for purposes of his testimony for the remainder of the day.

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: You refer in your first line to Gama. Could
10 you please provide his full name?

MR FRANCIS QUENTIN CALLARD: Certainly. It was Mr Siyabonga Gama – Chief Executive Transnet Freight Rail at the time.

ADV MAHLAPE SELLO: At the third line from the bottom of 26.1 you refer to Group Supply Chain Officer – Pita. Could you provide his full name?

MR FRANCIS QUENTIN CALLARD: Certainly. Garry Pita – Group Supply – Group Chief Supply Chain Officer.

ADV MAHLAPE SELLO: And to Mahomedy where we effected a
20 correction could you provide the full name?

MR FRANCIS QUENTIN CALLARD: Mohammed Mohamedy then Group General Manager Capital Integration.

ADV MAHLAPE SELLO: And as the Chair pointed out is that the person who testified yesterday the current Acting CEO of Transnet?

MR FRANCIS QUENTIN CALLARD: It is.

ADV MAHLAPE SELLO: And lastly you refer to Singh?

MR FRANCIS QUENTIN CALLARD: Yes and that was Anoj Singh then Group Chief Financial Officer.

ADV MAHLAPE SELLO: Okay and then you refer to Annexure 1 which is where I had requested that we go to and Chair that is at page 70 – 7-0 – and these people you have named you state all signed this memorandum?

MR FRANCIS QUENTIN CALLARD: I do.

ADV MAHLAPE SELLO: And if we could turn to ...

10 **MR FRANCIS QUENTIN CALLARD:** Or I did.

ADV MAHLAPE SELLO: To page 94 of that Annexure A? It will appear to be a signature page.

CHAIRPERSON: Hang on. You first said let us go to page 70?

ADV MAHLAPE SELLO: 7-0 that is where the document starts.

CHAIRPERSON: That is the memorandum, okay.

ADV MAHLAPE SELLO: That is the memorandum.

CHAIRPERSON: And then we ...

ADV MAHLAPE SELLO: Page 94 which is the ...

CHAIRPERSON: Oh.

20 **ADV MAHLAPE SELLO:** The last page of that memorandum is a signature page.

CHAIRPERSON: Okay. Yes.

ADV MAHLAPE SELLO: And these are the signatures of the people you mention at 26.1 signed this memorandum?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: And the memorandum was then prepared for submission to who?

MR FRANCIS QUENTIN CALLARD: It was prepared for submission to the Transnet Board and Acquisitions and Disposals Committee which we refer to as BADC – B-A-D-C.

ADV MAHLAPE SELLO: B-A-D-C. From paragraph 27 ...

CHAIRPERSON: I am sorry. The memorandum starting at page 70 which is the one we have just been to is it the memorandum referred to in paragraph 26.1 of your statement?

10 **MR FRANCIS QUENTIN CALLARD:** That is correct yes.

CHAIRPERSON: Your name does not appear at the end of - of the document and that is what I want to – to clarify because if it was prepared by you normally one would expect your name at the end. You prepared it for the people who were going to sign it and then they signed it but you – you prepared the memorandum. That is what you mean?

MR FRANCIS QUENTIN CALLARD: That – that is correct.

CHAIRPERSON: Okay.

20 **MR FRANCIS QUENTIN CALLARD:** In – in some cases our name appears at the bottom but generally it does not appear on the back page. We prepare it for signature ...

CHAIRPERSON: Yes, yes.

MR FRANCIS QUENTIN CALLARD: By the relevant officers.

CHAIRPERSON: Yes. This particular one does it appear at the bottom or something? I just want to ...

MR FRANCIS QUENTIN CALLARD: No – no it does not.

CHAIRPERSON: I just want to – I wanted to be able to – to understand because otherwise one looks at it and page 70. It says a memorandum from Mr Brian Molefe and – so okay. You – you prepared it for – for them?

MR FRANCIS QUENTIN CALLARD: Yes. I was the author of this memorandum.

CHAIRPERSON: *Ja*, okay.

MR FRANCIS QUENTIN CALLARD: Prime author.

10 **CHAIRPERSON:** Yes, okay thank you.

ADV MAHLAPE SELLO: Thanks Chair. If I can then probably add another question to that. The process is you prepared the document, you submit to the relevant senior people for consideration and if in agreement therewith they append their signatures. Would that be a correct (intervenes)?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: Thank you and for the record this memorandum is dated 15 October 2013. So are we to understand that the three – the four people who signed – Mr Gama, Mr Pita,
20 Mr Mahomed, Mr Singh – technically were making this proposal to the BADC?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: At paragraph 27 of your statement then you – you start with the various nitty-gritty of this memorandum. Can we start with 27 and we will cross refer to the relevant pages in the

memorandum as and when the need arises and take the Chair slowly through the issues that you raise here.

MR FRANCIS QUENTIN CALLARD: Certainly, thank you. The key points from this memorandum were that it now recommended the confinement to Mitsui & Co African Railway Solutions – which we also refer to commonly as MARS sometimes Mitsui. Those names are used interchangeably in various documentation – MARS and Mitsui – and this confinement was predicated on compatibility with the existing 110 19E type locomotives that we had on the coal line. Availability of current ...

10 **CHAIRPERSON:** You read 110 is that because of a correction?

MR FRANCIS QUENTIN CALLARD: That was one of the corrections, yes.

CHAIRPERSON: Oh, okay.

ADV MAHLAPE SELLO: (Intervenes).

MR FRANCIS QUENTIN CALLARD: We already had a fleet of 110 and we wished to increase the same fleet by 100. For that or with that there were facilities available for immediate production without having to establish new facilities. Because it was a known locomotive and currently in use and it was relatively new locomotives having been
20 procured only a few years previously there was no need to develop a specification design and to go through a type testing process before approval of the locomotive and prototype testing. If I may mention there that electric locomotives or locomotives for freight rail are not bought off the shelf. Electric locomotives particularly are bespoke locomotives. They are designed specifically for our gauge and to our –

to our requirements and they go through an extensive design, design review, design sign off phase. From that they then go through the manufacture of the first prototype for a new type. That first prototype is then put through extensive performance tests. Only then is approval given to proceed with further manufacture of two or three to make sure all the bugs are ironed out and only then is full production effectively authorised.

ADV MAHLAPE SELLO: Now ...

MR FRANCIS QUENTIN CALLARD: This saving in design type testing
10 and type of approval talks to that ...

ADV MAHLAPE SELLO: Okay.

MR FRANCIS QUENTIN CALLARD: And it also would give us
confinement to MARS the fastest possible delivery.

ADV MAHLAPE SELLO: Can we – just so we understand. You
indicated earlier that there were certain trains or locomotives that were
reaching the end of their economic life ...

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: And which would have to be – had to be
replaced. You just now pointed out to the Chairperson that you – you
20 already had 110 new locomotives in fleet.

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: Can you explain how many you required to be
retired? When were these 110 acquired when you prepared this memo?

MR FRANCIS QUENTIN CALLARD: Two parts to that question and if I
may ...

ADV MAHLAPE SELLO: For the moment can you recall when these 110 were acquired?

MR FRANCIS QUENTIN CALLARD: The 110 were required - the specific dates are there. It was between 2009 to about 2011. I think the contract was signed in 2008 but please ...

ADV MAHLAPE SELLO: That is fine.

MR FRANCIS QUENTIN CALLARD: That is subject to absolute correction.

ADV MAHLAPE SELLO: And just – just so we are clear. That is not
10 the lot that was – that was reaching the end of its economic life?

MR FRANCIS QUENTIN CALLARD: No, no. The lot that were reaching the end of the economic life were what we called the 7E Series – the 7E1, 7E2 and 7E3 Series – a completely different type of locomotive. A DC only locomotive.

ADV MAHLAPE SELLO: Okay. You – you deal with a – the nature of this 19E type locomotive at page 7 paragraph 27 and the relevance of that particular type of locomotive to the coal division ...

MR FRANCIS QUENTIN CALLARD: I am sorry. Page 7 paragraph 29?

ADV MAHLAPE SELLO: Paragraph 29.

20 **MR FRANCIS QUENTIN CALLARD:** Yes.

ADV MAHLAPE SELLO: Can we – can you give us an appreciation of this 19E type locomotive and its relevance to the coal division?

MR FRANCIS QUENTIN CALLARD: Certainly. By (intervenes) as a 19E type equivalent locomotive we were in fact specifying that it would be a locomotive of a 26 ton axle loading. That it would have of the

order of at least 311 kilonewton tract of effort and those are the two main characteristics which I had dealt with on this slide and it would be dual voltage.

ADV MAHLAPE SELLO: Now you contrast that with reference to – to your Annexure 1 - at paragraph 63 of Annexure 1 to another type of locomotive. You call this one a 20E.

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: Can you give us an understanding - and your paragraph 63 of Annexure 1 where this is dealt with is at page 81.

10 **CHAIRPERSON:** Thank you. Okay. Just give me those references again.

ADV MAHLAPE SELLO: I apologise Chair. Mr Callard has explained to us the 19E and its relevance to the coal division and the fact that it has to be a 26 ton locomotive. In the next paragraph he then contrasts it with another type of locomotive which is a 20E. The detail of that comparison is contained in Annexure 1 at paragraph 63.

CHAIRPERSON: Annexure 1 is in the same bundle?

ADV MAHLAPE SELLO: Annexure 1 starts at page 70 and the specific paragraph where he does this comparison is at page 81 of that
20 document and in particular paragraph 63.

MR FRANCIS QUENTIN CALLARD: May I ...?

CHAIRPERSON: Okay, yes.

ADV MAHLAPE SELLO: Thank you and if you could then explain to us the differences between the two and why it is necessary to do this comparison.

MR FRANCIS QUENTIN CALLARD: Certainly, may I start at the bottom of page 80 please.

ADV MAHLAPE SELLO: Yes, eight zero?

MR FRANCIS QUENTIN CALLARD: Eight zero, at the bottom of page 80.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: At the bottom of page 80 under 58A type we described there essentially what I said earlier that the 19ER 269 axle and this says why it was not part of the 1064 process, because the 1064 process for general freight locomotives are 22 tons per axle.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: Setting out why it's a different one. It also sets out delivery. Then if the argument is accepted that one needs the locomotives what business case is required to do will say first identify and we agree on the need, we then have to assess the various procurement options, which is what point 59 at the bottom of page 11 sets out to do, analysis and implications of procurement options, and so we reason to four, the first was go out on tender, we could do nothing.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: We could confine or extend the contract, we explored the option of extending the current 21E contract for 95 CSR locomotives, or we could lease locomotives, those were the procurement options which we set out to explore. Paragraph 60 on

page 81 spells out the options of going out on tender, because of the time and the urgency which there was and the need to catch up on the 1064 we argued against going out on tender for this. The do nothing option we come particularly if I may then to 63, paragraph 63 where we explore extend the current 20E Contract to 95 CSR locomotives and explain at length, in some length in this paragraph why the 95 CSR locomotives were not suitable nor was it appropriate to extend the contract or confine their contract to CSR for their 95 locomotives because for the prime reason it was not a 22 ton per axle locomotive, it was not a heavy haul locomotive, it was not designed for the coal line, it was specified for general freight, in short it was not suitable for the coal line, therefore we can't move in that direction.

ADV MAHLAPE SELLO: So would my understanding then be correct that insofar – as much as we had a manufacturer supplying us with 20E or having recently supplied us with 20E it's not 20E we required for coal purposes, it's specifically 19E type.

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: Thank you. You may then proceed with the argument you made to – let me see the argument advanced in the memorandum regarding the basis for confinement which is what you selected and in doing so perhaps it might be a good place to start at page 82 where you give a definition of confinement as appears in the procurement procedures manual of 2012.

MR FRANCIS QUENTIN CALLARD: Certainly.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: Because ...(intervention)

ADV MAHLAPE SELLO: Sorry if I may, before we go there could you just briefly state what are the requirements for confinement to be involved in acquisition?

MR FRANCIS QUENTIN CALLARD: In the business case where we were now motivating for confinement pro-electrical motors this confinement has to be in terms of the procurement procedures manual of which an extract is set out under 67 on page 82, there are a number ...(intervention)

10 **CHAIRPERSON:** I'm just thinking Ms Sello that we have had a few witnesses tell us about what the requirements for confinement and whether we shouldn't just go ahead and then he will talk about them and we would know.

ADV MAHLAPE SELLO: We would be happy to because we need to go into a bit of detail on the requirement for confinement, when we deal with the business case that was eventually signed off and whether or not it complied with confinement, but if that evidence has been led before we can perhaps go into the various ...(intervention)

CHAIRPERSON: Yes, I think at least, no less than two Transnet
20 witnesses have dealt with it you know.

ADV MAHLAPE SELLO: That's more than enough Chair.

CHAIRPERSON: Ja, so I know exactly what it is and what the requirements are.

ADV MAHLAPE SELLO: We are happy then to go to the next point.

CHAIRPERSON: Obviously if there is a specific requirement that

needs highlighting because of what he would be saying later on that can be highlighted but we don't need to spend too much time on it.

ADV MAHLAPE SELLO: Thank you Chair. You give the summary of the business case that is advanced in Annexure 1 and you state there that the memorandum recommended confinement to Mtzewe for the acquisition of the 19 E-type locomotives.

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: Could you then take the Chair through the basis on which you recommended confinement to Mtzewe?

10 **MR FRANCIS QUENTIN CALLARD:** Certainly, I won't deal with, briefly there was (a) the urgency, which is addressed in the memorandum, the suppliers, limited number of suppliers we addressed, for reasons to Mtzewe we talked to the reasons at standardisation and compatibility with the existing goods and services, considering that we already had 110 and we wanted to just expand the current fleet, so we argued, the memorandum argues that C was fully met. D we spoke to the point where the goods or services are highly specialised and largely identical to those previously executed and it ticked all those boxes. One of the things which we argued, it also gets in the 95, is no 95 loco
20 had been delivered, it may have been on order but it had not been delivered so it had not been executed, it did not tick that box, but for C and D plus the speed with which they could be procured with the facilities already being available it had lessened the urgency if that's sufficient summary.

ADV MAHLAPE SELLO: And so the basis for confining to Mtzewe

was that listed in paragraph 69 at page 83.

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: Of the Annexure to say these are the grounds on which we believe that in addressing the urgency we are able to do so through confining to Mtzewe.

MR FRANCIS QUENTIN CALLARD: Correct, and they speak to the elements earlier because it was a known locomotive, known type, we did not have the design testing and prototyping issues, we had been through the teasing phase, the production line was available in point B,
10 true end drivers were already trained, there was no need to cross-train them for an new type of locomotive and we argued that confinement was the quickest delivery making use of existing facilities.

ADV MAHLAPE SELLO: Do you know – you prepared the memorandum, it was signed as you indicated, do you know what happened to this memorandum thereafter?

MR FRANCIS QUENTIN CALLARD: Yes it was at the BADC meeting it was withdrawn by Mr Molefe.

CHAIRPERSON: At what meeting was it withdrawn by him?

MR FRANCIS QUENTIN CALLARD: Mmm ...(intervention)

20 **ADV MAHLAPE SELLO:** Mr Callard, Mr Callard!

MR FRANCIS QUENTIN CALLARD: Yes?

ADV MAHLAPE SELLO: The Chair has got a question for you.

MR FRANCIS QUENTIN CALLARD: I was just getting the date.

CHAIRPERSON: You are looking for it okay no that's fine.

MR FRANCIS QUENTIN CALLARD: I believe the BADC meeting was

on the – yes on the 21st of October was the BADC meeting, and
...(intervention)

CHAIRPERSON: Oh okay I think that's the word I was looking for.

ADV MAHLAPE SELLO: BADC if I may Chair, if the Chair has regard
to paragraph 32 I think it's how employees at Transnet tend to deal with
– it's BADC.

CHAIRPERSON: Yes BADC yes, okay.

ADV MAHLAPE SELLO: Yes and they in short call it by that.

MR FRANCIS QUENTIN CALLARD: The Board Acquisitions and
10 Development Council meeting was held on the 21st of October.

CHAIRPERSON: Okay.

MR FRANCIS QUENTIN CALLARD: This memorandum having been
signed beforehand through all these parties was ready for presentation
to that meeting.

CHAIRPERSON: Yes, yes.

MR FRANCIS QUENTIN CALLARD: I was at that meeting ready,
actually not to talk to this memorandum but to the 1064 Locomotives,
Mr Gama was not at the meeting, Mr Jiyane was going to come, I was
on standby.

20 **ADV MAHLAPE SELLO:** If I may just interject you say Mr Jiyane and
who now is Mr Jiyane?

MR FRANCIS QUENTIN CALLARD: Sorry, Mr Thamsanqa Jiyane.

ADV MAHLAPE SELLO: And he was?

MR FRANCIS QUENTIN CALLARD: Chief Procurement Officer,
Transnet Freight Rail.

ADV MAHLAPE SELLO: So are you stating that he was to talk to this memorandum?

MR FRANCIS QUENTIN CALLARD: I did not know at the time, I was informed of that later.

ADV MAHLAPE SELLO: Please proceed.

MR FRANCIS QUENTIN CALLARD: Thank you. I was there when I received an sms from Mr Gama while I was in the meeting hall and it said that Mr Molefe, Mr Brian Molefe, then Group Chief Executive of Transnet Limited, had withdrawn the memorandum and I was to politely
10 get out of that meeting, that is, SABS was detailed in Annexure 2.

CHAIRPERSON: But you said you were, as far as you understood you were attending the meeting in order to deal with another memorandum, not this one.

MR FRANCIS QUENTIN CALLARD: Correct, yes.

CHAIRPERSON: But the sms from Mr Gama to you while you were waiting at the venue was to – was that the memorandum to which you were not going to be the one talking, was going – had been withdrawn but he then said you must not attend the meeting anymore, that's what you say he said?

20 **MR FRANCIS QUENTIN CALLARD:** That's what he said, may I refer to page 96, the sms messages?

ADV MAHLAPE SELLO: Absolutely.

CHAIRPERSON: What page is that?

MR FRANCIS QUENTIN CALLARD: Page 96.

ADV MAHLAPE SELLO: 96.

CHAIRPERSON: Thank you.

ADV MAHLAPE SELLO: But your Annexure FC2. We located it yesterday.

MR FRANCIS QUENTIN CALLARD: Thank you, it was a confusing morning. The sms read, and I'm reading from the top of page 96, please get out that boardroom, Tami is coming to talk about 1064 locomotives, the 1064 has been withdrawn so I'm not sure why you are there.

ADV MAHLAPE SELLO: Correction, you said 164, it's 160.

10 **MR FRANCIS QUENTIN CALLARD:** The 160 has been withdrawn, thank you, so I'm not sure why you are there.

ADV MAHLAPE SELLO: So you testified that you were scheduled to speak on the 1064?

MR FRANCIS QUENTIN CALLARD: I was on standby.

ADV MAHLAPE SELLO: Standby to do that?

MR FRANCIS QUENTIN CALLARD: I thought I was going there believing I was on standby to speak to the 1064.

ADV MAHLAPE SELLO: And then this memorandum on the 100 was also to serve before that meeting except Mr Jiyane would as you say
20 subsequently understood talk to it.

MR FRANCIS QUENTIN CALLARD: My ...(intervention)

ADV MAHLAPE SELLO: You then get a message per page 96 from Mr Siyabonga Gama instructing you to leave the meeting and informing you that Tami will speak to the 1064 which is the transaction you were going to speak to?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: You said that your attendance was on the basis that you were on standby, is that right?

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: Does that mean that you were going to participate in the meeting if somebody else did not pitch up or what.

MR FRANCIS QUENTIN CALLARD: It was a confusing morning, I didn't know whether I should have been there or should not have been there. I was not able to ascertain who was going or who was not going to the
10 meeting. I knew that both of these items were on the agenda, 1064 and for this 160E's it also refers to the 100, the 160 100's, synonymous for a moment, so I said if somebody – let me go and be on standby, even if I'm out the door in case somebody calls.

CHAIRPERSON: When you say you were on standby you don't mean that somebody had asked you to go there on the basis of being on standby, it was your own decision.

MR FRANCIS QUENTIN CALLARD: My own decision to.

CHAIRPERSON: Just in case.

MR FRANCIS QUENTIN CALLARD: Just in case.

20 **CHAIRPERSON:** I'm needed.

MR FRANCIS QUENTIN CALLARD: Correct.

CHAIRPERSON: Ja, okay, alright, thank you.

ADV MAHLAPE SELLO: And for future reference so that we don't get confused that sms you read out states that the 160 has been withdrawn, would I be correct in saying that the 100 – the 160 relates

to Annexure A which was the business case for 100 electric locomotives plus 60 diesel locomotives, bringing the total to 160, and that is in the subject line of Annexure A itself. You received this email and presumably you then left the meeting.

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: And I see there's a ...(intervention)

CHAIRPERSON: So maybe the tone of this sms from Mr Siyabonga Gama to you maybe must be understood in the context of the fact that he might not have asked you to attend the meeting, and you might have
10 made your own decision to attend and be helpful if necessary, and I'm just thinking when you redid the tone sounds a little strong, he says he doesn't know why you are there?

MR FRANCIS QUENTIN CALLARD: I confess I was also surprised but this happens in the organisation, as I said it was confusing, I did not know who was formally attending attending the meeting, it happens.

CHAIRPERSON: Yes, yes.

ADV MAHLAPE SELLO: But I think the Chair is asking you a slightly different question which if you are not presenting any of the two on what authority were you at the Board meeting, at that meeting? Who
20 decided you may attend the meeting and what was your purpose for attending that or authorised.

MR FRANCIS QUENTIN CALLARD: Nobody said go, nobody directed me to go to the meeting. Knowing that the matters were to be presented at the Board and that somebody needed to talk to them and I could not ascertain who was going to be there and I tried to, I believe I

tried to contact all the relevant people beforehand so that somebody could talk to me if need be, I said I will go and be available.

CHAIRPERSON: What was the norm when there was to be a meeting to be attended in terms of who attends.

MR FRANCIS QUENTIN CALLARD: Normally it would have been Mr Gama.

CHAIRPERSON: Oh he would indicate who is going to attend?

MR FRANCIS QUENTIN CALLARD: Either he would or he would delegate a representative yes.

10 **CHAIRPERSON:** Oh, but on this occasion you had not received any but you thought in case you were, you could be helpful.

MR FRANCIS QUENTIN CALLARD: Yes.

CHAIRPERSON: Okay.

MR FRANCIS QUENTIN CALLARD: Yes, and if I may say that talks to his point Tami reading, Mr Thamsanqa Jiyane, is coming to talk about the 1064 locomotive.

CHAIRPERSON: Okay thank you.

ADV MAHLAPE SELLO: Thank you. I see then at 96 onto page 97 there's a series of other sms's, are they relevant to this conversation
20 and can you unpack that, what transpired after you received this message?

MR FRANCIS QUENTIN CALLARD: Well after I received the message I left the meeting, I sms'd Mr Gama, the second sms there "I'm out, was called I thought for the 1064, was here in case you wanted me, they have moved on from 1064, the 100 is coming up very soon, perhaps ten

minutes”, Mr Gama replied and the timing of these emails, he sent me the first email at 9.28, I replied at 9.36, I was out the boardroom, at 9.40 Mr Gama sms’d “Brian has withdrawn the 160, you can come back to the office”, and by that time 10.10 I sms’d Mr Gama to say thanks Tami is here. I spoke to Mr Jiyane at the meeting and went back to the office.

ADV MAHLAPE SELLO: Now there are further sms’s at the bottom of page 96 onto 97, can you complete this communication, sms communication between yourself and Mr Gama?

10 **MR FRANCIS QUENTIN CALLARD:** Sure, so then Mr Gama sms’d me and says “so what did you talk to BADC about, I’m here now and I really don’t like confusion.”

ADV MAHLAPE SELLO: And this is addressed to you?

MR FRANCIS QUENTIN CALLARD: This is addressed to me.

ADV MAHLAPE SELLO: Yes?

MR FRANCIS QUENTIN CALLARD: And I responded to Mr Gama and said “Morning, what is the ...” and I responded the following day, on the 22nd. “Morning ,what is the way forward with the 100 plus 60 is there anything we can do, research or rewrite, are there implications for the
20 Board agenda for Wednesday, thanks Francis” because normally these – in order of protocol it would go through the Board and Acquisitions Development Council and depending on the level of approval it will then go to the Board, so this will have an implication for the Board Agenda, for the value.

ADV MAHLAPE SELLO: And you’re suggesting there was an upcoming

Board meeting on that Wednesday?

MR FRANCIS QUENTIN CALLARD: Yes, yes.

ADV MAHLAPE SELLO: And what was the response thereto?

MR FRANCIS QUENTIN CALLARD: The response was, and I read the last sms there “I believe it remains withdrawn. I am now trying to see how we can get leased locomotives from Queensland. GCE said to me if I need anything it must be less than a billion if it’s capital and for a confinement it must be within his authority.

CHAIRPERSON: I see that you don’t seem to have responded to his
10 question about what did you talk to the ADC about.

MR FRANCIS QUENTIN CALLARD: I do believe that I phoned him on that one, it’s not in an sms.

CHAIRPERSON: Okay.

MR FRANCIS QUENTIN CALLARD: And my recollection is that I phoned him to say, explained why I was there.

CHAIRPERSON: Ja, okay, okay.

ADV MAHLAPE SELLO: Then on the question of the Chair yes it’s not in the sms’s but just for the record besides being present at the meeting before you got an instruction to leave the meeting had you
20 addressed the meeting at all, had you done anything in that meeting yet at that point?

MR FRANCIS QUENTIN CALLARD: No I did not address the meeting.

ADV MAHLAPE SELLO: Okay, so then you were informed that it remains withdrawn the 160 proposal and the thinking is perhaps to lease this from Queensland, I take it Australia.

MR FRANCIS QUENTIN CALLARD: Lease locomotives, alternative locomotives from Queensland, Australia yes.

ADV MAHLAPE SELLO: Okay, and then what happened after you received that response from Mr Gama?

MR FRANCIS QUENTIN CALLARD: Well the next significant development was that I prepared a updated version of the business case or a slightly revised version of the business case which I presented for Mr Gama which he signed on the 25th of November 2013, so this was now a month later.

10 **ADV MAHLAPE SELLO:** And what led to your revision of that business case, what was the cause of the revision?

MR FRANCIS QUENTIN CALLARD: The instructions and directions on what to revise were normally telephonic at the time, so I can't state specifically it was this phone call or – it certainly wasn't an email, or this phone call or sms which said okay so that one's been withdrawn, please prepare another one, get it going again that we can submit it again the next time and try our luck again is how I interpreted it. That was my interpretation, prepare it again, ready for resubmission in a month's time, maybe we have better luck. That was my interpretation
20 of it at the time.

ADV MAHLAPE SELLO: You have attached this submitted, or this revised version as Annexure 3?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: And that starts at your page 99. Is there any difference between Annexure 1, which is 15th of October 2013

submission and this revised version, is there any difference between the two documents, that is key that you would like to bring to the Chair's attention, or is it the same document now re-dated?

MR FRANCIS QUENTIN CALLARD: In essence the documents are the same, they are both for 100 Class 19E equivalent dual vantage electric locomotives and for 60 class 43 diesel locomotives per the heading, but there were minor corrections yes because at the bottom left hand corner the first one on page 70 its revised version 11A, and the version on page 99 is version 12, so I did some minor changes, I can't say

10 ...(intervention)

CHAIRPERSON: If they are not material you don't need to bother to.

MR FRANCIS QUENTIN CALLARD: Not material no.

CHAIRPERSON: Ja, you don't need to bother to list them.

ADV MAHLAPE SELLO: And now this one is dated the 25th of November 2013.

MR FRANCIS QUENTIN CALLARD: Yes, it was signed by Mr Gama on the 25th of November.

ADV MAHLAPE SELLO: And that is at page 123, I see this document we have unlike the first version was signed only by Mr Gama and not by
20 the rest of the people whose names appear there who intended to sign it, do you know whether they in fact did sign this version eventually?

MR FRANCIS QUENTIN CALLARD: It's my understanding that it was not signed further, I have no record of it being signed further.

ADV MAHLAPE SELLO: So, and do you know then what happened to this version that you submitted as an extra three signed by Mr Gama on

the 25th November 2013?

MR FRANCIS QUENTIN CALLARD: Not definitively, no I know it went to Group, but I believe it went to Group but I cannot say where it got stopped in the process, or where it stopped in the process.

ADV MAHLAPE SELLO: What do you mean Group? Whose Group?

MR FRANCIS QUENTIN CALLARD: Group as in Transnet Group Head Office which would forward, prepare documents for BADC and for Board.

CHAIRPERSON: Do you know whether the persons for whom provision
10 had been made for them to sign on that memorandum, do you know whether the absence of their signatures may have been because they didn't agree or whether the memorandum wasn't given to them or anything, or you just don't know what happened?

MR FRANCIS QUENTIN CALLARD: I don't know.

CHAIRPERSON: Okay.

ADV MAHLAPE SELLO: Thank you Chair. So this is now the 25th of November 2013, insofar as this proposal is concerned do you hear anything from anyone thereafter, after that date?

MR FRANCIS QUENTIN CALLARD: No it was quiet and one proceeded
20 with other work till the next event was really the afternoon of Friday the 18th of January.

ADV MAHLAPE SELLO: And what happened on that day?

MR FRANCIS QUENTIN CALLARD: I then received the following sms from Mr Gama, and if I may read it because I think it sets out what had happened.

“Hi Francis and JD,

Group has asked that we find R50million additional revenue for next year.”

CHAIRPERSON: Is that one of the corrections, it says R500 here, R500million.

MR FRANCIS QUENTIN CALLARD: Sorry R500million, sorry.

CHAIRPERSON: R500million okay.

MR FRANCIS QUENTIN CALLARD: They also want us to add a thousand wagons for CAPEC, to TE, that's Transnet Engineering, I
10 suggested that we need 80, not 60 Class 43 diesels, they're asking that we table a business case for 80 but it needs to be signed off by ten o'clock on Monday in order for it to be on BADC pack for next Friday's meeting 24 January. What miracle can you work for me, Sia. Well ...

CHAIRPERSON: That seemed much more friendlier than the sms's.

MR FRANCIS QUENTIN CALLARD: There was no offence given and none taken at the time, these things happen.

CHAIRPERSON: Ja.

ADV MAHLAPE SELLO: So the request is to take the same proposal except instead of 60 diesel you must make provision for 80 diesel?

20 **MR FRANCIS QUENTIN CALLARD:** Correct.

ADV MAHLAPE SELLO: And this you must have completed by the following Monday having received the message on?

MR FRANCIS QUENTIN CALLARD: Friday.

ADV MAHLAPE SELLO: Friday.

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: In preparation for a BADC meeting the following Friday.

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: Did you respond to this sms?

MR FRANCIS QUENTIN CALLARD: Well before I responded personally, my first thing was I contacted a colleague that was Pragessan Pillay, who was General Manager Logistics Integration, of this sms ...(intervention)

ADV MAHLAPE SELLO: May I interject, Pragessan [spelt] Pillay?

10 **MR FRANCIS QUENTIN CALLARD:** Yes.

ADV MAHLAPE SELLO: For record purposes, thank you.

MR FRANCIS QUENTIN CALLARD: Thank you. He and I were extremely close colleagues and all our locomotive interactions we – because he was in charge of the operational aspects of locomotives we were working very closely particularly when it came to designing how locomotives, and allocating how locomotives would be used and operational capabilities and operational deployment, so the business case had to tie in with what he wanted. So I told him about this sms and as I said he is responsible for all the operational aspects of the
20 locomotive fleet and we had this particularly close working collaboration. JD sent the sms to Gama and copied me “Once I had a chat with Francis we will be meeting tomorrow to get the case out. We do have tons, we will be tracking above the budget for next year, they are covered by resources but not reliable as we would like to be. There is operational detail here of also Polokwana needs the 34 200’s to be

replaced, that's a diesel locomotive, we plan to hold them together with Coppex ...” I'm not sure I need the message, but effectively we were in contact, I believe we met on the Saturday to put this together and the upshot of this was that on Monday the 24th of January I emailed Mr Gama a revised business case for 100 locomotives and 80 diesels which is – that was revised version 14 dated the 20th of January, and I sent a word version to Mr Gama's PA, Mr Singh's PA and on Tuesday I sent a word version to Mr Jiyane of the Supply Chain Officer. So it was distributed fairly widely.

- 10 **ADV MAHLAPE SELLO:** And you were able to work the miracle that Mr Gama was hoping you would be able to by Monday?

MR FRANCIS QUENTIN CALLARD: Ja we got a business case out.

ADV MAHLAPE SELLO: Okay. Now we are now at sequentially version 3 which you have annexed as Annexure 5 and 5A. If we could go to version 2 – annexure 5A and that is at page 129. The first difference with this if compared to our very first being annexure 1 is the subject title. So whereas annexure 1 was making provision for 100 electric locomotives and 60 diesel this one adjusted the diesel requirement up to 80.

- 20 **MR FRANCIS QUENTIN CALLARD:** Correct.

ADV MAHLAPE SELLO: May we accept that the body of the document and the calculations recognises that change and that change is giving effect to in the numbers?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: Besides that change did anything else change

in FA1 as compared to Annexure A your very first business case?

MR FRANCIS QUENTIN CALLARD: The logic of the business case, the layout of the business case and the essential arguments remained all the same.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: It is my recollection that of course I adjusted various figures and various tonnages related to the change in locomotives but it was an update of previous work fortunately it was not a rewrite completely from scratch.

10 **ADV MAHLAPE SELLO:** And Annexure 5A still argues for confinement to Mitsui at this stage?

MR FRANCIS QUENTIN CALLARD: And 5A still argues for confinement to Mitsui on the same basis as we had before.

ADV MAHLAPE SELLO: As we have had along. You – you indicate you distributed this to the people you mention in your paragraph 38 and then what happened thereafter?

MR FRANCIS QUENTIN CALLARD: Not in the case there was various emails between myself, Mr Singh and Mr Pita where I had emailed versions, previous versions of business cases and corrected some
20 finance – some of their financial calculations we found an error in the work I had done over the weekend and that was corrected. But the key point was that on the morning of Wednesday the 22 January I received this – an email from Ms Lindiwe Mdletshe also from Supply Chain Services.

ADV MAHLAPE SELLO: May I spell that for the record? It is L – first

name Lindiwe, surname, Mdletshe.

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: Thank you.

MR FRANCIS QUENTIN CALLARD: And she requested my assistance on the formatting my memorandum the previous Monday the one which I had distributed widely on Monday. When I looked at the memorandum she sent me I noticed that the memorandum had been changed significantly to give the effect to confine an award to CSR for 100 electric locomotives and the confinement that I had to Mitsui was totally
10 removed.

ADV MAHLAPE SELLO: And you attach these documents as Annexure 7. Could we then go to Annexure 7 and Annexure 7A so that you can work us through these details?

MR FRANCIS QUENTIN CALLARD: Certainly.

CHAIRPERSON: So – so you saying you prepared or you – ja you prepared a memorandum which made out a case for the confinement to Mitsui.

MR FRANCIS QUENTIN CALLARD: Mitsui correct.

CHAIRPERSON: And you were now discovering that it had been
20 changed significantly and the memorandum was now making out a case for confinement to CSR?

MR FRANCIS QUENTIN CALLARD: Correct.

CHAIRPERSON: Thank you.

ADV MAHLAPE SELLO: Thank you Chair.

CHAIRPERSON: Okay.

ADV MAHLAPE SELLO: Your Annexure 7 starts at page 158 and then it is thereafter followed by 7A. At 158 is that the email you referred to from Ms Mdletshe?

MR FRANCIS QUENTIN CALLARD: That is the email I received from Ms Mdletshe. May I point out that while the email reads: please see slide evaluation methodology that needs to be incorporated into the word documents if I could take you through please to the attachments? There are two attachments which she sent me. And this was the document I was put it into [indistinct] 180 revised version 15 120
10 GPdoc ex that is the memorandum attached as Annexure 7A and then there was the slide that I was to add into the document.

ADV MAHLAPE SELLO: So you received two documents from Ms Mdletshe the slide on the one hand it is one attachment and you received the document that you have marked 7A which is a revised version of what you had provided – the memorandum you had provided to Mr Singh, Mr Gama and Mr Pita?

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: Two days previously?

MR FRANCIS QUENTIN CALLARD: Yes.

20 **ADV MAHLAPE SELLO:** Okay. You then receive this document and what do you do with it?

MR FRANCIS QUENTIN CALLARD: I put the slide in.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: I format it – formatted it.

CHAIRPERSON: Or maybe before dealing with what you did with it. In

terms of the significant changes that you say were there maybe if you can identify those first?

ADV MAHLAPE SELLO: If I may suggest Chair actually Mr Callard has done that. They are fairly significant.

CHAIRPERSON: Ja.

ADV MAHLAPE SELLO: That is Annexure 8 which is upcoming.

CHAIRPERSON: Ja.

ADV MAHLAPE SELLO: Where he is going to take us to the – the changes made to his original document.

10 **CHAIRPERSON:** Yes.

ADV MAHLAPE SELLO: So basically what he does he takes his original document and he shows where there have been deletions and changes.

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: And he makes a direct comparison.

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: That exercise I believe is – is better appreciated through Annexure 8.

CHAIRPERSON: Yes.

20 **ADV MAHLAPE SELLO:** Which is the next slide that we are going to deal with.

CHAIRPERSON: But should we not have that before we hear what he did with the document?

MR FRANCIS QUENTIN CALLARD: May I say? The essence – I did exactly what Ms Mdletshe asked me.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: I took the document, put it in the slide

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Also took the slide put it in the document, formatted it correctly, and sent it back to her.

CHAIRPERSON: Yes. Okay.

MR FRANCIS QUENTIN CALLARD: And then...

CHAIRPERSON: Okay no I thought the question was meant to
10 [indistinct] as opposed to what you did.

MR FRANCIS QUENTIN CALLARD: No.

CHAIRPERSON: Okay. I may have misunderstood the question.

ADV MAHLAPE SELLO: Thank you Chair.

CHAIRPERSON: Okay.

ADV MAHLAPE SELLO: The sum affect is that they requested being please add this slide to the body of the document.

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: And as I understand Mr Callard.

CHAIRPERSON: And you just did it.

20 **ADV MAHLAPE SELLO**: That is exactly what he did.

CHAIRPERSON: Okay. No that is fine.

ADV MAHLAPE SELLO: It is in the course of doing so.

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: If I understand you correctly that you realised that this is not the same document.

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: That I have sent out to inter alia Ms Mdletshe herself.

CHAIRPERSON: Okay no, no that is fine. So let us – let us go ahead then.

ADV MAHLAPE SELLO: Then which then leads us to your paragraph 40 and you talk about a comparison between I will call it your version and the version received from Ms Mdletshe and you have attached this as Annexure 8?

10 **MR FRANCIS QUENTIN CALLARD:** Correct.

ADV MAHLAPE SELLO: And Annexure 8 Chair will start at your page 186.

CHAIRPERSON: Thank you.

ADV MAHLAPE SELLO: You list a number of changes under paragraph 40 going onto paragraph 41. Let us take them a step at a time and if you can refer the Chair to the specific places where these changes occur or the key ones at least.

MR FRANCIS QUENTIN CALLARD: Well the key changes were 40.1 references to 19 E equivalent had been removed throughout the
20 document. If one were to turn to page 187.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: First example of that is Item 1B to approve the investment in and procurement of 100 and where we had Class 19 E equivalent electric locomotives the Class 19 E equivalent has been removed. That is I believe consistent throughout the

document.

ADV MAHLAPE SELLO: So the effect of that amendment is to render 1B whereas 1B sought an approval for the procurement of 100 Class 19 E electric locomotives that effect – the change results in the approval sought being for the procurement of 100 locomotives simply?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: Okay.

MR FRANCIS QUENTIN CALLARD: The – may I add that the consequence of that or the implications of that is that the
10 characteristics of the locomotive, the desired locomotive of the 19 E of its 26 tonnes per axil and the power equivalency of a 19 E locomotive had been taken out of the business case.

ADV MAHLAPE SELLO: And you state that throughout the document reference to Class 19 E equivalent is taken out?

MR FRANCIS QUENTIN CALLARD: The – I cannot recall a place where it is left in the document.

ADV MAHLAPE SELLO: Yes [indistinct] what is the next significant change?

MR FRANCIS QUENTIN CALLARD: 40.2 the motivation to confine to
20 Mars had been removed and replaced with confinement to SCR. That appears on page 200.

ADV MAHLAPE SELLO: Would it perhaps Mr Callard if we start at page 188 which is the first place where this change occurs. 188.

MR FRANCIS QUENTIN CALLARD: My apologies.

ADV MAHLAPE SELLO: Paragraph 5.

MR FRANCIS QUENTIN CALLARD: 180 – 180 – yes 188. First place occurs.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: Yes. 188 paragraph 5 and here it reads – now reads that the submission proposes an accelerated procurement to mitigate General Freight MDS volumes at risk above confining 100 electric locomotives to CSR, China South Rail E Locomotive Supply and the balance. That now changes the confinement sig- changes the confinement. We can see the changes in
10 the track changes in the document. This is now confinement to Mars is now consistent through the document. The motivation for confinement to Mitsui has been removed and been replaced by confined motivation to confine to China South Rail.

ADV MAHLAPE SELLO: Before we deal with the next change I would like to take you back to 187 which is something you do not highlight in your statement and in particular under purpose paragraph 1F, F for Freddy

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: The original document appeared to have
20 proposed that once the contracts are negotiated to inform the board of the final price, cost and the then 1G suggested that the GCE be delegated the power to sign. Insofar as F is concerned that requirement to inform the board of the final price appears to have been taken out?

MR FRANCIS QUENTIN CALLARD: Correct that has been taken out

and the – it is my interpretation that the addition under what is now was G now F the power be delegated to the GCE award including process and approval takes us even further, the in – [indistinct] powers.

ADV MAHLAPE SELLO: So then if...

CHAIRPERSON: What – what is your understanding of including process approval is – does that mean that what was intended with this amendment was that the GCE would be the one to decide on what process should be followed to get approval?

MR FRANCIS QUENTIN CALLARD: Because I did not add those words

10 I do not want to ...

CHAIRPERSON: You do not know?

MR FRANCIS QUENTIN CALLARD: Impute to the author.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: What he exactly meant.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: What I was giving there was my interpretation of the words for process approval was that an extended process approval could be argued to go right up to award.

CHAIRPERSON: YEs.

20 **MR FRANCIS QUENTIN CALLARD:** Award the business.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: It is an interpretation of those words.

CHAIRPERSON: Ja. Okay no, no, I just wanted your own interpretation because somebody was quite...

MR FRANCIS QUENTIN CALLARD: But I cannot impute.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: What the author meant but that is my interpretation of the words.

CHAIRPERSON: Okay.

ADV MAHLAPE SELLO: Thank you Chair. It has been brought to my attention that it is time for your tea Chair.

CHAIRPERSON: We will take the tea adjournment and we will resume at half past eleven.

10 **ADV MAHLAPE SELLO:** Thank you.

CHAIRPERSON: We adjourn.

REGISTRAR: All Rise.

INQUIRY ADJOURNS

INQUIRY RESUMES

CHAIRPERSON: Okay, let us proceed.

ADV MAHLAPE SELLO: Thank you Chair. Mr Callard we are still at your page 9 of your statement. We have dealt with 40.1, 40.2 and – and the changes that were effected at page 187 relating to the requirement for approval by the Board. We now move onto your 40.3
20 and we deal with the change effected there when you are ready.

MR FRANCIS QUENTIN CALLARD: Thank you. Under 40.3 what had also been removed was the benefit of the standardisations of the locomotives and for that if we could please refer to page 2-0 – 200 ...

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: And 201.

ADV MAHLAPE SELLO: Okay. Starting at 200.

MR FRANCIS QUENTIN CALLARD: Correction. Let us go to 201 please.

ADV MAHLAPE SELLO: Okay.

MR FRANCIS QUENTIN CALLARD: On standardisation. 201 paragraph D where we have – what has been taken out was that the standardisation has two elements - operational standardisation and maintenance standardisation. We will see that whole section has been deleted and it has been replaced with wording to the effect that:

10 “CSR has been adjudicated as being the best bidder during the 95 electric locomotive process.”

We recall now that the 95 electric locomotives which were then class 20E were general freight locomotives. Both these tenders now include Board approved methodology.

“Transnet has spent a huge – large amount of time human capital money in the recent tenders. Production of the MARS ...”

And I am reading from Roman numerals II.

20 “Production of the current MARS contract has been completed and was based on previous procurement methodology where supplier development is not a key focus area and the Mitsui Consortium did not fare well in the two most recent tenders issued by Transnet.”

That would be the 1 064 including.

“Therefore a continuation with Mitsui via
confinement would pose unnecessary risk to the
organisation.”

Effectively none of this addresses the key point that was made out of
standardisation and interoperability and that has been replaced with –
may I put it – extraneous material.

CHAIRPERSON: Well once whoever it is who made the decision to say
it should no longer – the memorandum should no longer be talking
about MARS but CSR once they had made that change would it be true
10 that the standardisation that given the contract to MARS would benefit
that Transnet would gain in terms of standardisation would no longer
apply once it was CSR?

MR FRANCIS QUENTIN CALLARD: Correct.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: The benefit of standardisation
would be negated.

CHAIRPERSON: Would be negated, *ja*.

MR FRANCIS QUENTIN CALLARD: Yes.

CHAIRPERSON: So that part had to go but of course you still have the
20 question of the motivation why they changed from MARS to CSR?

MR FRANCIS QUENTIN CALLARD: Correct.

CHAIRPERSON: *Ja* because then they would need to address the
question of how – what about the benefit that Transnet would have
gained by giving the contract to – to MARS which is what your original
memorandum was – was about?

MR FRANCIS QUENTIN CALLARD: Correct.

CHAIRPERSON: *Ja*, okay.

ADV MAHLAPE SELLO: And perhaps just to conclude on that point if you go a page back at 200 this would have started at the bottom of page 199. It is a quotation from the Procurement Policy regarding requirements to be met for confinement to be invoked and at 200 under C it states that:

10 “For reasons of standardisation or compatibility with
existing rules and services a case must be made
that deviation from existing standardised goods or
services will cost major operational disruption. If
not confinements based on standardisation will not
be considered.”

You see that part?

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: Now my question to you is ...

CHAIRPERSON: Well I do not see it. I am trying to follow you.

ADV MAHLAPE SELLO: Oh, I apologise Chair.

CHAIRPERSON: On page 200?

20 **ADV MAHLAPE SELLO:** At page 200 at the top in bold ...

CHAIRPERSON: Oh, where it says for reasons, okay.

ADV MAHLAPE SELLO: Where it says for reasons under C.

CHAIRPERSON: Yes, yes okay.

ADV MAHLAPE SELLO: That is a continuation from 199 ...

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: The requirements for confinement.

CHAIRPERSON: Confinement, *ja*.

ADV MAHLAPE SELLO: And now ...

CHAIRPERSON: Okay.

ADV MAHLAPE SELLO: The aspect that Mr Callard has just dealt with.

Is it your evidence that in seeking to confine the acquisition to MARS you argued that coal line or the coal division had – was already owning and operating 19E locomotives and that these would be compatible with what you already have?

10 **MR FRANCIS QUENTIN CALLARD:** That is correct. The fleet of locomotives on the coal line comprised 7E locomotives and series. 11E locomotives AC only and those were quite old and the bulk of the coal line fleet the major element was the recently acquired 110 19E locomotives. The confinement to MARS for the additional 100 locomotives fully met the requirements of C where for reasons of standardisation and compatibility with existing goods or services. That box was firmly ticked. We made the case why we did not want to deviate from that because of both spares holding and a maintenance holding and we also mentioned a driver training plus other factors and
20 that.

ADV MAHLAPE SELLO: At that – at that time did the coal division have within its fleet any locomotive manufactured by CSR?

MR FRANCIS QUENTIN CALLARD: No. At the time that this memorandum was changed - this is now in January 2014 – Transnet Freight Rail had not taken delivery of a single locomotive from CSR.

The contract for the 95 locomotives had previously been awarded to CSR. A locomotive had been delivered into the country manufactured from China – if my memory serves me correctly. This was roundabout November 2013. I give or take the exact date. There was a ceremony around that and that locomotive was currently undergoing prototype and performance testing on the freight rail network. It had not been taken into service.

“We had no effectively goods or services ...”

And I am quoting here from point D.

10 “We had no goods or services reading locomotives
previously executed by the supplier in service at
the time this memorandum was changed.”

CHAIRPERSON: So going back to the question I asked when you were dealing with the removal or deletion of the standardisation part of your memorandum ...

MR FRANCIS QUENTIN CALLARD: Yes.

CHAIRPERSON: And its replacement by what we have looked at in terms of CSR - so standardisation apart from – apart from whatever benefit Transnet would get by giving the contract to MARS but apart
20 from that standardisation would have been or was one of the grounds that would justify confinement. Is that right?

MR FRANCIS QUENTIN CALLARD: Certainly Mr Chairman.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: If I may use a – perhaps an automotive example ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: And may I mention trade names just for – for sake of the argument. I own a delivery service and I have a 100 Toyota trucks – one ton trucks. I have a maintenance facility set up for those one ton trucks. I keep a stock of spares for those one ton trucks. I wish now to increase my fleet. If I were to – I go out on tender. If I were to increase to say now changing from Toyota to Ford - for example. The driver training in an automotive truck is not the big issue but I now have a different workshop facility that I have to set up.

10 I have a different spares holding that I have to set up and this complexity is amplified when one deals with locomotives because of the nature of their spares and the long term capital items those spares how long they are held for and the – the price of those spares. So it means that – as an example – I now have to hold spares for Toyota. I have to hold spares for Ford but if I just increase my fleet in Toyota - for example - I do not have to double up on my spares holding because though doubling my fleet I only need to increase my spares by perhaps 25 percent whereas I would have to do it completely differently if I changed the brand which I was (indistinct) exactly the same type of

20 argument and savings hold true in locomotive spares.

CHAIRPERSON: Hm.

ADV MAHLAPE SELLO: Thank you Chair. Then if – if we are to understand you based on what you have previously said you already had 110 19E locomotives?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: And if the proposal was upheld you would acquire a 19E type equivalent and when you confine that acquisition to MARS you would actually acquire a 19E because that is a Mitsui locomotive?

MR FRANCIS QUENTIN CALLARD: Correct, correct.

ADV MAHLAPE SELLO: And would we be correct to say that the new 100 to be acquired would be replacing the 7E and the 11E that were currently part of the fleet?

MR FRANCIS QUENTIN CALLARD: It would certainly be replacing the
10 7E and it would not be replacing the 11E immediately but the business case was also to increase the tonnages conveyed over the coal line. So to convey those increased tonnages we need additional locomotives.

ADV MAHLAPE SELLO: And then with the replacement of 7E and the 110 already at hand if the proposal had been upheld to confine to MARS the division would have ended up with predominantly 19E locomotives to run the coal line?

MR FRANCIS QUENTIN CALLARD: Correct, correct.

ADV MAHLAPE SELLO: Now you – you pointed us to page 201 under standardisation.

20 **MR FRANCIS QUENTIN CALLARD:** Yes.

ADV MAHLAPE SELLO: And – and reference is made thereto the award of 95 electric locomotives to CSR?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: And you pointed out that none of these had been delivered. There was a – there was only a prototype that was in

testing phase at the time?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: Would we be correct to – to assume therefore that there was nothing in hand with the co division to standardise with anything that CSR would – would supply in terms of this proposal?

MR FRANCIS QUENTIN CALLARD: If I may just say we – we use the term “coal line”. It is not a separate division on its line. It is a network separation but there was nothing for the coal line that would be compatible or previously delivered from SCR. So in fact we had no
10 SCR locomotive either in general freight at that time or on the coal line.

ADV MAHLAPE SELLO: Now if I – I take you a page back to 200 at what was item or paragraph 68 your original memorandum listed four factors there in seeking to address the question of urgency?

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: I see that all that now – all those have been – have been cancelled out.

MR FRANCIS QUENTIN CALLARD: Correct they have been.

ADV MAHLAPE SELLO: Is the Chair to understand that whereas you were arguing if we acquire the MARS locomotives Transnet would not
20 have difficulties with going through the teething phase first and foremost because they are already running a 19E?

MR FRANCIS QUENTIN CALLARD: Specifically because the new locomotives or the additional 100 would be of the 19E type - maybe with a minor updated variation – they have been through all – yes they have been through the teething phase and all the bugs have been

ironed out. All the production bugs have been ironed out. Secondly ...

ADV MAHLAPE SELLO: Continue, yes.

MR FRANCIS QUENTIN CALLARD: Secondly the production line is available and it could be started immediately.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: We have no crew which needs to be trained or passed out on locomotives and by drawing an analogy similar to an airline train drivers are passed out for a particular class of locomotive. They cannot arbitrarily change from one class to the other.

10 It is not like I climb into a car brand A tomorrow and I can drive car band – brand B the next day. They have to pass through a particular pass out procedure retraining for the characteristics of that locomotive which addressed the driver one and perhaps summarising the production we – D effectively summarised points B - A and B above that confinement would be the quickest delivery with the existing facilities already available and previously used for assembly of the 110 that we had on the coal line.

ADV MAHLAPE SELLO: Now I see then at 68 that what you previously had in that paragraph to address the question of urgency has been
20 deleted in its entirety?

MR FRANCIS QUENTIN CALLARD: In its entirety yes.

ADV MAHLAPE SELLO: And it does not – there does not appear to have been a substitution there?

MR FRANCIS QUENTIN CALLARD: Indeed. What has been put in its place or left is the following paragraph which is now 68 was completing

the urgency. We had a paragraph specifically addressing the urgency as to why it was urgent ...

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: And then paragraph 68 was complimenting the above. It was not the – it was adding the complimentary information. It was not the prime de facto reasons for the urgency. They have now – this change has turned the complimentary reasons into the prime reasons.

ADV MAHLAPE SELLO: So then the actual document does not address
10 urgency. It just kicks off with a phrase complimenting the urgency that has not been dealt with?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: That is a fact of it.

CHAIRPERSON: I am trying to make sense of that. Are you able to make sense of that? How do you compliment urgency when you have not addressed urgency when you have not addressed urgency?

MR FRANCIS QUENTIN CALLARD: I am afraid I cannot answer this Chairman because in our original document we addressed the urgency ...

20 **CHAIRPERSON:** Hm.

MR FRANCIS QUENTIN CALLARD: And then we added factors complimenting the urgency.

CHAIRPERSON: Hm, *ja*.

MR FRANCIS QUENTIN CALLARD: Whoever changed the document ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Talk to that later – the authors of the changed document ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Would have to answer to ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Why they took out the factors of urgency ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: And put in only complimenting
10 urgency.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: I can offer that if one left addressing the urgency in ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: The original points of urgency – CSR - would not have complied with addressing the urgency ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Because they have not been through a teething phase.

20 **CHAIRPERSON:** Hm.

MR FRANCIS QUENTIN CALLARD: We do not have any on the coal line.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: There is no production line in South Africa at the moment for those CSR 95 locomotives.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: We have only had one in from China – production line still have to be started up.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Crew and drivers and assistance still have to be trained for the 95 locomotives.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: And confinement will realise the quickest delivery as will be shown later because the 95 has to be – the
10 whole production line has to be set up for the confinement to 95 negates the whole teething prototype testing driver training. It negates all of those reasons we had which addressed – which were addressing the urgency.

ADV MAHLAPE SELLO: Thank you Chair. Then when we are on that section now that survived dealing with complimenting the urgency. I would like us to have particular regard to paragraph B which reads as the original read. The tail end of that statement has got an additional - the original read:

20 “The locomotives would be largely identical with those already supplied.”

I will stop there for now and that statement is retained in the reworked version of this document. Would that be a correct statement insofar as the CSR ...?

CHAIRPERSON: I am sorry did you jump between different documents?

ADV MAHLAPE SELLO: No, no Chair. I am at page 200.

CHAIRPERSON: That is where I am too.

ADV MAHLAPE SELLO: Okay. The Chair sees where the old 68 were addressing urgencies all deleted?

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: It is followed then by the next session headed “Complimenting the urgency which ...”

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: Which is what Mr Callard has just spoken to.

CHAIRPERSON: Yes.

10 **ADV MAHLAPE SELLO:** Under complimenting urgency you have A, B, C.

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: I am addressing myself to – to B there Chair.

CHAIRPERSON: Well I thought you were saying E. So I was looking for E.

ADV MAHLAPE SELLO: Oh, sorry. B.

CHAIRPERSON: B. Oh, okay.

ADV MAHLAPE SELLO: If I said E I apologise. I misspoke.

CHAIRPERSON: Okay, B.

20 **ADV MAHLAPE SELLO:** I meant to say B Chair and - and one can see from the document that the first part of B is the original statement as contained in the proposal to confine to Mitsui. Correct?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: And I did point out that it appears to have an – to have an addition but for now let us confine ourselves to the

original statement which reads:

“The locomotives would be largely identical with those already supplied.”

If that statement is retained in a proposal arguing for confinement to CSR that would be incorrect because CSR has not provided any locomotive?

MR FRANCIS QUENTIN CALLARD: That statement would be false.

ADV MAHLAPE SELLO: It would be false?

MR FRANCIS QUENTIN CALLARD: Would be false.

10 **ADV MAHLAPE SELLO:** Thank you.

MR FRANCIS QUENTIN CALLARD: It would be false in two ways.

CHAIRPERSON: Patently false?

MR FRANCIS QUENTIN CALLARD: Patently false because ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: They have not supplied a locomotive in production. We have a prototype. It is not in production. Equally to that if we read the phrase as it has been expanded in the modification the locomotives would be largely identical to those already supplied and to be supplied. “To be supplied” that phrase is in direct
20 contradiction with point D at the top of page 200.

ADV MAHLAPE SELLO: At that point D on the page 200 is the fourth requirement for confinement?

MR FRANCIS QUENTIN CALLARD: Right and if I may read:

“With the total services being procured are highly specialised and largely identical to those previously

executed by that supplier.”

So the phrase “and to be supplied” cannot be compatible with those previously executed by the supplier.

CHAIRPERSON: And – and whoever was making the changes could not have negligently left this part in because does it not seem that he or she would have read this – this part:

“The locomotives would be largely identical with those already supplied.”

The moment they read that they would know that factually as far as
10 CSR is concerned there were no locomotives that had previously been supplied.

MR FRANCIS QUENTIN CALLARD: I – I have two possible interpretations.

CHAIRPERSON: Oh or maybe the – the – if it was negligence maybe they had a different understanding of the - of this part of the document.

MR FRANCIS QUENTIN CALLARD: It was either extreme negligence ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: In which case they should not be
20 addressing the document ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Or deliberate misrepresentation.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: I have no other ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Conclusion in my mind.

CHAIRPERSON: Hm; because the – the whole process did address the issue – your memorandum addressed the issue of are we dealing with an entity that has previously supplied us these locomotives?

MR FRANCIS QUENTIN CALLARD: Correct.

CHAIRPERSON: Now in terms of your memorandum when you said that was the case that was so because that was factually the case?

MR FRANCIS QUENTIN CALLARD: Correct.

CHAIRPERSON: MARS had supplied locomotives?

10 **MR FRANCIS QUENTIN CALLARD:** MARS had supplied locomotives.

CHAIRPERSON: *Ja*.

MR FRANCIS QUENTIN CALLARD: Very recently.

CHAIRPERSON: *Ja* and now if somebody was going to say well let us talk about CSR and they see a statement that says:

“The locomotives would be largely identical with those already supplied.”

They have got to ask themselves has CSR previously supplied locomotives. That is in case they think they might not be sure but if they know for sure that CSR has never supplied any locomotives
20 leaving it – leaving that part of the statement there is quite serious.

MR FRANCIS QUENTIN CALLARD: Indeed so.

CHAIRPERSON: *Ja*.

MR FRANCIS QUENTIN CALLARD: I would ...

ADV MAHLAPE SELLO: Please.

MR FRANCIS QUENTIN CALLARD: I would show later that the phrase

“largely identical” as it relates to CSR does also not hold because the locomotives that were perhaps contemplated the 90 – the locomotives that had been supplied - that were on order from CSR not yet supplied the 95 locomotives - that class – were not identical - were not largely identical to those that were finally supplied. The phrase “largely identical” does not hold true either.

CHAIRPERSON: And could it be that somebody could say well paragraph B did no say those already supplied needed to be those already supplied by CSR if they were going to be largely identical to
10 those that Transnet already had even if they were supplied by somebody else. The statement would be okay. Would – would that kind of argument apply?

MR FRANCIS QUENTIN CALLARD: Sorry Mr Chair could you just - I – I did not hear.

CHAIRPERSON: Yes let – *ja* let me repeat. You see paragraph B that we are talking about?

MR FRANCIS QUENTIN CALLARD: Yes.

CHAIRPERSON: Says to the reader of this memorandum when you read it together with the changes that have been effected to your
20 memorandum. Says that:

“CSR will be supplying – that the locomotives that
CSR would be supplying would be largely identical
with those already supplied.”

Now based on your memorandum when you wrote this you wrote this in the context that the locomotives already supplied were locomotives

already supplied by the entity that was sought to be given the contract?

MR FRANCIS QUENTIN CALLARD: Correct.

CHAIRPERSON: Okay.

MR FRANCIS QUENTIN CALLARD: That is a yes.

CHAIRPERSON: Yes, but I am now saying is it – is it possible – is it plausible interpretation of that paragraph – of paragraph for somebody to say already supplied – locomotives already supplied did not have to be locomotives already supplied by CSR as long as Transnet had locomotives that it already had even if they were supplied by somebody
10 else and now CSR was somebody else. If CSR would supply locomotives that were largely identical to locomotives that Transnet already had that would – that would mean that this paragraph is not false. In other words the locomotives that were contemplated CSR would supply. Were they going to be largely identical to those that MARS had supplied before?

MR FRANCIS QUENTIN CALLARD: The locomotives that were contemplated ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: I say let me use the phrase ...

20 **CHAIRPERSON:** Yes contemplated.

MR FRANCIS QUENTIN CALLARD: Potentially contemplated ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: To be supplied by CSR ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Were not largely identical ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: To those already supplied by ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: By MARS.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: We categorise locomotives by locomotive types. So ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: You heard us specifically talk of a
10 19E locomotive.

CHAIRPERSON: Yes, yes.

MR FRANCIS QUENTIN CALLARD: A 19E is a different locomotive to a
20E locomotive. It has – and that would generally be – it has a
different weight. It has a different power. It might be – have a
different traction. It has different components and also from a different
supplier because the spares and the operations of the locomotive are
subtly different. So the 95 locomotives that we were getting from CSR
were then – were known in the organisation as type 20E even though
we had not got one or we only had a prototype. It was classified
20 already as a type 20E. A type 20E locomotive is not largely identical to
the 19E.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: So the contemplated delivery of
the 20E locomotives – the 95 20E locomotives by SCR cannot be
considered largely identical to the 19E we already had from MARS ...

CHAIRPERSON: Okay.

MR FRANCIS QUENTIN CALLARD: Even though it was contemplated delivery in the future.

CHAIRPERSON: Okay.

MR FRANCIS QUENTIN CALLARD: It cannot be considered identical.

CHAIRPERSON: Hm.

ADV MAHLAPE SELLO: Then if I – if I can just perhaps follow up on – on the Chair's questions.

MR FRANCIS QUENTIN CALLARD: (Intervenes) sorry.

10 **ADV MAHLAPE SELLO:** Again we are – we are still at page 200 and we are looking at the various requirements?

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: Requirement D at page 200 - at the top of the page - states as follows:

“When the goods or services been procured are highly specialised and largely identical to those previously executed by that supplier.”

MR FRANCIS QUENTIN CALLARD: Yes.

20 **ADV MAHLAPE SELLO:** Now I will stop there. Now CSR in this context would not be that supplier because it had not previously to Transnet?

MR FRANCIS QUENTIN CALLARD: Indeed, and a critical point, CSR is that supplier and it had not delivered anything.

ADV MAHLAPE SELLO: Yes, so there was nothing to compare and therefore to determine whether it is identical.

MR FRANCIS QUENTIN CALLARD: Nothing to compare it to.

ADV MAHLAPE SELLO: And as the Chair, or as you point out the addition to that statement is identical with those to be supplied, you see that?

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: Now the requirement that they be identical to those supplied would be outside the scope of D, D requires that they (indistinct) supplied B in hand in order to be compared and to determine whether they are identical, would I be correct in saying so?

10 **MR FRANCIS QUENTIN CALLARD:** Sorry could you just re-state that...(intervention).

ADV MAHLAPE SELLO: I'm looking at B and we agreed that B is in two parts.

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: It says that the locomotives would largely be identical with those already supplied and we have answered the questions that they have not been supplied and there's an addition that – there that says, end to be supplied. Now I'm addressing myself to be supplied even – now the proposition I'm making is even if they were
20 identical to those to be supplied that would be beyond the requirement of D – or requirement D of confinement because D says that they must have been previously supplied, not to be supplied in the future.

MR FRANCIS QUENTIN CALLARD: That is correct and it was the point I was making if I may re-state it.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: CSR had not supplied any locomotives, we had on order, locomotives from CSR, they have not been supplied so they are in the “to be supplied” arena, they are to be supplied, they cannot therefore comply with the requirement previously executed by that supplier and that’s the point, they are to be supplied and they’ve not been executed.

CHAIRPERSON: Well doesn’t that part that say “end to be supplied” compound the problem?

MR FRANCIS QUENTIN CALLARD: Indeed it did Mr Chairman yes.

10 **CHAIRPERSON:** Because the paragraph says the locomotives would be – would be largely identical with those already supplied, that’s what it says. Now there you’re talking about the locomotive – the first reference to locomotives has to be a reference to the locomotives to be supplied, the first reference that the ones to be supplied would largely –would be largely identical to those that have already been supplied.

MR FRANCIS QUENTIN CALLARD: Already been supplied.

CHAIRPERSON: Yes, now that makes sense okay now if you then add, end to be supplied it seems to me what the sentence then says is, the locomotives would be largely – the locomotives to be supplied by
20 CSR.

MR FRANCIS QUENTIN CALLARD: Yes.

CHAIRPERSON: Would largely be –would be largely identical with those to be supplied with those that have been supplied and with those to be supplied, or am I missing something?

MR FRANCIS QUENTIN CALLARD: I’m sorry, because CSR had not

supplied any locomotives yet, there was nothing to compare them to.

CHAIRPERSON: No, no leave that part we have dealt with that part, focus on the “to be supplied” right, those to be supplied, as I understand it is locomotives – refers to locomotives to be supplied by CSR on this amended version.

MR FRANCIS QUENTIN CALLARD: On this one yes.

CHAIRPERSON: Okay let’s start again just so that we’re on the same page.

MR FRANCIS QUENTIN CALLARD: Yes okay.

10 **CHAIRPERSON:** I’m saying if you leave out the added part which says “and to be supplied” if you leave that part out, the sentence makes sense, it says in effect, “the locomotives that are to be supplied by the supplier that the memo is talking about will largely be identical with those already supplied”, and we know from D at the top that Ms Sello has referred to that, that means those previously supplied by the same supplier okay, that’s fine but now they add that the locomotives to be supplied will largely be identical with those and now I skip your part – with those to be supplied. The locomotives to be supplied by CSR will largely be identical with those to be supplies by – that seems to me
20 to be what he says.

MR FRANCIS QUENTIN CALLARD: I’m struggling with that enormously if I may say the self referential part of that because if CSR is supplying Locos on the 95 contract the locomotives that will be supplied under – if this confinement were to go to CSR could not be largely identical to those of the 95 they could not be largely identical

as I said because the 95 locomotives were for general freight they were 22 ton axle locomotives they were of a lesser power, if CSR were to supply these locomotives as we know they eventually did, they would have to be heavier and more powerful so they could not be largely identical.

CHAIRPERSON: But the essence of paragraph B as you had it in your memo before they were supplied, I mean, that paragraph B is linked to paragraph D at the top of page 200.

MR FRANCIS QUENTIN CALLARD: Correct yes.

10 **CHAIRPERSON:** Because it's one of the grounds on which you can justify confinement you know.

MR FRANCIS QUENTIN CALLARD: Correct yes.

CHAIRPERSON: That we are dealing here with a supplier who has previously us with these kinds of goods so it's justified to confine this and not to go to open tender.

MR FRANCIS QUENTIN CALLARD: Ja.

CHAIRPERSON: So now – but here now it would then say in regard to what they've added, the locomotives to be supplied by CSR would largely be identical to those to be supplied by CSR.

20 **MR FRANCIS QUENTIN CALLARD:** That was my self referential problem sorry.

ADV MAHLAPE SELLO: Yes Chair we – clearly the...(intervention).

CHAIRPERSON: Maybe there is something that we don't – we don't all understand that somebody, not in this room might...(intervention).

ADV MAHLAPE SELLO: Perhaps that might shed light but the effect

of what the Chair is pointing out is we propose that we supply to CSR because – no we propose that we confine to CSR because the locomotives to be supplied by CSR are identical to those locomotives to still be supplied by CSR that's the sum effect of it.

MR FRANCIS QUENTIN CALLARD: And as I said they cannot be identical because the locomotives on order to be supplied, on order, cannot be identical to the locomotives intended under this confinement, they are not the same locomotives.

ADV MAHLAPE SELLO: Because the ones that are on order are 20E
10 and we are looking for 19E which is a heavier...(intervention).

MR FRANCIS QUENTIN CALLARD: And we are looking for a heavier locomotive yes. So what's on order cannot be identical to what's intended in this confinement.

CHAIRPERSON: You see, to compare, you need at least two things.

MR FRANCIS QUENTIN CALLARD: Correct.

CHAIRPERSON: You can't compare if you've got one thing, the locomotives to be supplied are the, you know, are the same locomotives that they are comparing them with, you know. Ja okay let's move on.

ADV MAHLAPE SELLO: Maybe the author of the changes will shed
20 some light Chair yes. Then if we move on we move to page 201 of the same document under, standardisation, you read – you dealt with item (i), at 201 which is where reference to 95 Electric Locos is made.

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: Now under D there at page 201 there are two – there are three factors that are advanced to justify a confinement

to CSR, we've dealt with the first and we cannot make sense of it but as yet there's a second and a third, I'm particularly interested in the second, can you express a view on that factor if you are able to?

MR FRANCIS QUENTIN CALLARD: May I just pick up where you are, are we under D.

ADV MAHLAPE SELLO: (ii), new two.

MR FRANCIS QUENTIN CALLARD: D, new (ii)?

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: Is this the one, production of the
10 current MARS contract has been completed...(intervention).

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: And was based on a previous procurement methodology where supplier development was not a key focus 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 risks to the organisation. It is my interpretation that this refer to the two tenders the one on which, it is my understanding, that Mitsui – sorry which was for the 95 locomotives which was an open tender process for which both Mitsui and MARS
20 tendered which was awarded, amongst others, which was awarded to CSR and then the second tender would have been the tender for the 599 electrics as part of the 1064 where they are saying – the author here states that Mitsui did not fare well in those two most recent tenders. If I may add, that would be rather unusual to put this in here because this memorandum is dated or it was ultimately dated, various

dates, it went to the Board and Acquisitions Development Council on the 24th of January and at that point only was the short listing and the methodology would have been – of the confinement would have been approved by the Board. So whoever was writing this document was doing so with prior knowledge of what was going to go to the Board.

ADV MAHLAPE SELLO: Now you are very familiar with these documents, I just want to test my understanding as regards the issue raised in (ii) the effect – my interpretation of that is that it's stated that Mitsui did not fare well in two most recent tenders issued by Transnet
10 and that is the basis on which we cannot confine to Mitsui, so we are punishing Mitsui for having failed in two previous tenders, would I be correct?

MR FRANCIS QUENTIN CALLARD: I think that is a fair reading of this paragraph.

ADV MAHLAPE SELLO: And because they had failed – did not fare well in previous two tenders that posed a risk to Transnet?

MR FRANCIS QUENTIN CALLARD: That is how the author has written this paragraph.

ADV MAHLAPE SELLO: Based on your experience at Transnet and
20 knowledge what risk could that potentially pose for Transnet, can you think of any that perhaps?

MR FRANCIS QUENTIN CALLARD: I do not wish to go into the realm of speculation.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: But I believe a totally separate

area of discussion and debate would be how this statement came into being and the genesis of this statement in the evaluation of the 1064, I do not wish to say any further about it at the moment, I think it needs to be ...(intervention).

CHAIRPERSON: Yes but counsel is asking a different question and for you to be able to comment if you are able to. If I understand the question she would like you to say what you think of that argument they put forward saying MARS had performed poorly in two previous, I think its tenders or whatever.

10 **MR FRANCIS QUENTIN CALLARD:** Tenders Chair.

CHAIRPERSON: Whether you have any comments as to the soundness of that argument.

ADV MAHLAPE SELLO: Yes Chair.

MR FRANCIS QUENTIN CALLARD: May I address it in two forms, technically the locomotives would have been fine, we have gone through various iterations of the business case signed off by various people as we went through from October through to November and the organisation and certainly Freight Rail was happy with confinement to MARS so we've addressed the technical issues of the locomotive. So
20 technically there would have been no risk to the organisation. I cannot comment as to what risk the supplier development methodology or lack thereof posed to the organisation. That is a procurement issue and that might have a – be related to the image and/or other standing of the organisation but it was not an operational issue, if I may leave it at that.

ADV MAHLAPE SELLO: Okay thank you. That then takes us to – if you've got no further comments on your paragraph 40.3 that then takes us to a different issue which you deal with at paragraph 40.4.

CHAIRPERSON: Maybe just so that Mr Callard you don't think that you are being prevented from dealing with an issue that you think is important you just mentioned what you said you thought the debate should be in regard to that, so if you deal with that in your statement at some stage you can do so but if you don't, you can deal with it now to say what was the origin of that so I leave it to you and Ms Sello
10 whether that is dealt with later in the statement or whether it's something you want to deal with now.

ADV MAHLAPE SELLO: This particular aspect is not dealt with further in the statement.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: It's not dealt with further in my statement.

CHAIRPERSON: Yes if you are able to give evidence about the origin then do so.

MR FRANCIS QUENTIN CALLARD: This is a personal opinion based
20 on my previous – my working – it is not in my statement because it is outside of my bounds of personal experience but it relates to documents I have access to and read that the evaluation methodology as prescribed in the – as originally prescribed through the Department of Trade and Industry and National Treasury as reflected into the request for proposals as later taken through into the evaluation process

and the scoring of the locomotives I am personally uncomfortable. I cannot, at the moment say the – give you the chapter and the verse of why I'm uncomfortable but from everything I have read and seen of this I am uncomfortable that's the essence of where I am.

CHAIRPERSON: Okay thank you.

ADV MAHLAPE SELLO: As we go through the statement perhaps we'll have the opportunity to deal with some of those issues that make you uncomfortable and perhaps Chair it might answer the issue that the Chair raises. You then take – refer at page 9 of your statement in
10 particular paragraph 40.4 to page 22 as one of the key changes that you wanted to highlight.

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: And your page 22 really refers – 22 typed 22 Chair that would be page 208 of the record.

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: Thank you Chair, please take us through that.

MR FRANCIS QUENTIN CALLARD: I cannot – my comment there was that if we look at page – at the table at the top of page 208 which talks to the supplier development category and it has a – the weighting
20 would which would be required for various supplier development categories, my only comment on this is that the weightings have been removed. Now these – I'm not the procurement specialist but in all our tenders we require that our tenderers – they are evaluated in terms of these particular weighting it was both of interest – well let me say it was of – it was unusual for me that having changed this confinement

that these weightings would have been removed. I offer the comment only in hindsight for the benefit of the hindsight to this – to where we know supplier development and local content has gone in terms of all our locomotive builds I make this comment that it unusual, I leave it at that.

ADV MAHLAPE SELLO: May I enquire then, the table at page 208 regarding the weightings, what is the – when you put it in the proposal where had you sourced that from what is the source of that table and the allocated weightings?

10 **MR FRANCIS QUENTIN CALLARD:** In preparing these documents obviously I relied on multiple sources of information, both from my technical colleagues and in the procurement methodology from my colleagues in Supply Chain Service and various others. I would have got the table from them or they would have inserted the table with me and we might have discussed this but I cannot be categorical as to say this was my exact source, except to say it would have generally come from Supply Chain Services themselves and often lifted out of existing (indistinct) documents.

ADV MAHLAPE SELLO: Although you deal with it in a slightly
20 different order but because we are already at that page can you deal then with your issue at paragraph 40.6, I'm skipping 40.5 we'll come back.

MR FRANCIS QUENTIN CALLARD: Right.

ADV MAHLAPE SELLO: Simply because we are already on the relevant page.

MR FRANCIS QUENTIN CALLARD: And looking at the revised paragraph 90 sub paragraph D which is, Transnet will request a Quince range and that should read price range of between 30.5million and 32million for the purpose of negotiation with the objective of coming in at 34.4million per locomotive, to which was added the comment, “which will be used as a guide as is dependent on forex fluctuation”.

ADV MAHLAPE SELLO: Okay now in – let’s deal with that statement in two parts, let’s deal with the original statement and its meaning and then we will consider the effect and impact of the addition on the
10 original statement. Now your suggestion was a price range of between 30.5 to 32million coming in post negotiations at around 34.34million per locomotive right. Now my first question to you is, had your suggested price of 34.34million incorporated issued relating to forex escalations or forex – let me just – forex at all had it taken into consideration forex fluctuations at any point?

MR FRANCIS QUENTIN CALLARD: The 34.4million if I may use the phrase was an “over the counter” price as at the June 2013 when I first did this business case or one of the versions of this business case, that was the “over the counter” price of the locomotive, that – ja was the
20 “over the counter” price then. The addition of the phrase which will be used as a guide as is dependent on forex fluctuation adds a uncertainty and variable to the price which is totally unknown and enables one to say, well it begs the question, how much is this locomotive going to cost.

ADV MAHLAPE SELLO: So are we to understand you that if and I use

a very loose phrase, Transnet were to go shopping as at the time you calculated 34.34million over the counter put the cash they would have received a locomotive at that price?

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: And if the locomotive was to be acquired, the same locomotive, in the future and particularly over an extended period being acquired in foreign currency the 34.34 would change in time taking into consideration the forex fluctuations?

MR FRANCIS QUENTIN CALLARD: The 34.34 is made up of two
10 components.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: The local component and the imported component. To acquire the locomotive in the future the price will change, the local component will be escalated by factors CPI, consumer price index and similar type factors, hope to address that later. The foreign component will be affected by two factors, primarily the rate of exchange either the rand/dollar if it is a dollar based locomotive rand/yen if it was Japanese or whatever currency is used for this supply and the escalation in the foreign country, in the overseas
20 country. Typically though that is a very small component United States escalation was less than 2% so it had a negligible effect on the price of the locomotive. Major factors being the rate of exchange on the foreign component and South African – and the CPI escalation on the local component.

ADV MAHLAPE SELLO: So would it be a fair conclusion that on the

reading of this paragraph the proposal accepted the price of 34.34 it added that – except that, that 34.34 would be subject to forex – any forex fluctuations going forward, would we be interpreting that phrase correctly, so the only thing – only factor that would change or affect the 34.34million would be the forex fluctuation?

MR FRANCIS QUENTIN CALLARD: Sorry if I'm not answering your question perhaps directly.

ADV MAHLAPE SELLO: That's fine.

MR FRANCIS QUENTIN CALLARD: The statement in fact is
10 incomplete.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: Because we used as a guide dependant on forex fluctuation and it's excluding the local escalation it does not qualify where it's coming from it is half an addition it is not a total component at this price it just introduces an element of ambiguity around this price which I cannot quantify to of what the author was thinking of when he put his price in – when he put this statement onto this price. This price was given as an “over the counter” price, shopping price for locomotive at that particular point in time. If you
20 want to talk to the price variations one has to be complete in one's talking to the price escalations not just a single component, so it introduces an element of ambiguity but I can't talk to...(intervention).

ADV MAHLAPE SELLO: But the point I seek to make is that this was going to the BADC.

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: Are we correct in our interpretation that what's communicated to the BADC is that it's 34.34million per locomotive subject only to forex fluctuation on its reading.

MR FRANCIS QUENTIN CALLARD: That is – on its base reading that's what's going to the BADC yes.

ADV MAHLAPE SELLO: Yes thank you.

MR FRANCIS QUENTIN CALLARD: On its base reading that's what's going to BADC yes.

ADV MAHLAPE SELLO: Now we have dealt then with your issues
10 raised in 40.1 to 40.6 and overleaf at 10 you have 40.7 – paragraph 40.7 and for that you want us to refer to the same Annexure at typed page 20 and Chair that will be page 206 of the record.

MR FRANCIS QUENTIN CALLARD: Page 206 ja.

ADV MAHLAPE SELLO: And you wanted to draw the Chair's attention to something in particular at 206.

MR FRANCIS QUENTIN CALLARD: Forgive me if that is the correct reference I thought page 20 was changed as follows, please bear with me a moment while I just pick that one up.

ADV MAHLAPE SELLO: Okay, have you given a wrong reference?

20 **MR FRANCIS QUENTIN CALLARD:** It seems ...

ADV MAHLAPE SELLO: Could – please have regard to page 198.

MR FRANCIS QUENTIN CALLARD: Right. It is...

ADV MAHLAPE SELLO: At 62 at the bottom.

MR FRANCIS QUENTIN CALLARD: It is page 12 sorry page 198.

ADV MAHLAPE SELLO: Yes. That is 198.

MR FRANCIS QUENTIN CALLARD: Page 198 my apologies

ADV MAHLAPE SELLO: Thank you.

MR FRANCIS QUENTIN CALLARD: That is a wrong reference. If I may talk to that then my paragraph 40.7.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: Which talks to the heading Extend to current 20 E contract for 95 CSR locomotives.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: I did not pick that up. That should
10 read referenced to page 12 which is at – which is page 198 at the bottom of page 198.

ADV MAHLAPE SELLO: Oh 198, 198 yes.

MR FRANCIS QUENTIN CALLARD: Turning to the bottom of page 198 when under the procurement options I mentioned previously that we identified the need then we explored the procurement options. This procurement option was exploring extend the current 20 E contract for 95 CSR locomotives. I mentioned these are the locomotives on order. I explain there that the current – the 20 E currently on order is a 22 tonne axle per GFE locomotive and is not intended for a heavy use on
20 the coal export line. That phrase has been deleted. We turn over to page 199. I had – we had further written: The first delivery is awaited the locomotive has still to be tested and is at present unproven. Only after extensive type testing will it be possible to say whether and to what extent it can replicate the heavy haul capabilities on the 19 E. That qualification has been removed importantly. And that without that

qualification may lead a reader unfamiliar with locomotives to say well thank you we can just extend to CSR 95. Would lead that understanding to a reader unfamiliar with locomotive characteristics.

ADV MAHLAPE SELLO: And does it not go further Mr Callard in a sense that you stated in the original document that the 20 E currently on order is a 22 tonne per axil locomotive, right?

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: And it is not intended for heavy haul?

MR FRANCIS QUENTIN CALLARD: Correct at the bottom of page 198.

10 **ADV MAHLAPE SELLO:** At 199 it states the first delivery is awaited the locomotive has still to be tested and is at present unproven. When you delete the two statements I have read the effect is to conceal from the reader that the 22 tonne per axil locomotive is – has not yet been delivered and is yet to be tested and it presently remains unproven, is that not the case?

MR FRANCIS QUENTIN CALLARD: That is correct. These statements were in here specifically because they spoke to the procurement confinement conditions which was to say why we could not confine it to CSR. Deleting these statements hides, disguises that fact from the
20 reader and might lead a reader to presume that confinement to CSR is in order.

ADV MAHLAPE SELLO: Okay. Can we move on then to you paragraph 41 of your statement and following?

MR FRANCIS QUENTIN CALLARD: On paragraph 41 I talk that the base price of the locomotive was given in Japanese Yen. This is

because Mitsui Mars was a Japanese based company and obviously our rate of exchange was given into that locomotion was given in Japanese Yen. With this confinement to CSR all the financial considerations and discussions in a memorandum were still left in Japanese Yen. So it was most unusual to me that you are now changing the locomotive, you changing the country of supply from changing the country of supply one would change the foreign exchange rate which would be applicable which was now from Yen to Dollar but the memorandum perse was not changed at all which implies that I can only say that due thought was
10 not given to the process of the memorandum with a full understanding of its implications.

ADV MAHLAPE SELLO: Now the memorandum you provided when you were requested to work miracles you provided on Monday the 21st?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: The changed memorandum comes back to you on Wednesday the 23rd?

MR FRANCIS QUENTIN CALLARD: 21st, 22nd, 23rd correct.

ADV MAHLAPE SELLO: In between the time you submitted the memorandum as requested and receipt of the changed memorandum
20 were any consultations had with you – were you engaged in any form regarding these changes?

MR FRANCIS QUENTIN CALLARD: None whatsoever. Receipt of this memorandum – receipt of the revised memorandum on the Wednesday morning was the first I became aware the first time I became aware of these changes. There was no consultation with me or as far as I could

establish with any of my technical colleagues who were involved in locomotives. There was no discussion.

CHAIRPERSON: Well we may as well find out now who you understood to be the one who made the decision that there must be these changes to your memorandum?

MR FRANCIS QUENTIN CALLARD: I cannot talk Mr Chair to who made the decision whether it was an individual or a group.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: There is a trace of emails.

10 **CHAIRPERSON**: Hm.

MR FRANCIS QUENTIN CALLARD: Between myself and various parties.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Including Garry Pita.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: That indicate very strongly – suggest I think overwhelming.

CHAIRPERSON: Hm.

20 **MR FRANCIS QUENTIN CALLARD**: That Garry Pita was the author of the revised document.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: If I may refer you on that score?

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: Please to Annexure – sorry to the previous one, the original revised document which is – could we go to

one page 161 please?

ADV MAHLAPE SELLO: We are at 161.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Page 161 is the revised document that I received on the morning of Wednesday the 22nd. If we look at the bottom left hand corner of that document, the footer of that is, Vadic 180 revised version 15 recall that I sent in version 14 1020 GPdoc ex. And it is a common practice that we have that if we are revising a document or we identify a document by initials. I contend from the
10 emails which we had distributed which included Mr Garry Pita with his initials here that he was the author of this document.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: The revised document. I cannot say that it was his instruction, his idea.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: I cannot say but I...

CHAIRPERSON: Yes, yes. You cannot say whether it was his decision or he was giving effect to somebody else's decision.

MR FRANCIS QUENTIN CALLARD: I cannot say.

20 **CHAIRPERSON:** That is what you are saying ja.

MR FRANCIS QUENTIN CALLARD: I cannot say.

CHAIRPERSON: But you are saying the letters GP at the bottom of that page refer to Mr Garry Pita as far as you are concerned?

MR FRANCIS QUENTIN CALLARD: Every trail of evidence and logic in the emails of who it is being communicated to and the discussions I had

had with the individuals highlight that it was or point to Garry Pita being the author of this document.

CHAIRPERSON: Hm. Of the people with whom you were sharing this memoranda was there anyone other than Mr Garry Pita who had the initials GP?

MR FRANCIS QUENTIN CALLARD: No.

CHAIRPERSON: He was the only one?

MR FRANCIS QUENTIN CALLARD: He was the only one.

CHAIRPERSON: Yes okay thank you.

10 **ADV MAHLAPE SELLO**: And if I may then enquire – rehashing a bit what we have dealt with. And you received the reworked version from Ms Lindiwe Mdletshe as per your annexure FC7, is that correct? That will be at page 158. So much as it bears the initials of Mr Garry Pita at the bottom to identify the file the actual document is received by you from Ms Lindiwe Mdletshe?

MR FRANCIS QUENTIN CALLARD: Correct. Correct.

ADV MAHLAPE SELLO: Now could you indicate to the Chair if you do know whether Ms Mdletshe was a subordinate of Mr Pita or what their professional relationship was within the organisation?

20 **MR FRANCIS QUENTIN CALLARD**: Mr Garry Pita as I understand it and recall was at that time the Group Chief Procurement Officer.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: Mr Thamsanqa Giani was Transnet's Freight Rails Chief Procurement Officer. Transnet Freight Rail as an operating division of Transnet. Each operating division had

its own Chief Procurement Officer. I cannot say explicitly the reporting relationships between Mr Giani and Mr Siyabonga Gama as the Group Chief Executive obviously there was a hierarchy because they were in the operational division. However Group having a Group Chief Procurement Officer had certainly policy and oversight I believe account – a role to play in overall procurement it sets standards for procurement. I do not know whether it was a full line or a dotted line relationship it is my understanding that it was a dotted line relationship between Mr Garry Pita and Mr Thamsanqa Giani while Mr Thamsanqa

10 Giani had a solid line relationship to Mr Siyabonga Gama. That is in [indistinct]. Ms Lindiwe Mdletshe was a contract manager in Mr Giani's office and she was the key go to person if I could put it for the 1064 locomotives and in fact all the locomotives that we were dealing with all matters relating to locomotives.

ADV MAHLAPE SELLO: But based on what you state in your paragraph 38 at page 9 as to who you circulated your original version to Mr Mdletshe was not one of the addressee's there?

MR FRANCIS QUENTIN CALLARD: No she was not.

ADV MAHLAPE SELLO: Would you know how she came to be in

20 possession on the document?

MR FRANCIS QUENTIN CALLARD: I can only – it would be a reasoned inference.

ADV MAHLAPE SELLO: You cannot say. Yes.

MR FRANCIS QUENTIN CALLARD: That I – because I had sent versions of the word document to Mr Anoj Singh who had and I saw

emailed – the email trails that my original word document from Mr Anoj Singh to Mr Pita. I sent earlier version from the October versions to Mr Singh. He also sent them onto Mr Pita. I had sent word versions of my document to Mr Thamsanqa Giani and to Mr Siyabonga Gama's office. I cannot say I have not traced how Ms Mdletshe got this version of the document to send to me.

ADV MAHLAPE SELLO: Okay.

CHAIRPERSON: Well you did say earlier on that there was a practice that your name or initials would appear at the bottom of a document –
10 of the document. Now I do not know whether you said if you were correcting a document or whether just – all the documents maybe the one who compiled that is the name that – the initials that would appear at the bottom, is that right?

MR FRANCIS QUENTIN CALLARD: It was a practice which was not universally employed Mr Chair.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: But it was often employed. If I got a document.

CHAIRPERSON: Yes.

20 **MR FRANCIS QUENTIN CALLARD:** And I amended it.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: I would put my initials at the back of the document.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: That the original author would

know this is my version amendment to the document.

CHAIRPERSON: Yes, yes. And that would be at the bottom of a page in the same way that we see GP at page 161 on this document, is that in the same way or not?

MR FRANCIS QUENTIN CALLARD: It would generally be in the file name.

CHAIRPERSON: Okay. Okay.

MR FRANCIS QUENTIN CALLARD: Not all – it would not always appear in the document it would be in the file name.

10 **CHAIRPERSON**: Yes. Okay.

MR FRANCIS QUENTIN CALLARD: I had the practice.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Because I wished to always see traceability of the documents of putting the document file name in the bottom left hand corner. That was one of my operating practices.

CHAIRPERSON: Yes, yes.

MR FRANCIS QUENTIN CALLARD: And so comes out here that we can pick up the...

CHAIRPERSON: But do you – are you able to say whether Mr Garry
20 Pita was also in the habit of putting his initials at the bottom of a document that he had put comments on or are you not able to say?

MR FRANCIS QUENTIN CALLARD: I cannot say whether he was in the habit of.

CHAIRPERSON: You cannot yes ja.

MR FRANCIS QUENTIN CALLARD: Cannot say.

CHAIRPERSON: Okay. But sometimes he did or you are not sure even of that?

MR FRANCIS QUENTIN CALLARD: I – I cannot say.

CHAIRPERSON: You cannot say?

MR FRANCIS QUENTIN CALLARD: I cannot say.

CHAIRPERSON: Ja, okay. Thank you.

ADV MAHLAPE SELLO: But then the file name would suggest that Mr Garry Pita did – effected the amendments just looking at the file path at the bottom.

10 **MR FRANCIS QUENTIN CALLARD**: Correct.

ADV MAHLAPE SELLO: By inclusion of the initials GP?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: However you did receive this amended version from Mr Garry Pita you received it from Ms Lindiwe Mdletshe?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: Thank you. If then we may proceed again we are still at paragraph 44 you – page 10 my apologies. You have now executed the request or the instruction given you by Ms Mdletshe and that you have inserted into the document the proposal, the slide that
20 she requested you to do at page 158?

CHAIRPERSON: Just one second – one second. By the way did Mr Mdletshe say to you in the email whether she had been asked by somebody else to ask you to effect the changes?

MR FRANCIS QUENTIN CALLARD: No if we go back to 7

ADV MAHLAPE SELLO: Page 158?

MR FRANCIS QUENTIN CALLARD: Page 158. Which was the email from Ms Mdletshe. She just said:

“Hi Francis, please see the attached slide evaluation methodology that needs to be incorporated in the word documents under 84. Please incorporate the changes you did last night.”

CHAIRPERSON: Okay.

MR FRANCIS QUENTIN CALLARD: That was...

CHAIRPERSON: Thank you.

10 **MR FRANCIS QUENTIN CALLARD:** That was it.

CHAIRPERSON: Okay.

ADV MAHLAPE SELLO: Thank you Chair.

MR FRANCIS QUENTIN CALLARD: There was no discussion about the fundamental changes to the document.

ADV MAHLAPE SELLO: So the purpose of sharing the document with you was for you to insert into the document a slide?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: It was not for you to engage with the changes effected?

20 **MR FRANCIS QUENTIN CALLARD:** No.

ADV MAHLAPE SELLO: You happened to learn that as you worked through the document?

MR FRANCIS QUENTIN CALLARD: Correct.

CHAIRPERSON: One second. Thank you.

ADV MAHLAPE SELLO: Thank you Chair.

CHAIRPERSON: You may proceed.

ADV MAHLAPE SELLO: And you confirm that you did insert the slide and you say you did – did you align the document I think you mentioned something like that?

MR FRANCIS QUENTIN CALLARD: Perhaps just to give context to how this arose.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: I use a very structured format of word to compile a document. If one is unfamiliar with the intricacies of word – of word documents of shortcut cut keys and styles and style
10 headings to achieve a consistent look and feel through the document it is very difficult for another person to effect those changes neatly in the document. That is why Ms – Ms Mdletshe could not incorporate the document without may I say messing up the entire look and feel. So the easiest thing for her to do and this is a very reasoned inference: Francis your document – here is a slide please fix it up. And that is why she sent it to me.

ADV MAHLAPE SELLO: Okay now – and you effected those changes?

MR FRANCIS QUENTIN CALLARD: I effected those changes yes.

20 **ADV MAHLAPE SELLO:** You say at paragraph 38 now let us retrace a bit. You were requested to work miracles. You did.

MR FRANCIS QUENTIN CALLARD: Ja.

ADV MAHLAPE SELLO: Together with your team and you say at 38 that you provided a revised version in PDF format to Mr Gama?

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: You go further to say you then provided a word version to Mr Gama's PA, Mr Singh's PA and to Mr Thamsanqa Giani?

MR FRANCIS QUENTIN CALLARD: On Tuesday yes.

ADV MAHLAPE SELLO: Why did you provide the PDF version in the one hand and then you provided the word version to those PA's on the other hand?

MR FRANCIS QUENTIN CALLARD: It is generally common practice. Having worked on a document like this over the weekend there were
10 going to be inevitably changes that needed to be made. I could not say categorically that I had effected everything or that the document was perfect in every way and if somebody needed to correct a spelling, dot an I, cross a t, that is what you need the word document for

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: And I circulated the word document as widely as possible to Mr Gama and Mr Singh that would have – that was just standard practice because I knew they wanted it. I cannot recall whether it was a request or to send it to Mr Giani. I am sure it was because otherwise I cannot recall why I would have sent it on the
20 Tuesday. I am sure it was a request to send it to him. But I must admit I did not think anything about it because when we are dealing with documents like that in a collaborative format one shares the word format otherwise you are forcing every change to come back to you as an individual and you can be a bottleneck for the changes and a.

ADV MAHLAPE SELLO: Yes. Now...

MR FRANCIS QUENTIN CALLARD: Ja so it is a collaborative effort.

ADV MAHLAPE SELLO: I take it this would not have been your first proposal within the organisation?

MR FRANCIS QUENTIN CALLARD: No not at all.

ADV MAHLAPE SELLO: In the past when you finalised a document and you sent it out to those must receive it and they make changes are these final changes or are they proposed changes? What subsequently happens regarding engagement with you on the suggested changes? Or is it a case of you forwards it, changes are made and that becomes
10 the final document, what is the standard practice?

MR FRANCIS QUENTIN CALLARD: May I answer that it depends. And it depends on the nature of the changes. There was one document which I had and it was signed by Mr Gama said forward, group came back and said we have taken out his signature please resend the document because they only wanted it signed if I understand correctly by Mr Singh and Mr Molefe. That is fine, thank you. That is an administrative change or there might be a spelling correction or one or two things.

ADV MAHLAPE SELLO: Yes.

20 **MR FRANCIS QUENTIN CALLARD:** If there was a substantive change to the meaning of the document or a flaw in the argument or the tables or the calculations then it would have come back to me and they would have said please fix.

ADV MAHLAPE SELLO: Now in the event you do not agree with those substantive changes what would happen?

MR FRANCIS QUENTIN CALLARD: This was the first time that this happened.

ADV MAHLAPE SELLO: And I take it you did not agree with the amendments made to your proposal?

MR FRANCIS QUENTIN CALLARD: I looked at this and I must admit I was taken aback by these amendments and I said this will not work. When I read this revised document through all the arguments which we have been through here I said this is not right, this is flawed, it is flawed in thinking and it is flawed in execution it was my...

10 **CHAIRPERSON:** Was your understanding of Ms Mdletshe's email to you in regard to these changes that all that was contemplated was that you just effected the changes as opposed to consider them and let us hear what you have to say if you have any views on them?

MR FRANCIS QUENTIN CALLARD: Correct, correct. Ms Mdletshe I – sent it to me just to execute those changes and send it back to her and that was all she contemplated.

CHAIRPERSON: Hm. And that is what you did?

MR FRANCIS QUENTIN CALLARD: That is what I did.

CHAIRPERSON: Yes thank you.

20 **ADV MAHLAPE SELLO:** Okay now by – at this juncture you have applied your mind to the whole document and the changes effected and from paragraph 44 at page 9 you state what you then did having learnt of these significant changes made to your document?

MR FRANCIS QUENTIN CALLARD: Correct

ADV MAHLAPE SELLO: Please tell the Chair.

MR FRANCIS QUENTIN CALLARD: If I may? As I said I was taken back by these unilateral changes that was the Wednesday. I had already said it was prior authorised I was not consulted.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: I did not know what to make of these changes I deliberated long and hard. I slept on it. On Thursday afternoon I email Mr Gama and Mr Giani expressing my concern at these unilateral changes in this business case memorandum. In respect of the 19 E – that it implied reading of the revised business
10 case that this was changing a 19 E type heavy haul locomotive to an unspecified general freight locomotive to be awarded to CSR. And that email is in Annexure 9.

ADV MAHLAPE SELLO: And if we go then turn to Annexure 9 that will be at your page 216. Page 216 Chair. Thank you. Yes we there. We found the email.

MR FRANCIS QUENTIN CALLARD: Would you like me to read it or talk to it?

ADV MAHLAPE SELLO: I would like you to talk to it and if there is anything in particular you would like to read into the record you may do
20 so.

MR FRANCIS QUENTIN CALLARD: If I may then talk to it because the email is in the record.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: Obviously I did not know what to do and I prefaced this – this is a difficult email to write and I noticed

the changes and I highlight that there was a significant risk in these changes. I point out that the changes effected project Shongololo and Project Shongololo was a project which Mr Pragasen Pillay was the name which we had given to this project for the optimisation of the operations on the coal line which was dependent on standardising his fleet with the 19 E locomotives we had just given – it had this name Project Shongololo and it would have improved very – many of the operational aspects of the coal line. I point out the characteristics of the 19 E locomotives, the 22 tonnes per axil and their power and how
10 they intercommunicate with each other. If I may stress and just point out that the locomotives operate in what we call a consist, many trains. You couple a number of locomotives together to get the requisite power to haul the train. For these locomotives to operate in a consist they need to talk to each other. They need to talk a common language over a set of wires which interconnects the locomotive. These 19 E locomotives used a Toshiba T Internet capability but that just talks to the language that they spoke in the locomotives. I highlighted that this business case as modified did not explicitly specified the locomotive but I used the phrase if a current and delivered design is the criteria
20 then it is the 20 E because that was all we had from CSR. And then I highlighted why that locomotive would not meet the requirements because it is a 22 tonne per axil it has less power and it was specified as a general freight locomotive for all those reasons. Furthermore I highlighted the locomotives cannot interoperate with the 19 E unless we achieve some standard inter operational capability which would cost

some additional amount of money. I then further went on to say that and talk to an aspect of loco design. I said the new locos are a koko design and it would have a further implication in the – in the design and testing. I then also spoke to concerns around Transnet Engineering and their assembly of locomotives because they had not yet produced a 20 E locomotive and this would come afterwards essentially I just listed a whole range of conditions as to why this was not going to work.

ADV MAHLAPE SELLO: And these factors you list at your paragraph 46 at page 11 of your statement?

10 **MR FRANCIS QUENTIN CALLARD:** Yes they are highlighted in paragraph 46.

ADV MAHLAPE SELLO: And this email is directed to Mr Siyabonga Gama and Mr Thamsanqa Giani?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: What then transpired after you sent this email?

MR FRANCIS QUENTIN CALLARD: Later that afternoon I got a phone call from Mr Giani to the effect of, why did I send this email? And I said, because these locomotives will not work. That was the substance of the conversation.

20 **CHAIRPERSON:** One would have thought that from the email it is clear that you were giving them the benefit of your concerns so that they know you have certain concerns?

MR FRANCIS QUENTIN CALLARD: The exact point Mr Chair. The conversation did not address any of the technical or substantive points that I had raised now in my email. It was and please I paraphrase this

after many years but it is collectively burnt in my memory. Why did you send this email?

CHAIRPERSON: And what did you tell him? You should have told him it is clear from the email I am expressing my concerns.

MR FRANCIS QUENTIN CALLARD: What – I said they will not work.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: And that is where the conversation effectively ended.

CHAIRPERSON: Ja.

10 **ADV MAHLAPE SELLO**: Did you receive a response to your email at page 216? A formal response to the issues you had raised?

MR FRANCIS QUENTIN CALLARD: Not from Mr Giani.

ADV MAHLAPE SELLO: Did you receive a response from Mr Gama?

MR FRANCIS QUENTIN CALLARD: Yes I received a response from Mr Gama and I address that on

ADV MAHLAPE SELLO: Page 11 of your statement?

MR FRANCIS QUENTIN CALLARD: Ja.

ADV MAHLAPE SELLO: Is it an email you received or a – or what did you receive from ...

20 **MR FRANCIS QUENTIN CALLARD**: No I received – it comes later. I received a sms from Gama and it is item para 64 on page 13. But the implications that I would – perhaps you have some things before that before we get there?

ADV MAHLAPE SELLO: But to my question whether you received any response by email as you had sent out this email.

MR FRANCIS QUENTIN CALLARD: No, no.

ADV MAHLAPE SELLO: From either of the recipients the answer is no?

MR FRANCIS QUENTIN CALLARD: No. No email response.

CHAIRPERSON: Let me go

MR FRANCIS QUENTIN CALLARD: Formal response.

CHAIRPERSON: Let me go back to your last conversation, telephone conversation with Mr Giani. Did you have an understanding as to what the basis of his complaint was about the fact that you have sent this
10 email to him and Mr Gama?

MR FRANCIS QUENTIN CALLARD: Not at the time. Only later. When one connected the dots.

CHAIRPERSON: Yes as far as you knew then was there anything that precluded you from sending anything directly to Mr Gama and Mr Giani if you had – you wanted to convey something? Did you have to go via somebody else or anything like that?

MR FRANCIS QUENTIN CALLARD: No not at all. The nature of my working relationship particularly in these business cases and the like I had may I say free access to Mr Gama, Mr Singh, Mr Pita, Mr Giana. I
20 had free access virtually to everybody in the organisation except Mr Molefe.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: But for – with all the rest around the development of these business cases.

CHAIRPERSON: Yes, ys.

MR FRANCIS QUENTIN CALLARD: I could phone, sms and or email.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Directly and my email [indistinct].

CHAIRPERSON: And there have never been any problem.

MR FRANCIS QUENTIN CALLARD: Never any problems with that.

CHAIRPERSON: Objection expressed by Mr Giani?

MR FRANCIS QUENTIN CALLARD: No. What I did do if I sent perhaps a contentious email or one of concern I would keep my direct reporting superiors informed either copying them on the email or saying this is
10 what happened but I was fortunate and privileged to have that direct access.

CHAIRPERSON: Did you understand Mr Giani's objection to be about the content of your email or to be about anything else? So if you had been communicating with him directly and with Mr Gama directly whenever you had something to communicate and there had been no problem why was it a problem this time? Was it about the content as you understood it?

MR FRANCIS QUENTIN CALLARD: At the time that I received the phone call shortly after – almost very shortly after sending the email I
20 did not understand or have context to any reasons to why Mr Giani had said why did you send that email, at that time.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Subsequent events both through emails with which I was involved in the like I came to understand why there was a concern to that email but I did not understand his

telephone call to me at the time.

CHAIRPERSON: Hm. Yes.

MR FRANCIS QUENTIN CALLARD: At the time of his call.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Strange phone call. What is – strange phone call – do not understand why – what is wrong – it is – that is the reality, why you complaining about it?

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Please I am paraphrasing but that
10 is really – it was my sentiment at time. I – what is wrong?

CHAIRPERSON: Will that be dealt with later?

ADV MAHLAPE SELLO: I was going to say Chair.

MR FRANCIS QUENTIN CALLARD: Yes.

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: It appears – it is drawn to my attention we are encroaching on your lunch break so perhaps we will address those issues afterward lunch.

CHAIRPERSON: Ja okay.

ADV MAHLAPE SELLO: Thank you Chair.

20 **CHAIRPERSON**: Thank you.

ADV MAHLAPE SELLO: If we may break for lunch? Is that suit you Chair?

CHAIRPERSON: Ja.

ADV MAHLAPE SELLO: Thank you.

CHAIRPERSON: We will take the lunch adjournment now and we will

resume at two o'clock. We adjourn.

ADV MAHLAPE SELLO: Thank you Chair.

REGISTRAR: All rise.

INQUIRY ADJOURNS

INQUIRY RESUMES

CHAIRPERSON: You may proceed Ms Sello.

ADV MAHLAPE SELLO: Thank you Chair. Before we – we proceed as – as a housekeeping matter could I enquire are we going until four – sitting for an extended period today?

10 **CHAIRPERSON:** If the witness does not have a problem and you do not have a problem let us go up to half past four.

ADV MAHLAPE SELLO: Half past four?

CHAIRPERSON: Ja. Is that fine with you? Is that fine with you?

ADV MAHLAPE SELLO: Yes Chair. That is ...

CHAIRPERSON: Is it fine? It would be fine with you Mr Callard?

MR FRANCIS QUENTIN CALLARD: It would be fine with me Chair.

CHAIRPERSON: Thank you.

ADV MAHLAPE SELLO: Thank you Chair.

CHAIRPERSON: Okay.

20 **ADV MAHLAPE SELLO:** Now Mr Callard when we broke for lunch we were at your page 11 – page 11 of your statement and – and we had just finalised the discussion on the email you had sent to Mr Gama and Mr Jiyane expressing your concerns regarding he amended proposal?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: You intermated to the Chairperson that

subsequent to these events certain email communication came to your attention regarding these matters?

MR FRANCIS QUENTIN CALLARD: That is so.

ADV MAHLAPE SELLO: And – and that communication highlighted certain things to you. You deal with this from paragraph 48 at page 11?

MR FRANCIS QUENTIN CALLARD: Indeed.

ADV MAHLAPE SELLO: Could you take us through the documents you subsequently became aware of?

MR FRANCIS QUENTIN CALLARD: Thank you and certainly Chair and
10 it was during the preparation of my statement that the Commission
provided me with three very pertinent emails which an incredible
bearing on what I had previously said. I had sent this email on the
afternoon of Thursday afternoon that was the 23rd to Mr Gama and
Mr Jiyane but the three emails that came to my attention are
respectively and if I may take you please to – to Annexure 10. The first
one from Gama to Singh – from Mr Gama to Mr Singh – apologies for
that and this late on the evening of the 23rd. It was a 22 minutes past
nine and effectively Mr Gama to Mr Singh says:

20 “Hi Mr Singh, I am afraid the submission on the 100
locomotives is a mess and will need to be
withdrawn.”

The rest of that email is a restatement of my problem of what I had
emailed earlier and effectively and succinctly summarises the concerns
I had raised. The bottom line of this email is the last paragraph.

“That any argument therefore on the 20E ought to

have been a GFB argument which means we accelerate GFB but we need to go out on tender for 19E type locomotives.”

The last point:

“The 20E locomotive is not a heavy haul locomotive and a less powerful locomotive than the 19E.”

Effectively the upshot of this is that Mr Singh – Mr Gama realises the import of my mail immediately and alerts Mr Singh to this mail. The second one around this and this is Annexure 11 which is from Mr Singh
10 to Mr Gama and that is on Friday morning 07:02 and let us recall that the BADC Meeting is taking place later that morning where this matter is to be discussed and – and Mr Singh to Mr Gama. It says:

“Let us discuss this in the morning, thanks.”

Effectively acknowledging and – and acknowledging the import of this mail. If I could then take you to Annexure 12 which also has reference to this and this is on – again on Friday morning at 7 o’ clock where Mr Singh addresses Mr Molefe and forwards Mr Gama’s mail to Mr Molefe for your information. So effectively the upshot of this is that the top echelon in the organisation were aware of my concerns and
20 Mr Gama had effectively internalised and articulated and from his mail was in full and complete understanding of my concerns.

CHAIRPERSON: Before lunch did you – did you deal with the question whether Mr Gama responded to you in anyway – responded to that email of yours in anyway?

MR FRANCIS QUENTIN CALLARD: I had no email correspondence

from him whatsoever.

CHAIRPERSON: Telephone call?

MR FRANCIS QUENTIN CALLARD: Yes. I had a SMS message from Mr Gama ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: And this is covered on – if I may just jump to that counsel.

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: Yes sir.

10 **MR FRANCIS QUENTIN CALLAR:** In answer to that. Thank you. If I could take you through to 54 please on page 13 – paragraph 54 ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: And I received an SMS from Mr Gama in response to my email of the 23rd and his email stating:

“I have just seen your email. I will explain to you
the GCEs thinking.”

And that was it. This was not followed up. I took note of the email – sorry – of the SMS left it at that but the observation which I make from that is his comment – Mr Gama’s comment that he – I have just seen
20 your email.

CHAIRPERSON: Cannot be true?

MR FRANCIS QUENTIN CALLARD: Thank you.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Thank you.

CHAIRPERSON: Because on the same day that he received it he – he

sent an email to Mr Singh about it?

MR FRANCIS QUENTIN CALLARD: The exact point of 54.1.

CHAIRPERSON: *Ja.*

MR FRANCIS QUENTIN CALLARD: Thank you.

CHAIRPERSON: Okay.

ADV MAHLAPE SELLO: And – and in the sequence of events that SMS you refer to at paragraph 54 comes on 4 February?

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: And – and a lot happened between 23 May
10 which is when you generated the email and the SMS received on
4 February?

MR FRANCIS QUENTIN CALLARD: In that intervening time on 24 May we had the BADC Meeting and the Board Meeting which effectively – no which not effectively – but which approved the memorandum and the confinement of the locomotives to CSR but I think that you will (intervenes).

ADV MAHLAPE SELLO: We will deal with it right now. Thank you and in fact the BADC Meeting of the 24th which if we could – we could recollect when Mr Gama asked you to make certain changes to the
20 proposal to increase the number of diesel locomotives from 60 to 80 he indicated in that email that presentation was scheduled for 24 January 2014 before BADC and that is the date you are trying to beat. Correct?

MR FRANCIS QUENTIN CALLARD: His – sorry if I understand your question correctly. His SMS to me on Friday afternoon of the 18th was

we had to meet the BADC Meeting on Friday the 24h.

ADV MAHLAPE SELLO: Yes, sorry. 18 January. So we are all trying to beat the BADC Meeting of the 24th?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: And you deal with that BADC Meeting at your paragraph 49 at page ...

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: 12?

MR FRANCIS QUENTIN CALLARD: *Ja*.

10 **ADV MAHLAPE SELLO:** Okay. You ...

MR FRANCIS QUENTIN CALLARD: May I?

ADV MAHLAPE SELLO: You may proceed please.

MR FRANCIS QUENTIN CALLARD: The BADC Meeting was held on 24 January and Annexure 13 and I can record that this – the minutes of this were provided to me by the Zondo Commission. The minutes of the BADC Meeting on 24 January Annexure 13 – if we may just turn to that please which is page ...

ADV MAHLAPE SELLO: 227.

20 **MR FRANCIS QUENTIN CALLARD:** 227. The minutes themselves are on 228.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: From 228 I note from these meetings that per 1.4 of 228 that in partial attendance was Mr S I Gama, Mr T Jiyane and in full attendance was Mr – under 1.2 – Mr Molefe and Mr Singh were in attendance at that meeting.

ADV MAHLAPE SELLO: And Mr Garry Pita on 1.2 ...

MR FRANCIS QUENTIN CALLARD: Garry Pita was ...

ADV MAHLAPE SELLO: G Pita there is that Mr Garry Pita?

MR FRANCIS QUENTIN CALLARD: That G – Mr G Pita – yes is Mr Garry Pita – Group Supply Chain Officer.

ADV MAHLAPE SELLO: And then while we are still then dealing with the composition of that committee we understand Mr Sharma was the Chairperson?

MR FRANCIS QUENTIN CALLARD: As per the minutes, yes.

10 **ADV MAHLAPE SELLO:** Yes and the third name listed there Mr M E Mkhwanazi is listed as a member. Do you know who Mr M E Mkhwanazi was?

MR FRANCIS QUENTIN CALLARD: The only Mr M E Mkhwanazi who I know of that name who would have been at this meeting was Mr Mafika Mkhwanazi who was the Chairman of the Board.

ADV MAHLAPE SELLO: Okay. Now you brought us then to – to Annexure 13.

MR FRANCIS QUENTIN CALLARD: The point then beyond this is if one then goes to page 232 of those minutes where they discuss the
20 acquisition of the 100 class 19E electric and 60 class 43 diesel locomotives under paragraph 5.2 of page 232.

ADV MAHLAPE SELLO: Yes and what in particular would you like to draw the Chair's attention to at 5.2?

MR FRANCIS QUENTIN CALLARD: Well the first thing I would like to draw attention to is that despite the attendance of those three parties

who were fully aware now of the concerns which I had expressed those concerns were not reflected ...

CHAIRPERSON: I am sorry.

MR FRANCIS QUENTIN CALLARD: In the minutes of the BADC Meeting at all.

CHAIRPERSON: I am sorry Mr Callard. I can see 5.1.2 but I think you are talking about – you are dealing with 5.2. What page is that?

ADV MAHLAPE SELLO: 232 Chair.

MR FRANCIS QUENTIN CALLARD: 232.

10 **CHAIRPERSON:** 232?

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: 232.

CHAIRPERSON: Oh, okay thank you.

ADV MAHLAPE SELLO: Thank you.

CHAIRPERSON: Yes, okay.

MR FRANCIS QUENTIN CALLARD: Thank you. Going through the paragraphs 5.2.1 is administrative. They took them through that. Paragraph 5.2.2 - at the bottom of that page – is the discussion that took place around the procurement. The point around that discussion
20 is that nowhere in that discussion were the concerns that I raised brought to the attention of the meeting as a potential risk to this transaction by any of the parties present who had full knowledge now of those risks which I had raised.

ADV MAHLAPE SELLO: Now ...

CHAIRPERSON: Do we know where – do we know whether prior to this

meeting the documentation that the Board Committee had received in relation to this issue included the amended memorandum and whether it was a memorandum that contained the same changes that we have dealt with or whether there was any further – there were any further changes arising out of your concerns?

MR FRANCIS QUENTIN CALLARD: The memorandum that was presented to the Board Mr Chair is Annexure 14 page 244 ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: And if we turn to page 267 which is
10 the signatures of that memorandum recommending confinement to CSR
...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: We will see or note that it is signed by Mr Anoj Singh on the 21st – sorry – on the 14th – correction - on 21/01/2014 i.e. that would be 21 January.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: It is signed by Mr Molefe dated 21 January. What is interesting about these signatures is 21 January was the Monday of the preceding – of the ...

20 **CHAIRPERSON:** Hm.

MR FRANCIS QUENTIN CALLARD: Week before. That was...

CHAIRPERSON: That was before your - your email of your concerns as well?

MR FRANCIS QUENTIN CALLARD: Before the email of my concerns. Before the email – before this memorandum had even been finalised.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: It predates the finalisation of that email. The email ...

CHAIRPERSON: No. I am not sure if I understand that. Your email to Mr Gama and Mr Jiyane in which you expressed your concerns about amendments to the memorandum you had compiled was...

MR FRANCIS QUENTIN CALLARD: Was ...

CHAIRPERSON: Sent on the 23rd. Is it not?

MR FRANCIS QUENTIN CALLARD: Was sent on the 23rd yes.

10 **CHAIRPERSON:** Yes. Which would be a day after Mr Brian Molefe had signed ...

MR FRANCIS QUENTIN CALLARD: Yes.

CHAIRPERSON: This one and two days after Mr Singh had signed this memorandum at page 267?

MR FRANCIS QUENTIN CALLARD: May I take you back Mr Chair?

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: The revised memorandum – the memorandum I prepared on the Monday ...

CHAIRPERSON: Ja.

20 **MR FRANCIS QUENTIN CALLARD:** Recommended confinement to MARS. On the 21st I recommended confinement to MARS.

CHAIRPERSON: Monday being the 21st?

MR FRANCIS QUENTIN CALLARD: Monday the 21st.

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: If I may correct us.

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: I apologise Chair. I think it is Monday the 20th.

MR FRANCIS QUENTIN CALLARD: Sorry – the Monday the 20th.

ADV MAHLAPE SELLO: Yes.

CHAIRPERSON: Okay, okay.

MR FRANCIS QUENTIN CALLARD: Monday the 20th.

CHAIRPERSON: Yes.

10 **MR FRANCIS QUENTIN CALLARD:** The Wednesday the 22nd the morning ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Of Wednesday the 22nd I get this revised memorandum ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: From Ms Lindiwe Mdletshe.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Where we are still then busy revising the memorandum and putting the document in ...

CHAIRPERSON: Hm.

20 **MR FRANCIS QUENTIN CALLARD:** And I only sent that document to her later on – on the Wednesday morning.

CHAIRPERSON: Yes, yes.

MR FRANCIS QUENTIN CALLARD: So this document ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Could not have been ready ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: For signature on the 21st or the 22nd ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Because it was still in preparation.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Is the point I was making.

CHAIRPERSON: That is now assuming that this document reflects the changes that you were asked to make?

10 **MR FRANCIS QUENTIN CALLARD:** It does indeed.

CHAIRPERSON: And – and you say it does?

MR FRANCIS QUENTIN CALLARD: It does.

CHAIRPERSON: Okay, alright. Thank you.

ADV MAHLAPE SELLO: Thank you Chair.

CHAIRPERSON: Thank you and maybe to go back to the point which was the subject of my original question this document therefore being the document that was placed before the Board Committee in substance did it contain the same amendments about which you had expressed concern?

20 **MR FRANCIS QUENTIN CALLARD:** It contained ...

CHAIRPERSON: The substance.

MR FRANCIS QUENTIN CALLARD: The same amendments in substance confinement to MARS for the same reasons.

CHAIRPERSON: Okay. Okay, thank you. Okay.

ADV MAHLAPE SELLO: Chair if I may just check with Mr Callard I am

not sure if he understood your question.

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: The Chair's question was whether the document which is annexed as 14 ...

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: Contained the amendments made to the original proposed MARS confinement.

CHAIRPERSON: Maybe let me put it again. Mr Callard you were sent by Ms Mdletshe.

10 **MR FRANCIS QUENTIN CALLARD:** Yes.

CHAIRPERSON: Your memorandum that you had prepared but with suggested changes ...

MR FRANCIS QUENTIN CALLARD: Correct.

CHAIRPERSON: Or changes that you were asked to make and you had concerns about the changes that you were asked to make.

MR FRANCIS QUENTIN CALLARD: Correct.

CHAIRPERSON: You sent an email to Mr Gama and Mr Jiyane about your concerns?

MR FRANCIS QUENTIN CALLARD: Correct.

20 **CHAIRPERSON:** So my question in regards to this was simply whether in substance this document that was placed before the Board Committee contained the same changes which had caused you the concerns which you had articulated to Mr Gama and Mr Jiyane and my understanding is that you say that is so.

MR FRANCIS QUENTIN CALLARD: Absolutely correct Chair.

CHAIRPERSON: *Ja.*

MR FRANCIS QUENTIN CALLARD: It contains the same changes in substance ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: To which I raised my concerns ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: To Mr Jiyane ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: And to Mr Singh ...

10 **CHAIRPERSON:** Yes.

MR FRANCIS QUENTIN CALLARD: And without testifying to every dot and T but it is essentially the changes that I received from Ms Lindiwe Mdletshe in that mail to which I expressed my concerns.

CHAIRPERSON: Yes, okay.

ADV MAHLAPE SELLO: Thank you Chair and perhaps because we are already on this document it may be appropriate to deal with it at this juncture. Mr Callard if you refer to page 257 of your statement.

MR FRANCIS QUENTIN CALLARD: 25 ...?

ADV MAHLAPE SELLO: Seven and starting at paragraph 69.

20 **MR FRANCIS QUENTIN CALLARD:** Yes.

ADV MAHLAPE SELLO: And ...

CHAIRPERSON: I am sorry Ms Sello. Earlier on you made the point Mr Callard that the – I think it was Mr Brian – no, no Mr Singh. The page on which he signed the document we have just been talking about that was placed before the Board Committee. It appears to have been

signed on 21 January 2014 and I think it was in regard to him that you were saying the document could not have been signed on the 21st because on the 21st he would not – I assume you say – have received the document as amended by – well as given effect to the amendments having been given effect to by you that were suggested to you?

MR FRANCIS QUENTIN CALLARD: Correct Mr Chairman.

CHAIRPERSON: *Ja*, the amended document ...

MR FRANCIS QUENTIN CALLARD: The amended document, yes.

CHAIRPERSON: Came later?

10 **MR FRANCIS QUENTIN CALLARD:** Yes.

CHAIRPERSON: So the question I wanted to ask was whether it was not possible that – it would not have been possible for the – for somebody not to wait for – for you to effect the changes but to go ahead and make the changes on their own computer.

MR FRANCIS QUENTIN CALLARD: Of course that is – that possibility does exist and it is a possibility Mr Chair.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Someone else could have ...

CHAIRPERSON: Yes.

20 **MR FRANCIS QUENTIN CALLARD:** Made all those changes without waiting for me ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Given them to ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Mr Singh and Mr Molefe to sign ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: On the 21st ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Which should have meant that the mail from Ms Mdletshe to me on the 22nd ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Was a waste of time ...

CHAIRPERSON: *Ja*.

MR FRANCIS QUENTIN CALLARD: Or just a total miscommunication.

10 **CHAIRPERSON:** Yes, yes.

MR FRANCIS QUENTIN CALLARD: I cannot ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Say that it is not possible.

CHAIRPERSON: So if – if that was done then it is possible but – but if they waited for your ones then it would not be possible?

MR FRANCIS QUENTIN CALLARD: Correct.

CHAIRPERSON: *Ja*, okay. Thank you.

20 **ADV MAHLAPE SELLO:** And let us take that discussion to its logical conclusion Mr Callard if you permit me. Please refer to page 260 and that - that is the signed proposal to BADC?

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: At 87 – just a second.

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: At page 87 what is that table and how did it get to be part of this document?

CHAIRPERSON: I am sorry. Did you not you say we must go to 260?

ADV MAHLAPE SELLO: Paragraph 87. I do apologise.

CHAIRPERSON: Oh, not page.

ADV MAHLAPE SELLO: Page 260.

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: Paragraph 87. At paragraph 87 there is a table?

MR FRANCIS QUENTIN CALLARD: There is a table yes.

ADV MAHLAPE SELLO: Can – do you know who inserted that table
10 into the document?

MR FRANCIS QUENTIN CALLARD: To the best of my recollection that I did that but I would just like to confirm that to the document which I received from Ms Mdletshe which I think is Annexure 13 – sorry – Annexure ...

ADV MAHLAPE SELLO: Annexure 5 I think.

MR FRANCIS QUENTIN CALLARD: Annexure 5.

ADV MAHLAPE SELLO: Sorry, sorry. Let me not confuse you. We are looking for Annexure 7 which starts at 157.

MR FRANCIS QUENTIN CALLARD: Annexure 7.

20 **ADV MAHLAPE SELLO:** And Annexure 7 itself is an email from Ms Mdletshe.

MR FRANCIS QUENTIN CALLARD: Mdletshe, yes.

ADV MAHLAPE SELLO: Requesting you to find the evaluation methodology that needs to be incorporated in the Word document.

MR FRANCIS QUENTIN CALLARD: Right. If one could – thank you –

if one could – if I could refer you please to pages 177 and 178.

ADV MAHLAPE SELLO: Yes.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: This is the document received from Ms Mdletshe on the Wednesday morning and you will see significant gaps on page 177 and 178 where the document obviously needs to be formulated and a slide inserted and that is what happened when I inserted the evaluation methodology slide into the document. It was fine to (intervenes).

10 **CHAIRPERSON:** So by reason of that you are able to say the document that Mr Singh and Mr Brian Molefe signed that - which I referred to a few minutes ago - you are able to say it is the document that came from you after you had been asked to effect changes?

MR FRANCIS QUENTIN CALLARD: Yes unless as you – one cannot exclude the possibility that there was somebody else with all the knowledge ...

CHAIRPERSON: *Ja.*

MR FRANCIS QUENTIN CALLARD: Printed it on the side.

CHAIRPERSON: Yes.

20 **MR FRANCIS QUENTIN CALLARD:** One cannot exclude that possibility but otherwise it is

CHAIRPERSON: But you say on the probabilities?

MR FRANCIS QUENTIN CALLARD: On the balance of probabilities.

CHAIRPERSON: *Ja, okay.*

MR FRANCIS QUENTIN CALLARD: May I then also just direct one to

the final point that if one looks at on page – again on page 260 right at the bottom – bottom left it says:

“BADC 160 final.”

So even after my document was inserted there were still subsequent changes to this because it has now been changed from version 15GP ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Which I amended ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: To somebody – somebody has still
10 worked on it to BADC 160 final.

CHAIRPERSON: Okay, thank you.

ADV MAHLAPE SELLO: Thank you Chair and to the question whether or not this document reflected the concerns you had raised about confinement to CSR the – the document at Annexure 14.

CHAIRPERSON: Well maybe if you say reflects the concerns it might be ambiguous.

ADV MAHLAPE SELLO: No, no (intervenes).

CHAIRPERSON: It is reflects ...

ADV MAHLAPE SELLO: I will restate.

20 **CHAIRPERSON:** It reflects the issues that ...

ADV MAHLAPE SELLO: It reflects ...

CHAIRPERSON: Gave rise to his concerns.

ADV MAHLAPE SELLO: It is a completely wrong question I posed. It reflects the changes made to your original document (intervenes)?

MR FRANCIS QUENTIN CALLARD: In substance yes.

ADV MAHLAPE SELLO: And now in that regard I would like to refer you to page 256 ...

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: And – I just last my page. Chair if you – if you would bear with me – and with reference to our Annexure 8 page 256 from paragraph 66.

MR FRANCIS QUENTIN CALLARD: 25 – from paragraph 60.

ADV MAHLAPE SELLO: Have you located it?

MR FRANCIS QUENTIN CALLARD: I have 256 – 256 paragraph 66.

10 **ADV MAHLAPE SELLO:** From paragraph 66.

MR FRANCIS QUENTIN CALLARD: On page 256?

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: A comparison of the – from paragraph 68 – confinement of 100 electric locomotives. With your Annexure 8 – which is where you indicated changes were made - and that will be on page 199 appear to be the same. Meaning that the latter document seems to have incorporated the very CSR changes introduced. Would I be correct?

20 **MR FRANCIS QUENTIN CALLARD:** That would be correct. If we look at paragraph 69 that is at the first reading the same as paragraph 67. Paragraph 68 addressing the urgency is missing from the approved version. The version – paragraph 70 – complimenting the urgency is in and it is the same in style and substance as the page 201 which was the changed document I received from Ms Mdletshe. So confirming in

substance it is the same.

ADV MAHLAPE SELLO: At least insofar as confinement to CSR is concerned?

MR FRANCIS QUENTIN CALLARD: Confinement to CSR yes.

ADV MAHLAPE SELLO: You will recall Mr Callard that we were dealing with the actual minute of the – of BADC ...

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: Before – before we dealt with these issues and we were at page 232 ...

10 **MR FRANCIS QUENTIN CALLARD:** 232.

ADV MAHLAPE SELLO: And in particular item 5.2.2.

CHAIRPERSON: 232?

ADV MAHLAPE SELLO: 2.2 - 5.2.2.

CHAIRPERSON: The annexure of the minutes?

ADV MAHLAPE SELLO: Annexure would be Chair Annexure 13.

CHAIRPERSON: I thought you were saying we were going there.

ADV MAHLAPE SELLO: Chair?

CHAIRPERSON: I thought you were saying we were going to the minutes?

20 **ADV MAHLAPE SELLO:** Yes the minutes at – it is Annexure 13 starting at 277.

CHAIRPERSON: Okay, thank you.

ADV MAHLAPE SELLO: And the particular page is page 232 and you were at paragraph 5.2.2 on page ...

CHAIRPERSON: Thank you.

ADV MAHLAPE SELLO: Now I am going to try and - and deconstruct this and I would like to have your comments. The first entry there states:

“Management in ...”

And I quote.

“Management informed the Committee that it was decided that a 26 heavy haul line by GE would perform better than a Class 19E locomotive by Mitsui.”

10 Just can you comment on that in particular?

MR FRANCIS QUENTIN CALLARD: Certainly. Consistent ...

ADV MAHLAPE SELLO: In regard to GE please – reference to GE.

MR FRANCIS QUENTIN CALLARD: Consistent throughout this paragraph GE should have read CSR and CSR should read GE consistent throughout this approval of the 100 locomotives.

CHAIRPERSON: So you are saying they got mixed up?

MR FRANCIS QUENTIN CALLARD: They got mixed up.

ADV MAHLAPE SELLO: They got swapped around there.

MR FRANCIS QUENTIN CALLARD: They got mixed up.

20 **ADV MAHLAPE SELLO:** Okay. Then if we – we will read GE for purposes of this conversation not CSR for now.

CHAIRPERSON: Yes. No we must read as it is *ja*.

ADV MAHLAPE SELLO: Yes.

CHAIRPERSON: Hm.

ADV MAHLAPE SELLO: It says:

“Management informed the committee that it was
decided that a 26 heavy haul line by ...”

You suggest:

“...CSR would perform better than a Class 19E
locomotive by Mitsui.”

My question to you is do you know who and by whom it was decided
that that 26 ton heavy haul line by SCR would perform better than the
19E Mitsui?

MR FRANCIS QUENTIN CALLARD: I cannot put a name to when you
10 ask by who.

CHAIRPERSON: And – and you say this – where this GE – where it
says GE in that sentence and in the rest of the paragraph it should be
saying CSR?

MR FRANCIS QUENTIN CALLARD: Correct Mr Chair.

CHAIRPERSON: And where it says CSR it should say GE?

MR FRANCIS QUENTIN CALLARD: Correct yes.

CHAIRPERSON: Okay.

ADV MAHLAPE SELLO: And on that very point before I deal with the
other issues. If you go further into the body of that paragraph
20 Mr Callard at line 6 – at the end of line 5 – a statement starts:

“Management requested for a contract extension for
Class 43E diesel locomotives by CSR.”

MR FRANCIS QUENTIN CALLARD: Which should read an extension
or Class 43 diesel locomotives by GE, that’s what it should read.

ADV MAHLAPE SELLO: And you – so the diesel locomotives were to

be supplied by GE, and the electric locomotives by CSR.

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: But when you – you say when you read that paragraph there is an inversion there, there's a bit of confusion, so where we see GE we must read CSR and conversely where we see CSR we must read GE.

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: Okay, getting back then to the start of the document the second proposition made here is and it's stated, "further
10 it seemed that CSR, written GE, I'll read CSR, delivers faster than Mitsui", do you have a comment on that?

MR FRANCIS QUENTIN CALLARD: Yes I have a comment, the comment is correct but one questions its relevance because CSR, and it was known at the time, is a major supplier of locomotives in China and they have the capacity, it was passage talk, that they could produce a thousand locomotives a year, that is a considerable number of locomotives. So they have the capacity to produce, the relevance, however, is they are then produced in China and not in South Africa and then would not meet any of the local supplier development and/or
20 local content prescriptions which would be in place for the import of the locomotives. So to make the statement that CSR can produce locomotives at that rate, however, in China, when it should be applied to South Africa is questionable. Further at this time the – no locomotive from CSR had been produced in South Africa, the production line in Transnet Engineering was still being set up. We have heard, and

I've spoken to the one locomotive that was imported from China and undergoing prototype testing, the first 10 locomotives of that 95 were coming from China, nothing had been delivered here in South Africa. So then to posit that we could have a rapid production line here in South Africa when it had not even been set up would be – was a false statement. This statement that they could produce a hundred locomotives but in China, I contend is designed to confuse and mislead.

CHAIRPERSON: Would it make sense what they were saying about – in terms of local skills development if the locomotives – if you were not
 10 doing it in South Africa or it could make sense depending on certain things, you said you question – you said it's questionable and I'm just trying to see whether that's as far as you can take it?

MR FRANCIS QUENTIN CALLARD: I make an inference and I stress that it's an inference. The members of the Board generally are not familiar with locomotive procurement and locomotive supply and would take statements from management at face-value as being these are true and correct and give a full and true picture of where we should be, taking the organisation and doing it. If a statement is made in this context to a Board which is not informed of the detail or knowledgeable
 20 of the detail around locomotive supply the first inference that the Board will make, well thank you this is kosher unless they knew different. There is a fiduciary duty on management to inform the Board of all relevant risks to our transaction in a enterprise such as Transnet. Two points arise from here, one, the Board and/or BADC – sorry BADC in this case was not informed of the significant risks to which members

now were already alerted so there was a failure – I content a serious failure of fiduciary duty at that level, the second, in what was put forward here as a rationale for confining to China in the fact that they could deliver was misleading in that the Board would not have known or been able to realise that this was China and not South Africa.

CHAIRPERSON: Okay.

ADV MAHLAPE SELLO: Thank you Mr Callard, the next issue is still at 522 and it states, I read from the third line that would be the third sentence on the third line and I quote, “management motivated for the
10 confinement in favour of GE we know to read CSR now, this motivated by a submission that was previously withdrawn due to reputational risk issues that had emanated from an old newspaper article. My question to you is, are you aware of a submission motivating for confinement to CSR that was withdrawn?

MR FRANCIS QUENTIN CALLARD: I know of no motivation to a – no submission that motivated a confinement to CSR that was withdrawn. The one which we do know of is the motivation which recommended a confinement to Mitsui in October that was withdrawn and ... (intervention).

20 **ADV MAHLAPE SELLO:** So if we read that paragraph further then skipping a line and going on to the next sentence I read,

“the Chairperson stated that the previous submission was withdrawn prior to the commencement of the 27 October 2013 meeting due to concerns that the confinement was proposed for class 19E locomotives from Mitsui (which had won a

contract into 006)”.
It’s a point that you make that the one you know that was withdrawn was confining to Mitsui.

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: So the one that was confining to Mitsui cannot be the one previously referred to as having been withdrawn that would be a second one because that confines to CSR. The only one you know is the one confining to Mitsui?

MR FRANCIS QUENTIN CALLARD: The only one I know of is the
10 one confined to Mitsui yes.

ADV MAHLAPE SELLO: Then it continues and again I read,
“the company extended the contract of 15E locomotives in 2010 and again confined to the same supplier. Media raised concern that the company had approved two confinements since the 2006 contract award, however, the company had never confined to CSR therefore there should be no adverse publicity”,

and I’ll stop there, do you have a comment to that motivation for confinement to CSR?

20 **MR FRANCIS QUENTIN CALLARD:** My only comment is that it’s an unusual reason for confining to a firm on the basis of publicity if the reasons are sound and curtailed then one can deal with the publicity, if the reasons are not sound and curtailed one cannot deal with the publicity is the only comment I can make to that.

ADV MAHLAPE SELLO: Thank you, if we then continue on, it

concludes by stating,

“The proposed confinement was in compliance to the provisions of the approved procurement procedure manual”,

I won’t ask for your comment at this juncture, I’d like you to comment on a further statement, last line of 232 the statement that starts,

“assurance was given to the committee that the confinement process was audited by TIA”,

What is TIA?

10 **MR FRANCIS QUENTIN CALLARD:** Transnet Internal Audit.

ADV MAHLAPE SELLO: Have you had sight of the audit by TIA?

MR FRANCIS QUENTIN CALLARD: Yes I have and I believe that is Annexure – that is...(intervention).

ADV MAHLAPE SELLO: Mr Callard, while you search, let’s look at 232 and I’ll remind you with reference to another document, it says,

“assurance was given to the committee that the confinement process was audited by TIA”,

Have you ever seen a report by TIA regarding its audit of the confinement process?

20 **MR FRANCIS QUENTIN CALLARD:** I have no sight of – had no sight of, am unaware of any report, I stress the word, report, by TIA on the confinement process and I use the word process deliberately.

ADV MAHLAPE SELLO: Now...(intervention).

CHAIRPERSON: You said earlier on that whatever CSR appears in that paragraph, namely 5.2.2 which should read GE does that apply

also the sentence towards the end of paragraph 232 that says, however the company has never confined to CSR, would – was that one also intended to be GE that CSR?

MR FRANCIS QUENTIN CALLARD: Mr Chairman in my reading of this and reading of this paragraph I believe CSR is there used in the correct context.

CHAIRPERSON: In its correct context?

MR FRANCIS QUENTIN CALLARD: In it' correct context.

CHAIRPERSON: Okay.

10 **MR FRANCIS QUENTIN CALLARD:** Because the company had not previously confined to CSR, the 95 locomotives previously referred to had been one on open tender, there had been no confinement to CSR so I believe in that instance it is in its correct context.

CHAIRPERSON: Okay but for the rest incorrect okay.

MR FRANCIS QUENTIN CALLARD: And the second – the subsequent one, if I may on the third line, “CRS had the capacity to produce5 locos a day – locomotives a day”, is also in its correct context of CSR.

CHAIRPERSON: Yes okay.

ADV MAHLAPE SELLO: And taking that sentence further, that is
20 where you say there was a claim that it can continue – produce or here it says it can therefore produce a hundred locomotives for the company within a short space...(intervention).

MR FRANCIS QUENTIN CALLARD: Short space of time yes but that is in China.

ADV MAHLAPE SELLO: In China, you say – you indicated that you

have never seen this report by Internal Audit auditing the confinement process.

MR FRANCIS QUENTIN CALLARD: No.

ADV MAHLAPE SELLO: As dated here, please refer to your supplementary Bundle BB4(c) the small Bundle in the folder and in particular I'd like to refer you to page two of that paragraph 6. At paragraph 6 of your supplementary statement you seek to introduce a further document to your statement.

MR FRANCIS QUENTIN CALLARD: Correct.

10 **ADV MAHLAPE SELLO:** And this you have marked Annexure 13(a).

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: And Chair that document 13(a) is to be found at page 8 of the supplementary statement. Now having regard to what you stated paragraph 6.1 of your supplementary affidavit, please explain to the Chair what this document that it's proposed marked Annexure 13(a) is?

MR FRANCIS QUENTIN CALLARD: Annexure 13(a) is an email from Andre Botha from Transnet internal audit, I do not know his then designation suffice that the email and all the contents leave no doubt
20 that he is from Transnet internal audit and it is to Anoj Singh with a copy to Gary Pita and it – the substance of this is,

“Hi Anoj, as per discussion and upon review of the memo to BADC on the procurement, requesting procurement of an additional hundred electric and 43 diesel locomotives my comments are as follows”,

It's not the comments I wish to necessarily deal with because they are quite mundane, the point which I wish to draw attention to is, as per by discussion and review of the memo to BADC, that is to say this purported – this TIA approval is limited to a reading of the memorandum in its own right without reference to any of the background context of the changes and/or processes which it followed. So it is a review of the memo yet in the minutes it is given – stated as, assurance was given to the committee that the confinement process was audited by TIA and the review of the memo to an audit of the
 10 confinement process, I contend are two entirely separate matters.

ADV MAHLAPE SELLO: And on page two then of your supplementary statement in paragraph 6 you conclude with a statement – this is the only document that I could locate relating to the role played by Transnet internal audit in the acquisition of the hundred electric and diesel locomotives before the acquisition was approved by BADC, you see that?

MR FRANCIS QUENTIN CALLARD: Correct yes.

ADV MAHLAPE SELLO: But you will not go so far as to say that there is no report of the audit of the – the confinement process itself.

20 **MR FRANCIS QUENTIN CALLARD:** I confirm I have not seen, heard nor found a report.

ADV MAHLAPE SELLO: So maybe some other witness might guide us to such a point.

MR FRANCIS QUENTIN CALLARD: Indeed they may do so, indeed they may do so.

ADV MAHLAPE SELLO: Thank you let's look then, Mr Callard at page 233 and I would like to get your comment on the actual resolutions of the BADC and that are reflected from paragraph 5.2.4, if you could just comment – if you could just consider them and then comment if you please. Sorry insofar if I may just add as the acquisition of the hundred locomotives is concerned.

MR FRANCIS QUENTIN CALLARD: Well it is clear that this resolution gives effect to this memorandum to proceed with the confinement or the procurement of the 100 locomotives through a
10 confinement process to CSR and particularly in paragraph – sub paragraph G,

“recommended that the Board delegates authority to the Group Chief Executive to sign and conclude all relevant documents to give effect to the resolution, including the award and process approval”.

ADV MAHLAPE SELLO: And as far as that is concerned the last part of G, including the award and process approval we know was introduced into your draft by whoever amended your draft, we dealt with that earlier.

20 **MR FRANCIS QUENTIN CALLARD:** Yes, yes.

ADV MAHLAPE SELLO: I'm particularly interested in the nature of the resolution, if I read B I read that the committee resolved,
“recommended that the Board approves the investment in and procurement of hundred electric locomotives required for the coal export line estimated at 3.8billion (excluding borrowing

costs)",

Would I be interpreting this correctly if I say, my understanding is, what was approved as the procurement of locomotives, the size and specification of which is not provided for, prescribe at a cost of 3.8billion.

MR FRANCIS QUENTIN CALLARD: Yes and the phrase one would use there it is not in here but the phrase that would commonly be used with this, it is used in the memorandum extensively, at a total estimated cost and we abbreviate that in many documents to ETC, the importance of
10 this – of that phrase is that, that is the total cost to the organisation over the lifespan of the project, the total estimated cost. The one exception to that is that it excludes the borrowing cost, if we have to raise money it excludes the borrowing cost of raising that amount but otherwise its inflation, forex, escalation everything to have the product in its final entity.

ADV MAHLAPE SELLO: And secondly the committee – I'll rephrase, whereas your original memo sought approval for confinement to Mitsui for the acquisition of 19E electric type equivalent...(intervention).

MR FRANCIS QUENTIN CALLARD: 19E type equivalent locomotives.

20 **ADV MAHLAPE SELLO:** What the Board approved was purchase of a hundred electric – non-specific electric locomotives, so on the basis of this resolution one could have bought a 20E or any other series that is available, the committee had approved that.

MR FRANCIS QUENTIN CALLARD: It is not specific in the type of locomotive, it could have been any electric locomotive.

ADV MAHLAPE SELLO: Thank you, that then has taken us, I think, to your paragraph 53 at page 113, you have dealt with all those matters. So now we know that as at the 24th of January 2014 BADC had approved the purchase of the hundred electric locomotives at the cost of 3.8billion, did you become aware of that decision of BADC and if so when?

CHAIRPERSON: Maybe before that do the minutes reflect, in any way Mr Callard that the concerns that you had raised with Mr Gama and Mr Jiyane about this were conveyed to the Board Committee at that
10 meeting in one way or other, in substance?

MR FRANCIS QUENTIN CALLARD: I have no way of knowing whether they were conveyed in any form whatsoever if they were it would have been unusual but the minutes of the meeting dealing with the procurement and approval for the 100 do not reflect the risks and concerns I raised or the potential implications of that transaction, they are not in item 5.22 and they are not elsewhere in these minutes.

CHAIRPERSON: Yes I no, no I was particularly confining you to the minutes because the minutes are signed by the Chairperson and the secretary at the end and therefore must be taken to be – as far as the
20 Board is concerned at least, the Board Committee must be taken to be a correct reflection of the matters discussed and the issues discussed at the meeting. So you say, as far as you have gone through the minutes you have not picked up anything that suggests that the Board Committee was alerted to the concerns that you had raised with or without mentioning your name?

MR FRANCIS QUENTIN CALLARD: That is correct Mr Chair I find nothing in these minutes relating to the concerns raised.

CHAIRPERSON: Yes okay.

ADV MAHLAPE SELLO: Thank you, and correct me if I am wrong Mr Callard but the BADC would intend and make recommendations to the full Board, is that how the system worked?

MR FRANCIS QUENTIN CALLARD: Depending on the level of the delegation of authority and the value of the transaction concerned they would make recommendation to the full Board, so yes, this should go to
10 the – it's my understanding that this would be – go to the Board as per the first sentence in 5.9.7 and further – agreed and further submitted to the Board for information purposes, this implies that BADC is taking the decision. It's my understanding that this is outside of BADC's delegated authority.

CHAIRPERSON: But when you read the minutes what is reflected is that the BADC their attitude towards that the main Board would only receive these minutes just for information only, not to make any decisions because they would have made the decision themselves.

MR FRANCIS QUENTIN CALLARD: That is my reading of this
20 paragraph yes.

ADV MAHLAPE SELLO: Let's try and be precise Mr Callard, let's go back to 524, because my reading would be slightly different, at 524 at page 233 and I read, it reads,

“resolved that the Committee: B recommended, I guess recommends that the Board approves the investment”.

So that would imply that Board approval was still required.

MR FRANCIS QUENTIN CALLARD: My apologies I was reading the total cost of ownership you are correct, I retract it is correct, G is correct.

ADV MAHLAPE SELLO: Okay so all these resolutions would then be put to – before the Board for the Board to approve?

MR FRANCIS QUENTIN CALLARD: Correct.

CHAIRPERSON: But it – we know that – we know from the email that Mr Gama sent to Mr Singh on the 23rd of January, if I recall correctly.

10 **MR FRANCIS QUENTIN CALLARD:** Yes.

CHAIRPERSON: That after reading your concerns in your email, Mr Gama thought that what you had been asked to effect to your memo made the whole memo to be a mess.

MR FRANCIS QUENTIN CALLARD: Correct.

CHAIRPERSON: That's the term he used.

MR FRANCIS QUENTIN CALLARD: Yes.

20 **CHAIRPERSON:** Now if, in substance, the document that was placed before the BADC – the Board Committee that dealt with this issue, if the memo that was placed before them incorporated, in essence, the same issues which had caused you to be concerned in the way you indicated Mr Gama to Mr Jiyane then one would be entitled to say, using Mr Gama's own words, "therefore what was put before that committee was a mess".

MR FRANCIS QUENTIN CALLARD: I agree.

CHAIRPERSON: And one would have thought that he would not have

wanted a memo that was a mess to be placed before the Board Committee and that it would have been amended appropriately so that what was put before the Board Committee would be a proper thing, a proper document.

MR FRANCIS QUENTIN CALLARD: I concur yes.

CHAIRPERSON: Because what was placed before the Board Committee could influence the committee whether it recommended or did not recommend what it was asked to recommend.

MR FRANCIS QUENTIN CALLARD: Indeed so.

10 **CHAIRPERSON:** Yes.

MR FRANCIS QUENTIN CALLARD: In that sense the information which the committee is given or the committee makes its decision on is by and large and with rare exception, it is bounded by the information contained in the memorandum. If the information in the memorandum is incomplete and/or misleading and the committee has no frame of reference with which to challenge that information it can only make its decision on the information contained in the memorandum in the belief that what is contained in the memorandum is true and correct.

CHAIRPERSON: Thank you.

20 **ADV MAHLAPE SELLO:** Thank you Chair. Now that we've established that the decision or resolutions of the BADC must be presented to the Board are you aware of whether or not the Board had occasion to deal with these recommendations?

MR FRANCIS QUENTIN CALLARD: I have not personally seen and followed up on the minutes of that Board meeting, I have to believe that

it was given effect to because we know that the necessary authorisations and warrants and – went forward to procure the hundred locomotives from CSR so I trust, at the moment, that it went through the Board but I have not seen the Board minutes dealing with this one I have only referenced the BADC minutes.

CHAIRPERSON: We – you haven't had access to anything that may have been sent to the full Board in any way after this meeting of this committee that you can remember?

MR FRANCIS QUENTIN CALLARD: I have seen and have had
10 access to the Board agendas, agenda and sometimes the individual submissions to the Board but the actual minutes of the Board meeting itself that dealt with this item, no I have not seen or had access to.

CHAIRPERSON: Yes. Going back to that paragraph with which we dealt quite at some length earlier on in the minutes of that meeting of this board committee where you said references to GEE were men – should have been to CSR. I take it that the people who spoke to this issue at the – at the – this meeting of the board committee could not have spoken like that or it is unlikely they could have spoken like that because they must have known what – what is CSR and what is GE and
20 that maybe there might just have been a mistake in the person who prepared the minutes. Would that – would it be fair to say that?

MR FRANCIS QUENTIN CALLARD: I believe that to be the case Mr Chairman I am not...

CHAIRPERSON: Ja.

MR FRANCIS QUENTIN CALLARD: I have seen a correction to the

minutes later and a subsequent one.

CHAIRPERSON: Oh you have seen it?

MR FRANCIS QUENTIN CALLARD: Which did reflect this correction. I have not included it but I...

CHAIRPERSON: Oh you have seen it?

MR FRANCIS QUENTIN CALLARD: Yes I have.

CHAIRPERSON: Okay.

MR FRANCIS QUENTIN CALLARD: I do recall.

CHAIRPERSON: Yes.

10 **MR FRANCIS QUENTIN CALLARD**: And firmly believe that that correction exists.

CHAIRPERSON: Yes, yes. So the people who may have been confused would not have been the people who spoke to the – to the issue at the meeting it would have been the compiler of the minutes.

MR FRANCIS QUENTIN CALLARD: Correct.

CHAIRPERSON: Ja.

MR FRANCIS QUENTIN CALLARD: I – yes I believe that to be the case.

CHAIRPERSON: Yes.

20 **MR FRANCIS QUENTIN CALLARD**: I firmly believe that to the case yes.

CHAIRPERSON: Okay. Thank you.

ADV MAHLAPE SELLO: Thank you Chair. We – we move on then to a matter we had already touched on before I think the lunch break at your paragraph 54 which is your – the first response by Mr Gama to your

email of 23 January 2014 and I am – we are now at page 13. You deal with this at paragraph 54. And you had indicated that that is the only communication you received in response?

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: And you make the statement this was not followed up. Are you suggesting it was not followed up by your – either by your – neither by yourself nor Mr Gama?

MR FRANCIS QUENTIN CALLARD: Neither. Received the sms, read it, thank you, filed and moved on.

10 **ADV MAHLAPE SELLO:** At this point were you aware that Mr Gama had communicated your concerns to Mr Singh?

MR FRANCIS QUENTIN CALLARD: No. I only became aware of these emails shortly around the time of preparing my statement.

CHAIRPERSON: The GCE at that time was it Mr Brian Molefe?

MR FRANCIS QUENTIN CALLARD: Group Chief Executive, yes.

CHAIRPERSON: Yes because in his – in his sms to you Mr Gama says he would explain to you the GCE's thinking. Now that suggests to me and I just want to find out whether you also have the same thinking. That suggests to me that what he is saying is that these changes that
20 you were asked to effect to your memo about which you expressed concern to him and to Mr Giani in your email of the 23 January the person who knows about the thinking what the thinking behind them was, was the GCE that is the meaning I attach to this. Do you attach the same meaning?

MR FRANCIS QUENTIN CALLARD: I attach the same meaning.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Yes.

CHAIRPERSON: So if that interpretation is correct maybe we are getting for the first time that the person who may have decided we do not whether he decided but the person who may have decided that there should be these changes may have been the GCE. But certainly we are told he knows the thinking behind them.

MR FRANCIS QUENTIN CALLARD: I interpret – I concur with your interpretation.

10 **CHAIRPERSON**: Hm.

MR FRANCIS QUENTIN CALLARD: From the reading of this sms.

CHAIRPERSON: Hm. We just do not know whether...

MR FRANCIS QUENTIN CALLARD: Ja.

CHAIRPERSON: He made the decision.

MR FRANCIS QUENTIN CALLARD: I make the retrospective connection of dots.

CHAIRPERSON: Hm.

20 **MR FRANCIS QUENTIN CALLARD**: To the withdrawal of the memorandum on the October to Mitsui when it had gone through the full process and was withdrawn by the Group Chief Executive.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: I just make that connection.

CHAIRPERSON: Thank you.

MR FRANCIS QUENTIN CALLARD: But I [indistinct] no more.

CHAIRPERSON: Okay.

ADV MAHLAPE SELLO: And on that score have you ever had opportunity to discuss with Mr Singh the concerns that you had expressed in the email to Mr Gama on 23 January 2014?

MR FRANCIS QUENTIN CALLARD: No I never followed it up with Mr Singh because I did not know of Mr Gama's email to Mr Singh so I presumed, assumed at the time that it had died with Mr Giani and Mr Gama.

ADV MAHLAPE SELLO: At the time?

MR FRANCIS QUENTIN CALLARD: At the time that was the context
10 with [indistinct] operate to discover later that in fact it had gone much further.

ADV MAHLAPE SELLO: We are now on the 18 February 2014 at your paragraph 55 can you take us from that point?

MR FRANCIS QUENTIN CALLARD: Recalling that my memorandum to Mr Singh and Mr Gama was about the incorrect specification of these locomotives or their technical incompatibility and that they were not suitable that the 95 was not a suitable locomotive. I got to hear through emails from my technical colleagues that on the 18 February Mr Kuys who was then a Project Director Capital Programme in Freight
20 Rail had emailed that the 100 heavy haul coal line locomotives had been approved. Apologies. And that a specification was required for tendering purposes. The 20 E specification that was the specification for the locomotives the 95 locomotives from CSR was to be used which was and forgive me a bobo a technical comment to a four axil locomotive and various adjustments were detailed. The specification

was required by the evening of the 19 February. The urgency of this is in Annexure 15. On the 20 February ...

CHAIRPERSON: I am sorry who was – was somebody being asked to do the specification?

MR FRANCIS QUENTIN CALLARD: Correct.

CHAIRPERSON: And was it you?

MR FRANCIS QUENTIN CALLARD: No not me.

CHAIRPERSON: It was not you but somebody was being asked to do it?

10 **MR FRANCIS QUENTIN CALLARD**: Somebody was being asked to prepare the specifications.

CHAIRPERSON: Yes okay.

MR FRANCIS QUENTIN CALLARD: Because I was close by my technical colleagues

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Kept me informed of this.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: We have to redo the specification.

CHAIRPERSON: Okay.

20 **ADV MAHLAPE SELLO**: If I may just quickly ask you a question? I have – do you have the actual annexure before you it is at page 269?

MR FRANCIS QUENTIN CALLARD: Annexure 15. 15 which is

ADV MAHLAPE SELLO: 269.

MR FRANCIS QUENTIN CALLARD: Page 269.

ADV MAHLAPE SELLO: Now at the second line of that email and the

second sentence it reads and I quote:

“It was decided that the 20 E specification be used for a bogo locomotive with the following adjustments addendums.”

And I will go to item 3 under that statement.

“Axil loads be limited to a maximum of 26 tonne per axil.”

Do you know who took the decision to use 20 E – I see that you are copied in this mail?

10 **MR FRANCIS QUENTIN CALLARD:** Yes.

ADV MAHLAPE SELLO: By Mr Kuys. Do you know when Mr Kuys says it was decided that 20 E specification be used, whose decision that was?

MR FRANCIS QUENTIN CALLARD: I do not know whose decision it was per se at an individual level. At a group level or at a collective level it would have been this technical team but the decision makes sense or I concurred with – concur with this decision because the only locomotive we had from CSR was the 95. So to get a locomotive from CSR suitable for the coal line one had two options. You either now go
20 through a total brand new development of a new locomotive or you take their existing locomotive and you say well how can we now redesign this modify it to make it suitable for what it was intended to be for the type that we wanted for the coal line. And this was then the essence of this email. What do we have to do to that 95 – those 95 locomotives or that type that 20 E type to make it suitable for the coal line?

ADV MAHLAPE SELLO: And based on your – I think what you testified to earlier 20 E locomotives was it 22 tonne?

MR FRANCIS QUENTIN CALLARD: It was a 22 tonne per axil yes.

ADV MAHLAPE SELLO: And for coal hauling unit at a 26 tonne?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: So if one looks below the items 1 to 4 where it states and I quote:

“In effect this will imply that the present 20 E will be
ballasted for increased tractive effort.”

10 **MR FRANCIS QUENTIN CALLARD:** Yes.

ADV MAHLAPE SELLO: Okay before I offer my understanding let me ask for yours. What does that mean?

MR FRANCIS QUENTIN CALLARD: What that means is they were going to take the 20 E locomotive which is 22 tonnes per axil and they were going to add a lot of steel to it to make it heavier. That is what they were going to do. They were then going to strengthen the couplers, strengthen the suspension because they adding all this steel to it. They were going to take the traction motors and they were going to increase the power of the traction motors. The control system
20 effectively the driving system would remain largely unaltered. They would increase the – change the couplers of the locomotives. The couplers of the locomotives is that part at the front and rear of the locomotives particularly the rear where it pulls the wagons now needs to be strengthened because of the greater power because of the longer trains. These are the modifications which would be required for the

locomotives. Of which the main one though add this whole lot of steel, change the suspension, change the transformer because it now has to take in more power from the overhead catenary and increase the power of the traction power. So effectively you going through a fairly major exercise on this locomotive. This is what they had to do to the 20 E locomotive from CSR now to make it suitable for coal line operation.

ADV MAHLAPE SELLO: And that change ...

CHAIRPERSON: I am sorry before that.

ADV MAHLAPE SELLO: Yes Chair.

10 **CHAIRPERSON:** Was that an attempt to address one the concerns you had made in your email?

MR FRANCIS QUENTIN CALLARD: It addressed – exactly it addressed those exact concerns on my email.

CHAIRPERSON: Hm. But – but whether or not it is successfully addressed it might be another question but it was intended to address one of them?

MR FRANCIS QUENTIN CALLARD: Yes, yes.

CHAIRPERSON: Okay.

20 **ADV MAHLAPE SELLO:** So now you will end up with a 26 tonne heavy haul locomotive?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: With these specifications. And on your paragraph 55 you say the email that came to you is dated the 18th and these specifications and adjustments had to be effected and be ready for the 19th February?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: Last line of your page 55?

MR FRANCIS QUENTIN CALLARD: Last line page 55.

ADV MAHLAPE SELLO: Paragraph 55 apologies.

MR FRANCIS QUENTIN CALLARD: Yes specification was required by the evening of 19 February correct.

ADV MAHLAPE SELLO: Okay. Then we go onto the 20th on paragraph 56 what happens next?

MR FRANCIS QUENTIN CALLARD: Well on the 20th Mr Harris another
10 technical colleague emailed Mr Giani or sorry emailed the updated
specifications for coal line locomotives. When he emailed that and
copied that to me attached was a letter of interest. Because attached
was a letter indicated that on the 19 February at a meeting attended by
Mr Giani and Ms Mdletshe and representatives of CSR that technical –
and the technical personnel of Freight Rail responsible for locomotive
specifications they discussed these changes that were required to the
20 E locomotive to make it compatible. What I thought rather strange
at the time was that here was our technical team with the Chief – with
the Supply Chain Officer, representatives from the Supply Chain Officer
and the technical personnel now discussing the technical changes
required to these locomotives. The reason for that concern was that
CSR as I will address in a moment had not yet been formerly invited to
submit a proposal for the locomotives.

ADV MAHLAPE SELLO: So if I may?

MR FRANCIS QUENTIN CALLARD: Ja.

ADV MAHLAPE SELLO: And you reference Annexure 16 which appears at page 272 and this regard – the concern you have is Mr Kuys and his team are requested to consider that 20 E specifications, make the necessary changes.

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: To bring it to the level of a 19 E?

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: That is a 26 tonne haulage capacity and to provide that by the 19 February?

10 **MR FRANCIS QUENTIN CALLARD:** Correct.

ADV MAHLAPE SELLO: And at your Annexure 16 is a letter addressed to Mr Kuys it is dated the 19 February.

MR FRANCIS QUENTIN CALLARD: The 19 February yes and it is from Mr Pavit.

ADV MAHLAPE SELLO: And this is a letter from Mr Pavit?

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: Now unfortunately although the email can tell us when it was received this letter as currently stands does not tell us what time on the 19 February this was generated and received?

20 **MR FRANCIS QUENTIN CALLARD:** That I do have that email and it was – and it is available. I must admit I did not include that one but yes it is available.

ADV MAHLAPE SELLO: Okay. The – my question is whether Mr Kuys had been successful in providing the specification for this new locomotive by the evening of 19 February when or whether when this

discussion was had that work was still underway?

MR FRANCIS QUENTIN CALLARD: Yes it was because we – there is the email from Mr Kuys to Mr Giani with the updated specification. I did not put that one in here but that email exists which shows that the specification was revised and sent to Mr Giani on the 20th – I believe the 20 February.

ADV MAHLAPE SELLO: And I see at your Annexure 16 mid-way the document and I think you referred to this issue. It reads:

10 “The heading of the document is Requirements and
Revised Specification for an additional 100 dual
voltage locomotives.”

Mid-way that document before the bullet points there is a statement quote:

 “The main requirements were discussed with CSR in
the presence of Mr Thamsanqa Giani and Ms Lindiwe
Mdletshe.”

MR FRANCIS QUENTIN CALLARD: Correct.

20 **ADV MAHLAPE SELLO:** Now you mentioned that at least on the 19
February CSR had not yet been informed that a tender should be issued
confined to CSR?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: And on the 19th CSR is part of a discussion around specification of a tender to be issued?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: Do you know when the actual RFP went out to

confine this acquisition to CSR?

MR FRANCIS QUENTIN CALLARD: Yes the RFP went out and the memorandum signed by Mr Molefe which is not part of this was dated the 26 February asking CSR to please submit a proposal for a 100 electric locomotives essentially around and it quotes the speci – this discussion and these changes and it asks for that proposal to be returned by the either the 20 – it went out on the 26th and I believe the return date was the 28 February.

ADV MAHLAPE SELLO: So CSR was part of designing the
10 specification on which they will tender?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: Thank you.

MR FRANCIS QUENTIN CALLARD: Before they were informed that they were to be awarded.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: Or asked to submit a proposal on a confined enquiry.

CHAIRPERSON: But where you are dealing with a tender that is to be confined to one entity does it make any difference that they get to know
20 about or get – ja they get to know about the specification before they are informed where in the end they are the only ones anyway who will be involved in the tender.

MR FRANCIS QUENTIN CALLARD: Perhaps in the substance Mr Chair it makes no difference.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Perhaps in the – but in the procedural aspect.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: It is my understanding that it does make a difference.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Because what this would imply.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: And what this – my reading of this.

10 **CHAIRPERSON:** Hm.

MR FRANCIS QUENTIN CALLARD: Is that communications with the supplier even on this nature.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Would take place only when they had been officially informed through the appropriate channels which would be the letter from whichever delegated authority in this case Mr Molefe.

CHAIRPERSON: Hm.

20 **MR FRANCIS QUENTIN CALLARD:** Given the value of the transaction to the supplier to say we are asking you for a proposal.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Please develop a proposal. Then the discussions and engagements around the technical issues would take place for the proposal to be returned.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: It is not possible for a supplier to develop a proposal for 100 locomotives priced proposal bearing in mind that there are many things which go into developing a proposal for a 3.8 billion transaction. One does not do that in three days which was the date of ...

CHAIRPERSON: No, no that is fine. That is a different point.

MR FRANCIS QUENTIN CALLARD: Ja.

CHAIRPERSON: That is a different point. You see it certainly would be unacceptable if for them to have been included in the – in designing
10 the specification if it was going to be an open tender that is for sure.

MR FRANCIS QUENTIN CALLARD: Yes.

CHAIRPERSON: I am just wondering whether where already a decision has been taken that a particular entity is the only entity to which the tender would be confined. Whether they know before they – they know the specification before they are formally told or whether they know it after whether it makes any difference. I am thinking aloud I am not sure. I am just testing.

MR FRANCIS QUENTIN CALLARD: It is a mood...

CHAIRPERSON: What is strange about it.

20 **MR FRANCIS QUENTIN CALLARD:** It is a mood point Mr Chair.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: As you say in that sense it makes – does it matter but the – my understanding

CHAIRPERSON: Ja.

MR FRANCIS QUENTIN CALLARD: Of the policies and procedures

manual is.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: We have approval to confine.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: And you grant me there is – we have that approval to confine.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: I cannot discuss with the supplier.

CHAIRPERSON: Hm.

10 **MR FRANCIS QUENTIN CALLARD**: The details of what he is to supply.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Because we do not have that letter – he does not have that letter – I do not have that letter of authority to talk to him yet that comes once he has been informed, requested for a proposal per that signature.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Till he has that letter, till that letter has formally been issued to the supplier.

CHAIRPERSON: Hm.

20 **MR FRANCIS QUENTIN CALLARD**: That letter can be withdrawn at any time.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Procurally.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Therefore any discussions which

we may have and I may be giving a potential supplier through these discussions a false and an incorrect impression I may be of a letter to come which might not come. The fact that in this case it was coming.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: But that is the mood point about it procedurally.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: The supplier should have been – I contend should have been in possession of the letter requesting the
10 quotation or a proposal then one goes through the detail technical discussions to the proposal then the supplier submits his quotation.

CHAIRPERSON: You see maybe the point – maybe the point should be that they should not be involved in the designing of the specification at all whether it is before or after they have received noti - you know official notification. What do you say? So I was focussing on the question of what is the significance of saying they should not get involved in the designing of the specification before they receive the formal notification. As opposed to saying they should not get involved at all in the designing of the specification. Whether in other words
20 Transnet should not design the specification without them and then present the confined tender to them with the specification and see whether they are able to come up with something that would meet that specification.

MR FRANCIS QUENTIN CALLARD: I would concur the procedurally that would be more correct approach.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Yes.

CHAIRPERSON: Hm. Ja okay.

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: If I can then just continue on that? Have you seen the RFP for this confinement?

MR FRANCIS QUENTIN CALLARD: Yes I have.

ADV MAHLAPE SELLO: To your recollection what does the RFP invite CSR to do?

10 **MR FRANCIS QUENTIN CALLARD:** It invites CSR to please submit a proposal by XYZ date and if I recall correctly it was the 28th and it said – and it lists the – it says based on the revised specification which was developed here – the revised specification which was developed in terms of this request to Mr Kuys and it says these essentially should incorporate all the modifications currently made to the 19 E that have previously been discussed. But here are the essential components to it.

ADV MAHLAPE SELLO: So if I am to understand the process that I am trying to – I am going to try to put it in a simplistic manner as possible
20 for my own benefit. Technically what happened here was the decision was to go buy 100 electric locomotives from CSR?

MR FRANCIS QUENTIN CALLARD: Hm.

ADV MAHLAPE SELLO: And we know from the proposal that we are – what we are seeking to acquire CSR does not have?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: We then decide we are going to do this by way of confinement.

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: We then take a decision that we are going to take the CSR 20 E locomotive and we identify adjustments that are required on that locomotive.

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: To bring it on par with 19 E.

MR FRANCIS QUENTIN CALLARD: Yes.

- 10 **ADV MAHLAPE SELLO:** In order to do so we go have a discussion with CSR as to what they will need to do to bring it up to 19 E.

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: Then we issue a RFP for them to give us a proposal on that which we have jointly discussed.

MR FRANCIS QUENTIN CALLARD: That is exactly what happened.

ADV MAHLAPE SELLO: That process.

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: I guess Chair it would be a matter for argument whether that was proper or not.

- 20 **CHAIRPERSON:** Yes, no that is true but sometimes it is helpful to get the perspectives of people who have been involved on the ground on some of these matters. Let me – let me say this. If the decision had not been taken that the tender would be confined to CSR certainly any discussion with them in regard to the specification would – would be improper because they could influence the specification to be

formulated in such a way as to favour them if and when an open tender was made and they put in a bid.

MR FRANCIS QUENTIN CALLARD: Yes.

CHAIRPERSON: That is the one scenario.

MR FRANCIS QUENTIN CALLARD: Yes.

CHAIRPERSON: Now if the decision has already been taken that they are the – they are the entity that would be given this confined tender I am not sure in what way Transnet would be prejudiced by a discussion with them in regard to the specification because they are the ones who
10 have already been chosen and let us assume for argument sake that they choosing them was the correct decision because otherwise normally if you were running your own company once you had decided that that is the company that is going to assist me with this business requirement there should – there would be nothing wrong in talking to them to say this is what I need, can you deliver? And then they can say to you, yes we can deliver we deliver this all the time. Or they might say, we can deliver A, B, C, D but we cannot deliver E and F and then you start talking to them about what the plan – what an alternative might be before maybe you formally request them. You might have
20 some discussion with them even if it is informal. We are now dealing with a public entity I am trying to see whether it becomes wrong simply because it is a public entity or not. Where you have already decided this is the one that we are going to ask to – this is the company that we will ask to help us.

MR FRANCIS QUENTIN CALLARD: The mind set...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: The framework I have in my mind
Mr Chairman ...

CHAIRPERSON: Ja.

MR FRANCIS QUENTIN CALLARD: From my years in the ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Organisation is ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: And if I may quote the example. If
10 the decision has been taken and the letter to the firm has to be issued
by yourself as the ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Chair to the firm before that letter
is issued I go and have a discussion with the supplier.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: You would be at right to say what
do you think you are doing. Who gave you permission and authority to
go and have those discussions with the supplier before I have formally
communicated with them?

20 **CHAIRPERSON:** Hm.

MR FRANCIS QUENTIN CALLARD: That would be in terms of my –
that is – absolutely my understanding of how the policies and
procedures ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Worked through the organisation.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: If I had your permission to ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Engage with them beforehand ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: That would be a different story.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: I have not ...

CHAIRPERSON: Hm.

10 **MR FRANCIS QUENTIN CALLARD:** Assessed that.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: It is quite possible that if I had those discussion with the supplier ...

CHAIRPERSON: Yes, yes.

MR FRANCIS QUENTIN CALLARD: Without your permission ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: You could come and say to me ...

CHAIRPERSON: Yes.

20 **MR FRANCIS QUENTIN CALLARD:** Who said you could talk to the supplier because maybe ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: I am going to change my mind ...

CHAIRPERSON: Ja.

MR FRANCIS QUENTIN CALLARD: About that supplier ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: And now you have compromised me ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: And it is – and it is in that context ...

CHAIRPERSON: Hm, okay.

MR FRANCIS QUENTIN CALLARD: That I offered it.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: It is ...

10 **CHAIRPERSON:** No, thank you.

MR FRANCIS QUENTIN CALLARD: Out of context.

CHAIRPERSON: *Ja*, thank you.

ADV MAHLAPE SELLO: And in the context of your response to the Chair right now we will have to determine whether this meeting of 19 February taken place with CSR was after the Board had approved the confinement to CSR. That is something we will have to investigate for ourselves.

MR FRANCIS QUENTIN CALLARD: I – I would take it that it was because we had the BADC Meeting on the 24th. The Board Meeting
20 immediately following. So this was after the 19th.

ADV MAHLAPE SELLO: Okay.

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: Thank you.

MR FRANCIS QUENTIN CALLARD: That – that is not a point. The only point I make is that it had not been formally communicated through

the Chair. So it was a communication prior to the ...

CHAIRPERSON: To CSR? To CSR?

MR FRANCIS QUENTIN CALLARD: To CSR, yes.

CHAIRPERSON: *Ja.*

ADV MAHLAPE SELLO: You – you disputing regarding specification is on 19 February 2014?

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: Do you know when CSR submitted its proposal on the 100 locomotives?

10 **MR FRANCIS QUENTIN CALLARD:** Yes on 28 February 2014.

ADV MAHLAPE SELLO: A week later? A week later about from the ...

MR FRANCIS QUENTIN CALLARD: The 19th/the 20th.

ADV MAHLAPE SELLO: The meeting is on 19 February. They submit on the 28th?

MR FRANCIS QUENTIN CALLARD: The 28th, *ja* give or take a week later.

ADV MAHLAPE SELLO: The next date you then deal with in the sequence of events is at paragraph 60 on page 14 of your statement.

MR FRANCIS QUENTIN CALLARD: Yes.

20 **ADV MAHLAPE SELLO:** Can we – you deal with the issues that you set out there in?

MR FRANCIS QUENTIN CALLARD: Sure. May I just touch on 59 because we have not touched on 59 if I may just refer back to that one ...?

ADV MAHLAPE SELLO: Absolutely.

MR FRANCIS QUENTIN CALLARD: To close it?

ADV MAHLAPE SELLO: Yes, yes please (intervenes).

MR FRANCIS QUENTIN CALLARD: As a result of these design changes to the locomotive a new class for the 100 locomotives was created for CSR that was 21E that clearly differentiates which says it is a different design. It is a different type of locomotive. It is a different (indistinct) and that was the upshot of all the design changes which had taken place earlier.

ADV MAHLAPE SELLO: Okay.

10 **MR FRANCIS QUENTIN CALLARD:** Okay.

ADV MAHLAPE SELLO: We are now at your paragraph 60.

MR FRANCIS QUENTIN CALLARD: 60, yes. Nothing much happened and – if I may say – life carries on pretty much as before.

ADV MAHLAPE SELLO: Okay, thank you.

MR FRANCIS QUENTIN CALLARD: When myself and colleagues received a mail from Mr Yusuf Laher in finance with spreadsheets of the final cash flows at 17 March 2014. These spreadsheets gave the cash flows of the four successful bidders in the 1 064 project plus the CSR 100 locomotives plus GE the 60 diesel locomotives. What I notice
20 particularly about this email was that the advance payments to CSR for the 100 locomotives was a 30 percent down payment on the design review and may I please take you here to Annexure 17.

ADV MAHLAPE SELLO: At page 276.

MR FRANCIS QUENTIN CALLARD: Page 276.

ADV MAHLAPE SELLO: And at 276 you say that is a spreadsheet

received – received from Mr Yusuf Laher as per page 275?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: And this is part of the spreadsheet showing the (indistinct) percentages. It is not the complete spreadsheet.

ADV MAHLAPE SELLO: Okay.

MR FRANCIS QUENTIN CALLARD: It is an extract from the spreadsheet and if one looks at the top right hand corner we will see
10 there APG 30 percent. That is advanced payment guarantee. Design review 30 percent acceptance 37 percent. The implications of this is that before a single locomotive is received one is paid 60 percent of the amount of the locomotive. This is – I am not quite sure which phrase to use – unusual, way out of line with anything we have done before that one pays 60 percent of a locomotive before one receives the first locomotive and that meant that we – the upfront payment was R1.32 billion for these locomotives – the upfront payment.

CHAIRPERSON: Can I ask you at this stage seeing that you had been at Transnet for some decades?

20 **MR FRANCIS QUENTIN CALLARD:** Yes.

ADV MAHLAPE SELLO: Exactly.

CHAIRPERSON: Had you been involved in other acquisitions of locomotives before?

MR FRANCIS QUENTIN CALLARD: Yes.

CHAIRPERSON: And if – about how many kind of transactions over the

period for example two, three, four?

MR FRANCIS QUENTIN CALLARD: I was involved specifically in the acquisition of the 15E locomotives for the all line which also was a confinement on Mitsui and the upfront payments for that. 43 locomotives from General Electric...

CHAIRPERSON: Maybe you can mention the years if you remember when each one was.

MR FRANCIS QUENTIN CALLARD: The nine – the 15E was around 2010. Please I am ...

10 **CHAIRPERSON:** Yes.

MR FRANCIS QUENTIN CALLARD: Do not hold me too closely to the years but it was about ...

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: 2010.

CHAIRPERSON: Yes.

MR FRANCIS QUENTIN CALLARD: Because the (indistinct) was running.

CHAIRPERSON: Hm.

20 **MR FRANCIS QUENTIN CALLARD:** The class 43 was roundabout the same time – 2010/2011.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: Then we had the specification for the class 95 which was an open tender one and I was party to that business case as well.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: That was 2013- also about 2011 of that order.

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: So I ...

CHAIRPERSON: So you had been involved in about – what – four or so transactions?

MR FRANCIS QUENTIN CALLARD: (Intervenes) three of them.

CHAIRPERSON: Three of them and of all of them you say this was the biggest or highest upfront payment in terms of percentage of the whole price?
10

MR FRANCIS QUENTIN CALLARD: There is one other – let us leave that for a special reason – but yes this was way out of line to anything which we had.

CHAIRPERSON: Yes, okay.

MR FRANCIS QUENTIN CALLARD: (Indistinct) before.

CHAIRPERSON: Okay.

MR FRANCIS QUENTIN CALLARD: Just by context and we will – if I may – for reference point and we will come to that in the 1 064.

CHAIRPERSON: Hm.

20 **MR FRANCIS QUENTIN CALLARD:** The standard normal upfront payment that we deposited was a 3 million deposit to enable the supplier to set up his production, run a factory and then we would pay perhaps 90 percent on the acceptance of the locomotive and there would then be 5 percent to retention and another 5 percent warrantee payable at the end. So ...

CHAIRPERSON: Hm.

MR FRANCIS QUENTIN CALLARD: The 1 064 business case for the – 106 for the 599 – for the diesels and the electrics both deposited an upfront deposit of only 300 million.

CHAIRPERSON: Okay, thank you.

ADV MAHLAPE SELLO: And – and those points you make at paragraph 61 where you conduct this comparison to previous purchases?

MR FRANCIS QUENTIN CALLARD: Yes, yes and MARS we had paid –
10 the upfront payment was approximately 7.8 percent. The advance payment to CSR for the 95 20E was 10 percent. The upfront payment for the 1 064 business case was a setup fee of 300 million deposited in the tender.

ADV MAHLAPE SELLO: So if – where you state the MARS upfront payment for 110 19E locomotives was approximately 7.8 percent do you recall what the timelines were for the payment of the balance of the purchase price?

MR FRANCIS QUENTIN CALLARD: It would have been on delivery of the locomotive.

20 **ADV MAHLAPE SELLO:** And on that principle as well when CSR in respect of the 95 20E received 10 percent the remained excluding retention and warranties - of course – would be own delivery?

MR FRANCIS QUENTIN CALLARD: It is my – I would like to confirm that one but it is my recollection that that is so that we paid 10 percent of the balance on delivery. I would just like to confirm that point.

ADV MAHLAPE SELLO: And in respect of the 100 locomotives we are dealing with now 60 percent was paid before a single locomotive was delivered?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: You have at your Annexure 17 a figure of 4.4 billion. Can you explain what that figure is relative to the approved acquisition cost of 3.87 billion - if memory serves me well? Do you know (intervenes)?

MR FRANCIS QUENTIN CALLARD: Sorry, I am on 62 – sorry –
10 paragraph 62.

ADV MAHLAPE SELLO: No, no I am at your Annexure 17.

MR FRANCIS QUENTIN CALLARD: Annexure 17.

ADV MAHLAPE SELLO: Page 276.

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: Just past the midway point at the top of that document is a Rand value of 4.4 billion.

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: I would like you to talk that.

MR FRANCIS QUENTIN CALLARD: Oh, apologies. That 4.4 billion
20 was then the – what was seen as the – what was the total estimated cost of that project for the acquisition of the 100 locomotives. That was an increase from the 3.8 billion that was positive in the original business case memorandum. Here the cash flow goes up to 4.4 million which was later increased when the submission for this was tabled. I went up to 4.8 billion but that was the cash flow at the time for the

delivery 4.4 billion which excluded some variations.

ADV MAHLAPE SELLO: Okay. So according to page 276 1.32 billion was paid on 1 April 2014?

MR FRANCIS QUENTIN CALLARD: Correct or on or before 1 April.

ADV MAHLAPE SELLO: On or before. As at this date do you know whether the – the new specification – the new design for this locomotive had been approved? No, not approved had been completed.

MR FRANCIS QUENTIN CALLARD: No, it had not been. The design review for the – and it is not in my statement – the design review for
10 this 100 locomotive was completed around July the – towards the end of July 2014 because that triggered the second payment also of 1.32 billion which was paid on 1 October 2014.

ADV MAHLAPE SELLO: Making a total of 3. ...?

MR FRANCIS QUENTIN CALLARD: Two billion.

ADV MAHLAPE SELLO: 3.2.

MR FRANCIS QUENTIN CALLARD: Sorry, 1. ...

ADV MAHLAPE SELLO: No, 2.6 billion.

MR FRANCIS QUENTIN CALLARD: 2.6 billion.

ADV MAHLAPE SELLO: Paid over a period of six months.

20 **MR FRANCIS QUENTIN CALLARD:** Correct.

ADV MAHLAPE SELLO: Thank you. Overleaf at page 15 starting from your paragraph 62 you deal with these payments and – and issues around that. Would you like – briefly like to talk to that? From paragraph 62 at page 15. Is there anything we omitted at page 14?

MR FRANCIS QUENTIN CALLARD: No, page 14 is fine.

ADV MAHLAPE SELLO: Okay.

MR FRANCIS QUENTIN CALLARD: Page 62 just illustrates the sentiment between my colleagues in finance and myself at that time around the locomotive tenders. The reason this email came or this SMS came to me from my colleagues in finance is because I was putting into the capital budget the cash flows that were required to finance all these locomotive transactions not only in the capital acquisition but together with their maintenance and also for the wagons. So I was compiling the seven year budget spread for that and
10 I had to ensure that the - these figures appeared correctly in the budget but this was the interesting one from my colleague – a Ms Natasha McMahon – who on 27 February 2014 – bear in mind this is now in the middle of the tender negotiation period on the 1 064 and we are also at the same time now as we are starting to deal with the 100 and her email reads and this is from Natasha:

“Mr C, working 4 billion, yes 4 billion deposit in the current financial year in all scenarios.”

This is now on 27 February and this is 4 billion deposit which we now have to pay before the end of the 2014 – sorry – in the current financial
20 year for all scenarios. I replied to that:

“Yes, 4 billion. My giddy hat what will the auditors say.”

I must confess this – I was – she said:

“We have asked for an opinion. These guys are cowboys.”

This is Natasha. I responded that time:

“I just completed the FX Survey.”

I did not know what else to say. We had a laugh. We just said wow. This is going to cause us grief but yes that was the sentiment at the time around these significant and upfront deposits that we were going to be in line to pay.

ADV MAHLAPE SELLO: And at paragraph 63 you speak of total upfront costs of 7.37 billion ...

MR FRANCIS QUENTIN CALLARD: Yes.

10 **ADV MAHLAPE SELLO:** Payable before 1 April 2014.

MR FRANCIS QUENTIN CALLARD: Yes. The upfront deposit payments for the 1 064 locomotives – again I will address - address those – plus for the 100 21E locomotives from CSR plus the 60 diesels required that from the time of signing those contracts on 17 March to 1 April we had to find and pay 7.37 billion in upfront costs and I just put that this was an – put an incredible strain on the organisation. The capital that had to be raised in this short period of time. One does not raise this capital overnight.

ADV MAHLAPE SELLO: And how this 7.7 billion is spread across the
20 different transaction you capture that at your Annexure 17?

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: At page 277. 17 starts at 274 but if you could have regard to page 277.

MR FRANCIS QUENTIN CALLARD: My apologies. I am not sure that Annexure 17 is correctly referenced.

ADV MAHLAPE SELLO: Please have regard to page 277.

MR FRANCIS QUENTIN CALLARD: 277 – 277, thank you.

ADV MAHLAPE SELLO: Yes. That is part of Annexure 17.

MR FRANCIS QUENTIN CALLARD: Thank you.

ADV MAHLAPE SELLO: Thank you.

MR FRANCIS QUENTIN CALLARD: Page 277 is again a further extract of that same file that I received on 17 March which was the day that the locomotive transactions were all finalised and in the top left hand corner you will see it is a copy of the cash flow final 17 March. Total
10 cash flow across all the locomotives. It also gives the total prices to be paid but the key figure is total cash flows 1 064 locomotives, 100 locomotives. The first line – 31 March 2014. If one moves there to the first yellow column on the right hand side it is R7.37 billion and that is what we had to pay between 17 March and 31 March.

ADV MAHLAPE SELLO: And that 7.3 billion is made up with the following.

MR FRANCIS QUENTIN CALLARD: It is made up of 4.8 billion for across the four OEMs for the 1 064 locomotives. 1.32 billion - the upfront payment for CSR. That was their first 30 percent upfront
20 payment.

ADV MAHLAPE SELLO: And these – these are current transactions we are dealing with?

MR FRANCIS QUENTIN CALLARD: It is the current transactions we are dealing with.

ADV MAHLAPE SELLO: Yes.

MR FRANCIS QUENTIN CALLARD: And there was a 1.2 billion for 60 locomotives for General Electric.

ADV MAHLAPE SELLO: Was there a reason given to you or did you become aware of one on why such a significant upfront payment should be made in respect of these transactions?

MR FRANCIS QUENTIN CALLARD: Not in respect of the 100. There was a – I would like to deal with the 1 064 when we actually deal with the 1 064 locomotives because it is more relevant there. There was a reason given for the – this very large upfront payment to – for the 60
10 locomotives to General Electric because that was annexed and I understand – and please I have not seen any official documentation to this - but it was the talk from those who were involved that it was because a production line was running this was to achieve an extremely favourable price for those locomotives and it was to buy the material for the 60 locomotives upfront and get it in so that the line was just kept running without having to close down the line at all or stop or start the line and it be able then – those locomotives to be delivered very quickly with no break in production. That is my understanding of the high upfront payment there to General Electric.

20 **ADV MAHLAPE SELLO:** You state at your paragraph 63 at page 15 in regard to this upfront costs payment of 7.37 billion that and I quote from your statement:

“Transnet had to pay upfront costs of 7.37 billion before 1 April 2014 so that the payments would be reflected in the 2013/2014 financial year.”

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: And in this regard you refer to Annexure 17 which is the document we have just worked through.

MR FRANCIS QUENTIN CALLARD: Correct.

ADV MAHLAPE SELLO: What was so important in effecting these payments in the 2013/2014 year? Why could not some payments roll over to the next financial year? Why was it necessary to effect that 7.3 in that particular financial year? Are you aware?

MR FRANCIS QUENTIN CALLARD: I can reverse engineer the answer
10 at the moment but let me not say. I was not giving the ...

ADV MAHLAPE SELLO: Okay.

MR FRANCIS QUENTIN CALLARD: I would rather not go definitively down that route.

ADV MAHLAPE SELLO: Okay.

MR FRANCIS QUENTIN CALLARD: But it was – it would – it would had to do with the cash flow across the organisation how it is presented in the (indistinct) year because if this had moved to the next year with the other upfront payments it would have been a really significant spike in the payments of that year which would have affected the – the
20 borrowings of that year as I will show later but – may I say that is – I reversely engineered that solution.

ADV MAHLAPE SELLO: Yes, yes. Chair – you – you – before I address you Chair. Mr Callard you conclude by – by saying that the significant payment put an incredible strain on the organisation as this capital had to be raised in an extremely short period of time?

MR FRANCIS QUENTIN CALLARD: Yes.

ADV MAHLAPE SELLO: Was it actually raised in that time?

MR FRANCIS QUENTIN CALLARD: Well yes because the payments were made.

ADV MAHLAPE SELLO: Okay. At 64 you deal – you start your – the part of your testimony that deals with the increase in the estimated total cost of acquisition of the 100 locomotives from 3.8 billion to 4.8 billion. You see that?

MR FRANCIS QUENTIN CALLARD: Yes.

10 **ADV MAHLAPE SELLO:** Chair if I may at this juncture address you? That is a fairly involved – that is fairly involved testimony. We will not finish it today if Mr Callard is to work through it all if we were to go to half past four. I – I do not know where – it is 15:53. I do not know how the Chair – we could start. We would have to stop it midway which means when we reconvene we have to go back in order for – to be properly contextualised and I know Chair I had commented to half past four and you had – thankfully – asked me whether I am fine with it. I had said yes. I will not accept that as a deliberate attempt to mislead the Chair but to say perhaps I was over enthusiastic in my response. I
20 do know about Mr Callard. I see – I hear him making certain errors and I do not know if he is becoming tired but I speak for myself.

CHAIRPERSON: Well let – let - I will – I will hear whether Mr Callard feels that he can still deal with it. My – I would imagine that what you mean when you say if we start with it and we have to stop without finishing ...

ADV MAHLAPE SELLO: Yes Chair.

CHAIRPERSON: That chapter or thing – when you say we would have to come back to it on Monday I assume that you do not mean that we will have to start all over again but that all you mean is we might need to spend maybe another five minutes to refresh our memory before we continue. Is that what you mean or ...?

ADV MAH LAPE SELLO: Chair ...

CHAIRPERSON: Is it – do you mean that we would have to start all of over again?

10 **ADV MAHLAPE SELLO:** If the Chair were to have regard to paragraph starting at 64.

CHAIRPERSON: Sorry.

ADV MAHLAPE SELLO: Starting at paragraph 64 at page 15...

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: Working through to 72 ...

CHAIRPERSON: *Ja*.

ADV MAHLAPE SELLO: It is one continuous narrative that is best told through reference to tables and calculations.

CHAIRPERSON: Yes.

20 **ADV MAHLAPE SELLO:** And if we start at ...

CHAIRPERSON: *Ja*.

ADV MAHLAPE SELLO: It would be best to complete it.

CHAIRPERSON: *Ja*.

ADV MAHLAPE SELLO: Otherwise when we try to pick it up again – you know - we ...

CHAIRPERSON: It might be problematic.

ADV MAHLAPE SELLO: Now if ...

CHAIRPERSON: Hm.

ADV MAHLAPE SELLO: To cover the 10 minutes before four now I would be in a position to start at 9 o' clock if there is a concern about losing time.

CHAIRPERSON: Assuming we were not going to start at 9 o' clock anyway.

ADV MAHLAPE SELLO: Then I am in a position to start at half past
10 eight Chair.

CHAIRPERSON: Mr Callard how are you feeling? Are you feeling still fine to proceed?

MR FRANCIS QUENTIN CALLARD: Good to go for another half hour
Mr Chair.

CHAIRPERSON: Sorry?

MR FRANCIS QUENTIN CALLARD: Good to go for another half hour.

CHAIRPERSON: It is good to go for another half hour.

MR FRANCIS QUENTIN CALLARD: *Ja*.

CHAIRPERSON: Ms Sello you heard. You are tired?

20 **ADV MAHLAPE SELLO**: I am tired Chair and it is because as Chair is aware it has been quite a few days working with Mr Callard to prepare him for today. It is not like I am coming in (laughing).

CHAIRPERSON: Okay.

ADV MAHLAPE SELLO: It is actually due to the exhaustion.

CHAIRPERSON: I think Mr Callard we will have to be merciful to the

younger generation.

MR FRANCIS QUENTIN CALLARD: To both of us. Chair if I may I am also grateful.

ADV MAHLAPE SELLO: I appreciate, thank you Chair.

CHAIRPERSON: And then would it be fine if we then start at nine on Monday?

ADV MAHLAPE SELLO: I am in a position to ...

MR FRANCIS QUENTIN CALLARD: Yes.

CHAIRPERSON: Would that be fine?

10 **ADV MAHLAPE SELLO:** We met earlier today ...

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: To come through here and I think it was comfortable for Mr Callard to come ...

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: Through that early.

CHAIRPERSON: Yes.

ADV MAHLAPE SELLO: So nine should suit us Chair.

CHAIRPERSON: Okay, alright.

ADV MAHLAPE SELLO: Thank you.

20 **CHAIRPERSON:** Then we will stop here then for today and adjourn until Monday at 9 o'clock. So we will adjourn for today and on Monday we will start at 9 o'clock.

ADV MAHLAPE SELLO: I am indebted Chair.

CHAIRPERSON: We adjourn.

ADV MAHLAPE SELLO: Thank you.

MR FRANCIS QUENTIN CALLARD: Thank you.

REGISTRAR: All rise.

INQUIRY ADJOURNS