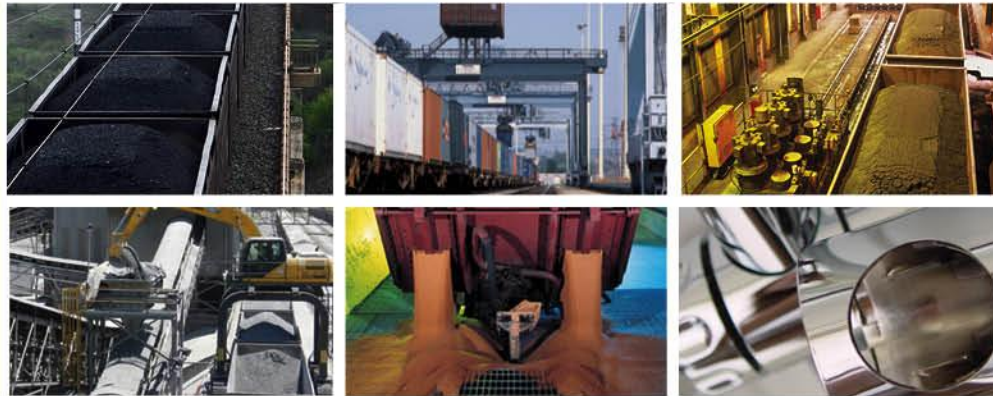


TRANSNET



delivering freight *reliably*

freight rail



Transnet Freight Rail Supplier Development

**Port Elizabeth
8 July 2015**

TRANSNET – BRIEF INTRODUCTION



Transnet SOC Ltd (“**Transnet**”) is fully owned by the South African government and operates as a corporate entity.

Section 217 of the Constitution Act 108 of 1996 and **section 51(1)(a)(iii) of the Public Finance Management Act 1 of 1999 (“PFMA”)** stipulate that Transnet must have and maintain an appropriate procurement and provisioning system which is **fair, equitable, transparent, competitive and cost-effective**.

Procurement in Transnet is governed by Transnet’s Supply Chain Policy and Procurement Procedures Manual (“PPM”) which give effect to the statutory requirements. This ensures that Transnet gets value for money in the procurement of Goods and Services whilst addressing the economic imbalances that have been caused by unfair discrimination in the past.

TRANSNET – GENERAL LEGISLATIONS

The Government of the Republic of South Africa, through the Department of Public Enterprise, is the sole shareholder of Transnet.

The following legislation (examples) has been taken into consideration in the formulation of Transnet's Procurement Procedures Manual (PPM):

LEGISLATION AND GOVERNMENT POLICY

- The Arbitration Act, 42 of 1965
- The Broad-Based Black Economic Empowerment Act, 53 of 2003 as amended, including the Department of Trade & Industry's Codes of Good Practice
- The Companies Act, 71 of 2008 as amended
- The Competition Act, 89 of 1998 as amended
- The Competitive Supplier Development Programme (CSDP)
- The Constitution of the Republic of South Africa Act, 108 of 1996
- The Construction Industry Development Board Act (CIDB Act), 38 of 2000 including the CIDB Regulations and Standard for Uniformity, as amended
- The Preferential Procurement Policy Framework Act (PPPFA), 5 of 2000 as amended, Regulations of 2011 - effective 7 December 2012
- The Prevention and Combating of Corrupt Activities Act, 12 of 2004 as amended
- The Promotion of Access to Information Act (PAIA), 2 of 2000 as amended
- The Promotion of Administrative Justice Act, 3 of 2000

DOING BUSINESS WITH TRANSNET – OPEN BID PROCESS



The Open Bid 'Request For Proposals' (RFP) process is a competitive process where the general public is approached through Transnet Freight Rail's web page and print media.

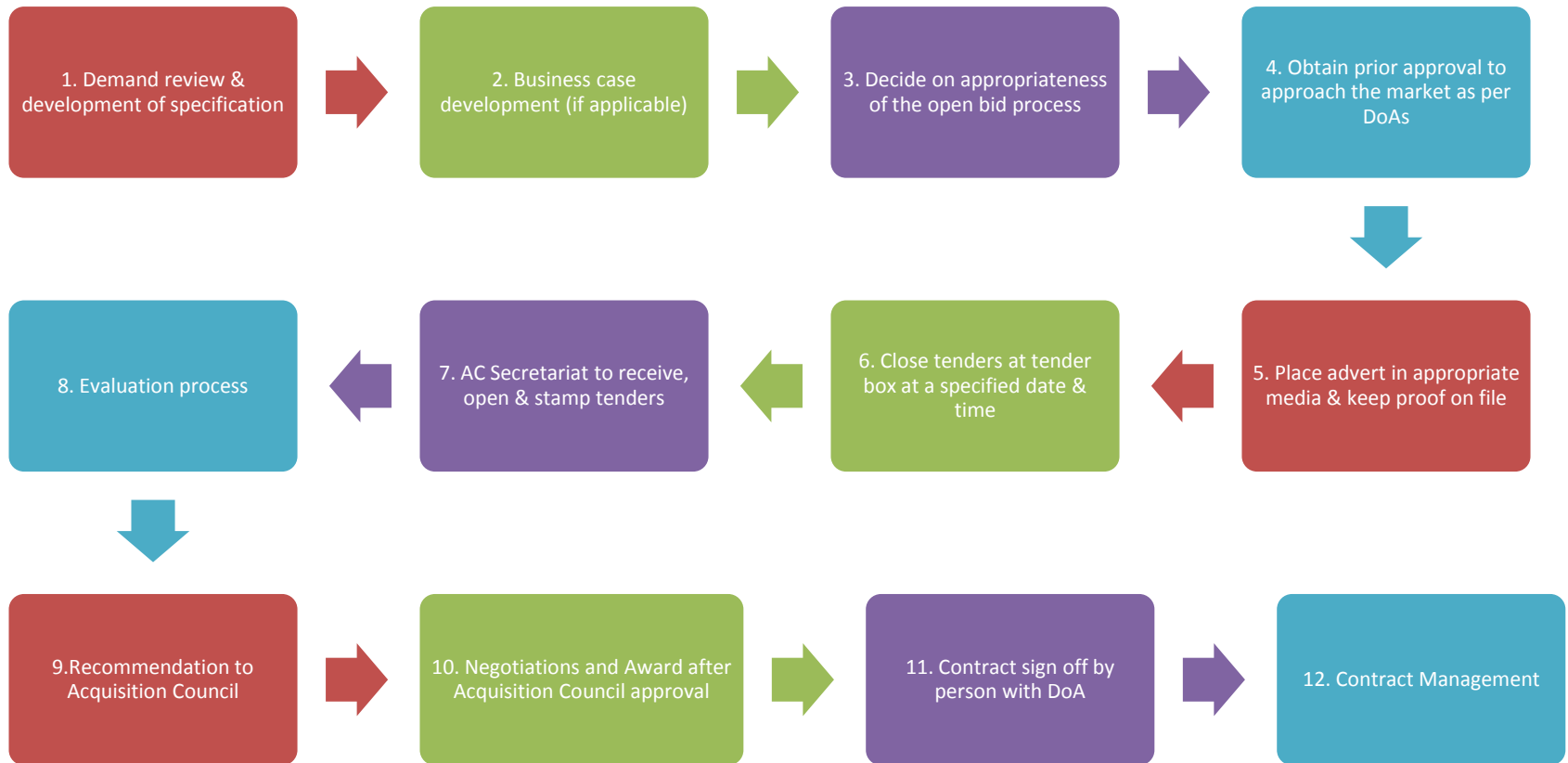
All interested parties are granted an equal opportunity to bid for Transnet's business.

Once the bid has closed, the winning Bid is selected by means of a transparent evaluation, adjudication and recommendation / approval process.

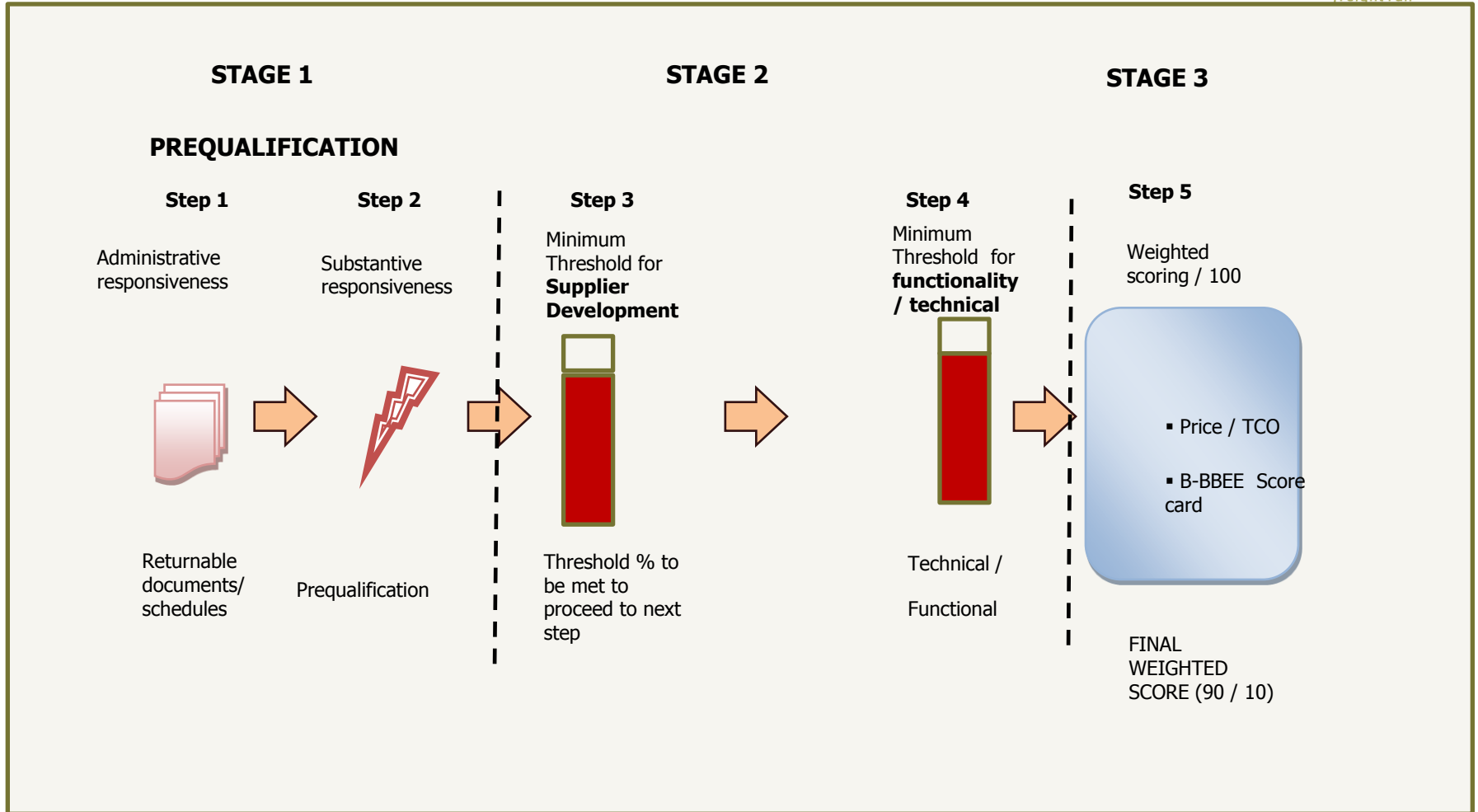
TRANSNET FREIGHT RAIL WEB PAGE ADDRESS FOR TENDERS

<http://www.transnetfreightrail-tfr.net/Supplier/Pages/Tenders.aspx>

UNDERSTANDING TRANSNET'S OPEN BID PROCESS



TENDER EVALUATION PROCESS FOR NON-DESIGNATED COMMODITIES



* To be used for specified designated commodities per the PPPFA

+ Excludes Localisation

ETHICS IN TENDERING AND PROCUREMENT – TFR ETHICAL CODES

- Comply with;
 - Legislative requirements (PPPFA / BBBEE etc.)
 - Transnet's Policy and Procedures (PPM)
 - Directives (Transnet / DPE / DTI)
 - Contractual obligations
- Tenders are evaluated by a Cross Functional Evaluation Team (CFET)
- Honesty & Integrity in all relationships
- Declaration of interest at all levels and stages
- Professional competence at all times
- Confidentiality & accuracy of information
- The involvement of Transnet Internal Audit (TIA) in all High Value Tenders (HVT)
- All tenders are supported/approved by the respective Acquisition Councils as per the Delegation of Authority

SUPPLIER DEVELOPMENT

The **Supplier Development (SD)** Programme is an initiative of the Department of Public Enterprises (**DPE**) supported by Transnet.

The aim of SD is to increase the competitiveness, capability and capacity of the South African supply base.

In addition, SD has its roots grounded firmly around the transformation of South Africa and the empowerment of previously disadvantaged individuals and enterprises.

How Does Transnet Apply SD?

Tenders are issued requiring bidders to commit to SD initiatives as a percentage of bid value. Only bidders that meet the predetermined percentage will progress to the next step of tender evaluations.

On strategic commodities where capital investment is high, longer contract terms are offered in order to attract 'new entrants'

ENTERPRISE & SUPPLIER DEVELOPMENT IS A VEHICLE TO ALIGN TRANSNET 'S STRATEGIC OBJECTIVES TO GOVERNMENT SOCIO-ECONOMIC OBJECTIVES

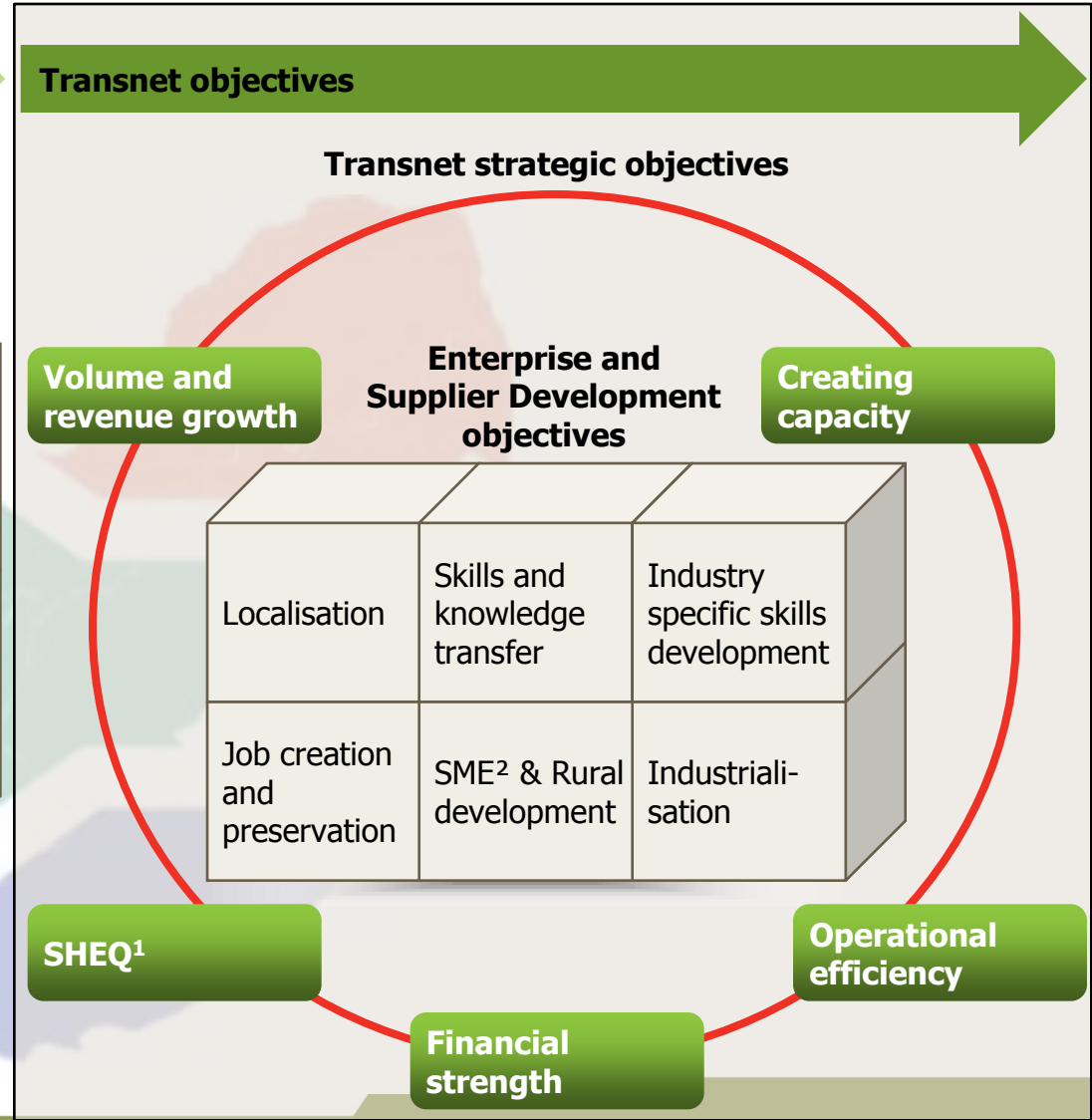
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Government objectives

Facilitate diversification	Increase the education & skills capability	Increase employment intensity
Promote an equitable socio-economic society	Enable small business	Balance spatial development of rural areas

Transnet objectives



¹ Safety, Health, Environment & Quality; ² Small and Medium Enterprises
Source: Government policy document; team analysis

DESCRIPTION OF SUPPLIER DEVELOPMENT IN TERMS OF PROCUREMENT INITIATIVES

Supplier Development Initiatives:

Description:

1

PROGRAMMATIC

- Programmatic initiatives follow a longer than normal planning horizon exceeding the funding capacity of Transnet's Balance sheet.
- Initiatives are identified either in the IPAP2 or through other means as a strategic fleet.
- Collaboration between the State Owned Enterprise (SOE) and Government is achieved through focused task teams whereby infrastructure development and industrialisation is achieved through public spending.
- Involve investment in plant technology and skills in both intermediate and advanced capabilities to develop competitive advantage.

2

STRATEGIC

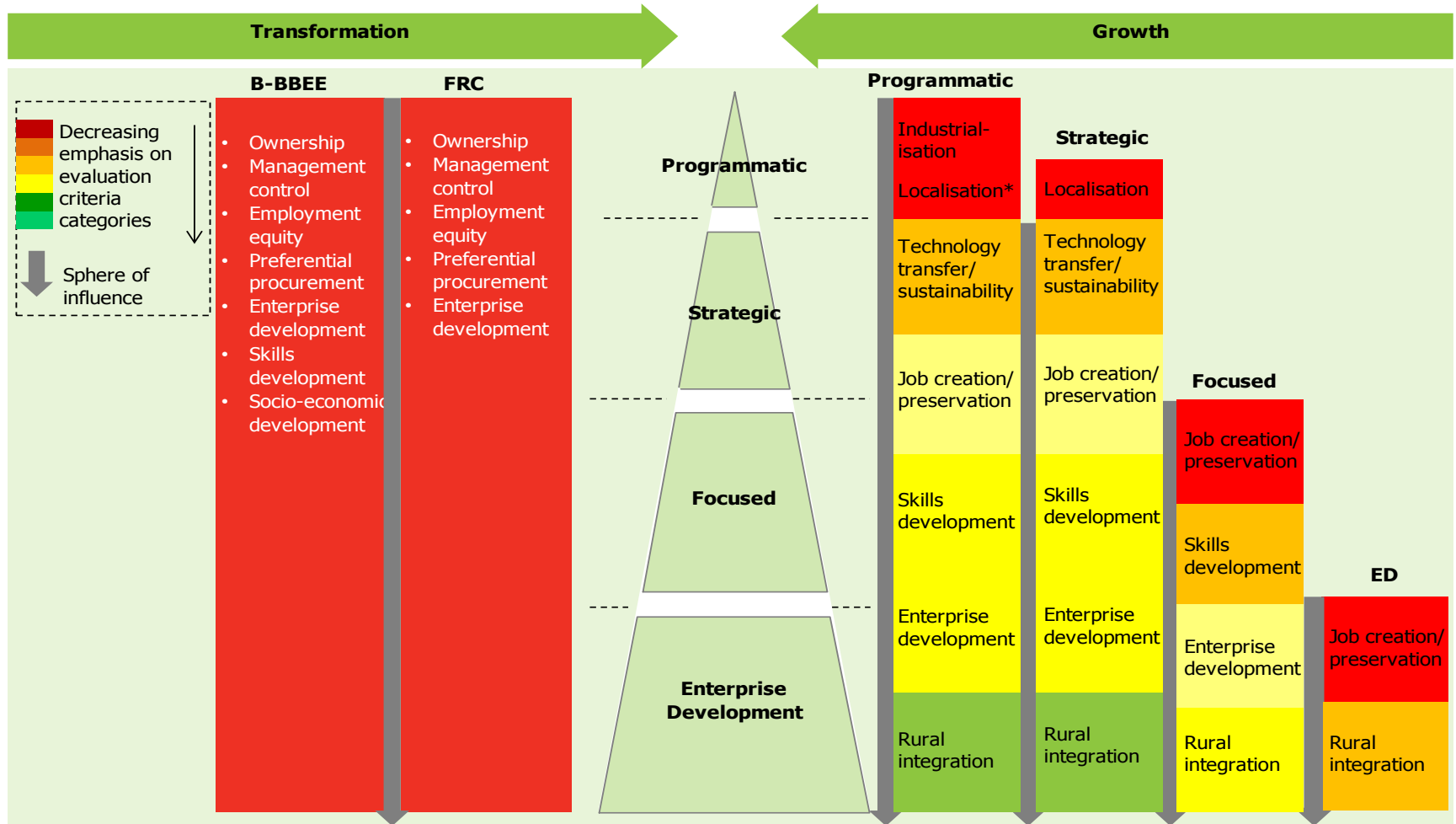
- Strategic initiatives with Multinational corporations and Original Equipment Manufacturers (OEMs) enforcing the need to develop a certain percentage of their products locally.
- Strategic initiatives follow a 3 to 5 year (can be exceeded) planning horizon involving investment in at least plant, technology and skills in intermediate capabilities.
- Strategic initiatives can therefore be used to achieve localisation objectives and have a significant impact on the SOE's ability to conduct business.

3

FOCUSED

- Focused initiatives include all high value transactions with low industrial leverage and low strategic importance.
- Focused initiatives address short to medium term contracts that can be leveraged to encourage supplier development, with a focus on investment in plant, technology or skills that enhance existing capability and encourages exports and the increased used of sub-suppliers.
- Improving the socio-economic environment by creating competitive local suppliers.

TRANSNET VALUE CAPTURE THROUGH SUPPLIER INFLUENCE - SD OPPORTUNITIES ARE CLASSIFIED IN TERMS OF THE GROWTH OBJECTIVES THAT FORM PART OF TRANSNET'S SD CRITERIA



*capacity and capability building



SUPPLIER DEVELOPMENT MECHANISMS

- If a specific commodity, service or procurement event is identified for SD;
 - SD is set either as a threshold or pre-qualifier or both
 - Not a “one size fit all” approach
 - Evaluated at Administrative /Responsiveness stage
 - SD Commitment, Plans and Value Summary submitted with tender
 - SD a material term of the contract
 - SD Contractual obligations
 - SD Penalties for non performance



TFR BUSINESS EXAMPLES

<u>PROGRAMMATIC</u>	<u>STRATEGIC</u>	<u>FOCUSED</u>
Locomotives	Locomotive Telemeters & Radios	Transformers & Installation
	Rails	Signalling & Installation
	On-Track Machines	Overhead Track Wire
	Rail Fasteners	Overhead Track Equipment
	Signalling Equipment	Ballasts
	Sleepers	Thermit Welds
	Fuel	Track Switches
	Fleet	Travel
		IT Services & Consulting



POTENTIAL BUSINESS OPPORTUNITIES

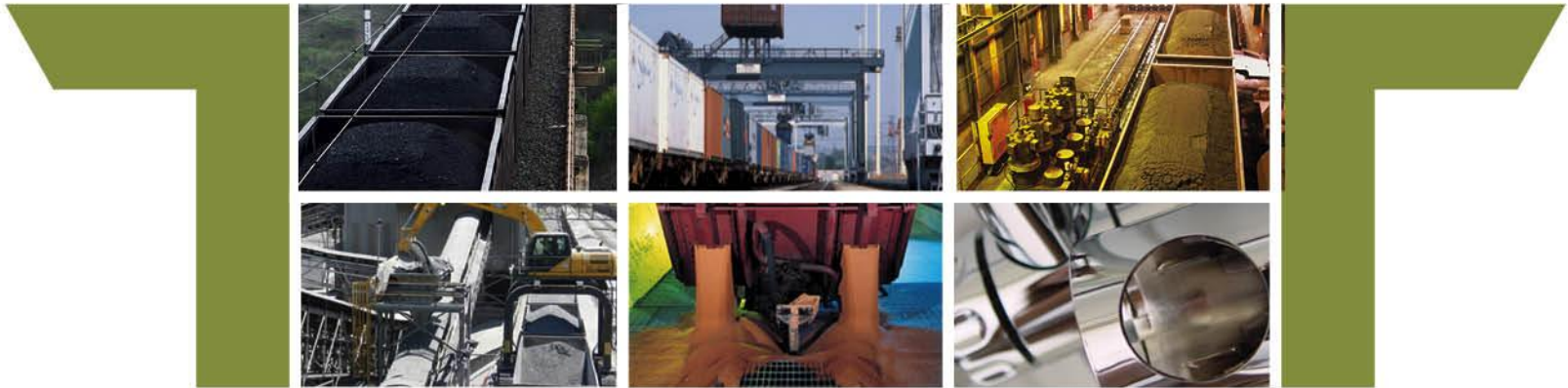
Advertising	Interior Office Supplies
Building Maintenance & Supplies	Locks & Keys
Cleaning Maintenance	Office Supplies
Conferences & Conference Centres	Pest Control Services
Corrosion Protection	Plant Hire
Electrical Maintenance & Supplies	Plumbing Maintenance
Engineering Services	Printing
Equipment Maintenance & Supplies	Railway Maintenance
Fire Control Maintenance	Refreshment & Catering
Gardening Services	Safety Supplies
General Engineering	Security Services
General Maintenance & Supplies	Signage
Hardware Supplies	Transport
Hygiene & Cleaning Services	Vegetation Control Services
Industrial Supplies	Work Wear

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Thank you