

**Annexure A**

**REQUEST FOR PROPOSAL**

**GUIDELINES FOR COMPLETION OF  
SUPPLIER DEVELOPMENT BID DOCUMENT**

“PREVIEW COPY ONLY”

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### Note

For the purposes of this document, any reference to a/the **"Service Provider"** shall be construed to mean a reference to a Respondent (in terms of this RFP) and/or to a successful Respondent (to whom the business is to be awarded), as so indicated by the context hereinafter.

## 1 What is 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, capacity and capability of the South African supply base where there are comparative advantages and potential competitive advantages of local or regional supply. This can be achieved through skills transfer, increasing the local content of items procured, as well as building new capability in the local supplier base. In addition, SD has its roots grounded firmly around the transformation of South Africa and the empowerment of previously disadvantaged individuals and enterprises.

## 2 Background and Guidance on the Supplier Development Objectives for South Africa

As a developing economy with inherent structural and social imbalances, South Africa is facing the significant economic challenge of increasing growth in a manner that includes all South Africans. The historical lack of investment in infrastructure in South Africa has had significant negative impacts on local industry, resulting in a loss of key skills and a decrease in manufacturing industry capabilities. To respond to this, Government policies have been designed to address these imbalances and to act as a catalyst of change for the benefit of South Africa.

One of these Government policies, the New Growth Path (NGP) aims to enhance growth, employment creation and equity by reducing the dependencies of South African industries on imports, and promoting the development of skills and capabilities that are in short supply within the country. It identifies strategies that will enable South Africa to grow in a more equitable and inclusive manner and promotes the development of new industry to attain South Africa's developmental agenda.

Transnet's SD is closely aligned to the NGP objectives and as a result is able to fulfil its commitment to sustainability within South Africa whilst at the same time addressing other corporate objectives, including increasing productivity and efficiency, volume growth, capital investment, financial stability, funding, human capital, SHEQ regulatory compliance and improving customer service.

The combined objectives of Transnet and Government can be realised through:

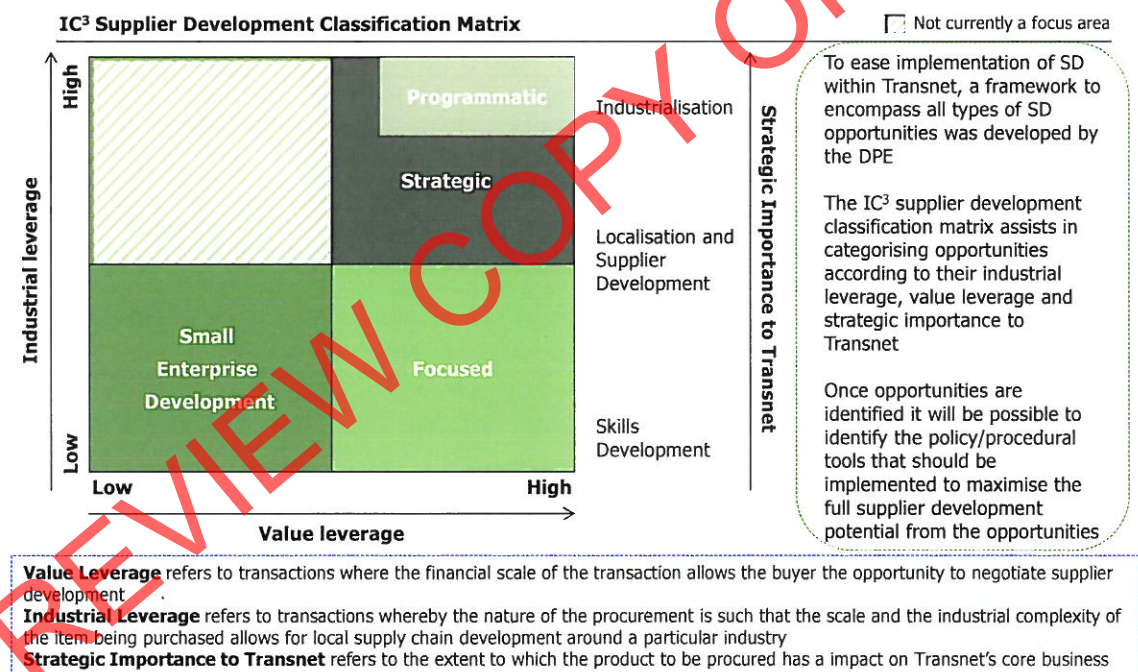
- aggressively implementing capital investment plans which will result in competitive local industries;
- improving operational efficiency;
- using procurement to influence the development of the local supplier industry; and
- ensuring it creates sufficient opportunities for the participation of previously disadvantaged groups in the economy.

This will lead to Transnet achieving its long-term objective of increasing both shareholder and societal value using its procurement expenditure to ensure local development through sustainable localisation of its supply chain, and the inclusion of the previously disadvantaged individuals in the economy in a manner that is beneficial to Transnet, South African industry, and the population of South Africa. As a result this State Owned Enterprise (SOE) is able to fulfil its responsibility as the biggest player in the South African freight logistics chain whilst complementing the objectives of Government.

### 3 Transnet's Supplier Development Objectives and Framework

To aid its implementation of SD, Transnet has adapted an existing framework from the DPE. This framework allows for a basic set of principles to be applied to appropriately target SD initiatives. Supplier Development initiatives aim to assist local suppliers in developing their competitive advantage through increasing their capability and capacity potential. Hence the framework has been termed the Increased Competitiveness, Capability and Capacity (IC3) Supplier Development Classification Matrix.

This framework encapsulates the types of SD opportunities which Transnet currently considers effective and allows Transnet to move its SD structure away from a dynamic policy environment towards a framework that is designed around general Supplier Development objectives. This enables Transnet to adopt a standard structure but also allows the flexibility to reconsider emphasis on certain aspects as objectives change. The IC3 Matrix (refer to Figure 1 below) categorises SD opportunities in a matrix based on their value, extent of industrial leverage and strategic importance to Transnet. Further categorisation of opportunities into the relevant quadrants is based on supplier-buyer power, industrial complexity, risk and the length of procurement period.



**Figure 1: The IC3 Supplier Development Classification Matrix**

In order for Service Providers to successfully meet the needs of a particular initiative, a detailed understanding of each quadrant is required.

#### 3.1 Programmatic

Programmatic initiatives follow a longer than normal planning horizon and generally exceed the funding capacity of Transnet's balance sheet. Collaboration between the SOE and Government is achieved through focused task teams whereby infrastructure development and industrialisation is achieved through joint support and in some cases public spending. Investment is focused in plant, technology and skills in both intermediate and advanced capabilities to develop competitive advantage.



### 3.2 **Strategic**

Strategic initiatives follow a three to five year planning horizon, involving investment in at least plant, technology and/or skills in intermediate capabilities. This enforces the need for multinational corporations and Original Equipment Manufacturers (**OEMs**) to develop a certain percentage of their products locally. Strategic initiatives can therefore be used to achieve localisation objectives by increasing the competitiveness, capability and efficiency of local suppliers. Strategic initiatives can sometimes focus on advanced capabilities but will in most cases require Government support to develop local capability.

### 3.3 **Focused**

Focused initiatives include all high value transactions with limited industrial leverage and medium to low strategic importance. These initiatives address short to medium-term contracts that can be leveraged to encourage Supplier Development, with a focus on investment in technology or skills to enhance existing local capability. Emphasis will largely be placed on benefiting previously disadvantaged individuals. The overall result improves the socio-economic environment by creating competitive local suppliers and furthers objectives of empowerment, transformation and regional development.

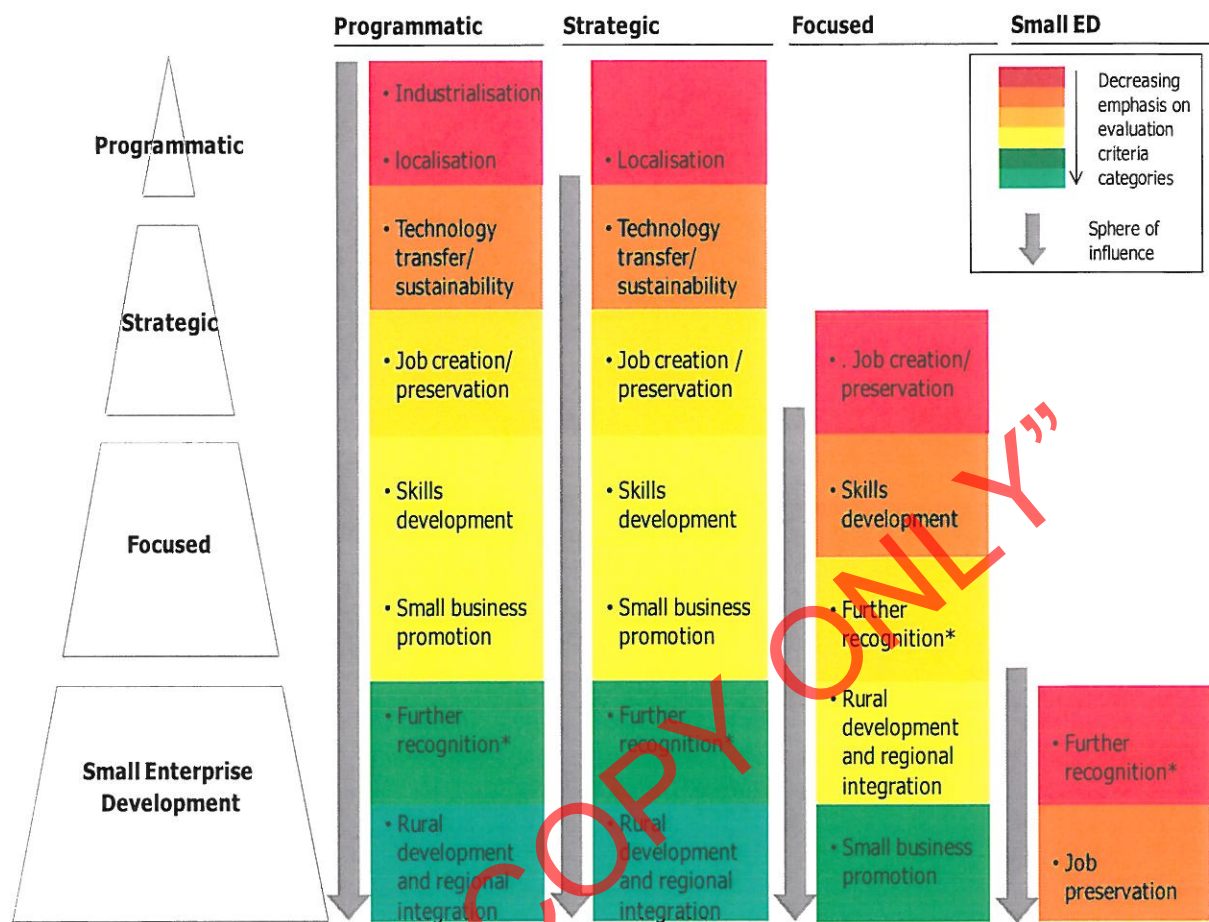
### 3.4 **Small Enterprise Development**

Small Enterprise Development initiatives are typically of low value and have no industrial leverage as they are characterised by typically low complexity goods and high competition. These initiatives concentrate on increasing the capability of small local suppliers and are targeted toward historically disadvantaged individuals and communities, providing basic skills development and improving local employment and quality job creation. It includes a wide range of non-financial services that help entrepreneurs start new business and grow existing ones.

## 4 **Response based on the IC<sup>3</sup> Matrix Quadrants**

Based on the supplier-buyer power, industrial complexity, risk and the length of procurement period, the Service Provider is expected to formulate a SD Bid Document to identify the opportunities that it will pursue. Ideally the SD Bid Document should address factors that are specific to the applicable quadrant of the IC<sup>3</sup> matrix.

Transnet has identified a number of opportunities which may aid a Service Provider in formulating its response based on each quadrant. Each of the opportunities identified by the Service Provider should have a direct or indirect effect on the value it creates for the country in order to maximise the socio-economic impact.



\*Points allocated in further recognition of certain components of BBBEE in line with Transnet and government objectives  
Note: This illustration is indicative and varies on business and Macro Economic need

Figure 2: Transnet value capture through supplier influence

#### 4.1 Programmatic

The strategic objective of "Programmatic transactions" is to assist Government to achieve its industrialisation objectives through the development of the local supplier base, in order to increase the cost efficiency of SOE procurement, support and maintenance programmes. In order to satisfy this objective a number of focus areas and key outcomes have been identified:

- Programmatic Focus Areas -
  - Technology transfer
  - Skills development related to the manufacturing process and the industry
  - Development of new technology and innovation
  - Investment in plant
  - Development of local companies aligned to empowerment objectives
- Key Outcomes -
  - Industrialisation/localisation
  - Technology transfer
  - Skills development

#### 4.2 **Strategic**

The main objective of Strategic transactions is to leverage local downstream suppliers through large-scale SOE procurement in order to develop a competitive local supplier base. In response to these objectives the following are the specific focus areas and key outcomes applicable:

- a) Strategic Focus Areas -
  - Transfer of technology and innovation to local suppliers from foreign OEM's
  - Skills development related to the industry
  - Development of local companies aligned to empowerment objectives
- b) Key Outcomes -
  - Localisation
  - Increased technology transfer
  - Skills development
  - Job creation/preservation

#### 4.3 **Focused**

Focused initiatives assist local suppliers to improve their performance, enhance their existing production and skills capabilities with emphasis being placed on benefiting previously disadvantaged individuals and rural development. In order to satisfy these objectives a number of focus areas and key outcomes have been identified:

- a) Focused Focus Areas -
  - Developing a local supplier base that supports preferential procurement outcomes
  - Developing skills within the specific industry
  - Creating opportunity for job preservation
  - Reducing income inequality in specific regions
- b) Key Outcomes -
  - Empowerment
  - Skills development
  - Rural development
  - Job creation/preservation

#### 4.4 **Small Business Development**

Enterprise Development (ED) objectives are centred around assisting local suppliers to improve their skills by placing increased emphasis on benefiting previously disadvantaged individuals and rural development in line with the Broad-Based Black Economic Empowerment (B-BBEE) strategy. The following focus areas and key outcomes have been identified:

- a) Small Business Development Focus Areas -
  - Providing small businesses with opportunities and preferential trading terms, increased focus on black woman-owned enterprises, focus on the youth, people with disabilities and region- specific initiatives
  - Empowering previously disadvantaged individuals to create their own businesses resulting in quality job creation



- b) Key Outcomes -
- Empowerment
  - Rural development
  - Skills development
  - Job creation/preservation

Based on these focus areas and key outcomes, a Service Provider would need to actively focus on the quadrant-specific requirements in order to maximise the potential commercial benefit for Transnet, South Africa and themselves. In doing so value can be created across all lines of reporting resulting in continued relations.

## 5 Supplier Development Category Definitions and High Level Descriptions

### 5.1 Industrialisation

Industrialisation refers specifically to industrial capability building that will result in globally leading capabilities developed within South Africa.

Criteria	Description
Value of investment in plant	Quantification of the monetary value invested in machinery, equipment and/or buildings as a result of this RFP
Percentage of local content utilised in the investment of plant	Percentage value invested in machinery, equipment and/or buildings that are sourced from local companies
Reduction in import leakage	A percentage indication of the increase in locally supplied products and therefore the resultant decrease in imports as a result of the award of a contract
Potential increase in export content	The percentage increase in exports that will result from increased industrial capability locally in relation to the award of a contract

### 5.2 Localisation

Localisation refers specifically to industrial capability building that focuses on value-add activities of the local industry through manufacturing or service-related functions.

Criteria	Description
Percentage local content	Planned use of local parts as a percentage of the total contracted items
Value of local parts in relation to a bill of materials	Planned monetary value of the local parts utilised in a bill of materials (as a percentage of the total spend)
Value spent on local suppliers	Planned percentage monetary value spend on procurement of goods and services from SA suppliers
Number of local suppliers in the supply chain	Number of South African suppliers that are to be utilised in the fulfilment of a contract



### 5.3 Technology transfer/sustainability

Technology improvements are intangible assets with significant economic value. The Service Provider will be measured on its plan to transfer knowledge and IP to contribute towards capability building of the local supply base, which ultimately leads to improved efficiency and capability. Plans to assist in this by a Service Provider must be assessed to enable the local supply base to potentially export its newly-acquired technological know-how, thereby decreasing capital leakage.

Criteria	Description
Technology transfer including: <ul style="list-style-type: none"> <li>➤ Methods of manufacturing</li> <li>➤ Introduction of new technologies</li> <li>➤ IP transfer (number and value)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Introduction of a new/improved method of manufacturing</li> <li>➤ Provision of new technologies: <ul style="list-style-type: none"> <li>○ For processes</li> <li>○ ICT</li> </ul> </li> <li>➤ The provision of patents, trademarks and copyrights</li> </ul>
Number of local suppliers to be evaluated for integration into the OEM supply chain	An indication of the number of South African suppliers that an OEM/Service Provider plans to evaluate for possible inclusion into its supply chain, should it meet the requirements

### 5.4 Skills development

Indicates the company's commitment to education and whether that fits in with targeted groups (artisans, technicians, etc.). Consideration needs to be directed towards the adequate quality and value of skills so developed in order to allow for better evaluation in line with Government's objectives.

Criteria	Description
Number of downstream supply chain individuals to be trained including: <ul style="list-style-type: none"> <li>• Number of artisans trained</li> <li>• Number of technicians trained</li> <li>• Number of black people trained</li> <li>• Total number of people trained</li> </ul>	Number of individuals that the Service Provider plans to train in the local industry over the contract period; training undertaken in the previous year will be taken into account
Number of company employees to be trained	Number of individuals within the company (in South Africa) that the Service Provider plans to train over the contract period; training undertaken in the previous year will not be taken into account as past employee training appears in the skills development pillar of the B-BBEE scorecard; criteria broken down as for industry training above
Certified training (yes/ no)	Compliance with local and/or international skills accreditation
Rand value spent on training	Total planned monetary value spend (as a % of contract value) on skills development/training for the contract period within the industry; money

Criteria	Description
	spent in the previous year will be included in year 1 to make allowance for Service Providers who have just completed a training drive within the industry
Number of bursaries/ scholarships (specify field of study)	The number of higher education bursaries/scholarships provided in the previous year and planned for the length of the contract
Number of apprentices (sector must be specified)	The number of apprentices that the Service Provider plans to enlist during the course of the contract
Investment in Schools in specific sectors e.g. engineering	The monetary value that the Service Provider is prepared to invest in the development and running of schools to increase technical skills development

#### 5.5 Job creation/preservation

Job creation / preservation allow assessment of Government's objectives to increase labour absorption, focusing on unskilled workers and Black youth.

Criteria	Description
Number of jobs preserved	Number of jobs which would be preserved through Award of Contract
Number of jobs created including:	Number of jobs to be created during the period of the contract
➤ New skilled jobs created	➤ Jobs for people in a specialised field of work requiring a defined training path and / or requisite level of experience in order for them to perform that role. These people could be in possession of a certificate, diploma or degree from a higher education institution
➤ New unskilled jobs created	➤ Jobs for people where the field of work does not require extensive formal training or from whom no minimum level of education is required
➤ Number of jobs created for youth	➤ Jobs created for individuals aged 16 – 30 years
➤ Number of jobs created for Black youth	➤ Jobs created for Black individuals aged 16 – 30 years

#### 5.6 Small business promotion

These criteria give an indication of the Service Provider's commitment to developing small business in line with NGP and B-BBEE requirements.

Criteria	Description
Percentage procurement from: <ul style="list-style-type: none"> <li>• QSEs</li> <li>• EMEs</li> <li>• Start-ups</li> </ul>	Refers to the planned procurement from small business as a % of the total planned procurement spend

Criteria	Description
Non-financial support provided to small business	Service Providers will be credited for each non-financial ED support that they are planning to give to small business e.g. Professional support; employee time allocated to assisting small business
Financial support provided to small business	Service Providers will be credited for each financial ED support initiative that they are planning to undertake during the contract period e.g. Shorter payment terms; interest free loans
Joint ED initiatives with Transnet	The number of ED initiatives that the Service Provider will jointly run with Transnet: <ul style="list-style-type: none"> <li>• That are aligned to Transnet's objectives</li> <li>• That are non-financial in nature</li> </ul>

#### 5.7 Rural development/integration

The Service Provider's planned use of local labour and business will contribute to Governments NGP objectives and result in supply chain efficiencies. Commitment to rural development will result in the alleviation of poverty and thereby contribute to development objectives. The development must be sustainable in order to have a long-term and meaningful impact.

Criteria	Description
Number of local employees	Number of people employed from within the town/city of operation
Value spent on local business	Monetary value spent on businesses within the town/city of operation
Proximity of business to operations	The locality of the business in relation to operations, preference is given for regional (provincial) locality
Number of rural businesses to be developed	The number of rural businesses that the Service Provider plans to develop as a result of the contract
Value of development to local community (sustainable)	The monetary value spent on rural community development that will result in long-term social improvements

### 6 Market Intelligence Assistance

Service Providers with limited knowledge of the local market, supply base and its capabilities may require assistance in identifying local suppliers and the development needs in order to develop its SD Bid Document. The United Nations Industrial Development Organisation (UNIDO) supplies a benchmarking service in South Africa which will be able to assist Service Providers in identifying potential local suppliers with which to work. In addition, this service will provide insight as to the type of support that these local suppliers require in order to become more competitive. UNIDO's benchmarking tool gives insight into the performance levels being seen in Service Providers' businesses and the practices used to deliver the products or services being offered. The benchmarking tool focuses on:

- 6.1 Performance data relating to -
  - a) Financial performance



- b) Customer data
- c) Processes
- d) Learning & growth

6.2 Company's current business situation -

- a) Plans for the business and capabilities to manage their fulfilment
- b) Ability to generate business
- c) Employee relationships
- d) Developing new markets
- e) Developing products and services
- f) Managing money

The UNIDO benchmarking tool provides a basic framework through which an understanding of the South African market can be established. Whilst the list of criteria may not be exhaustive, Service Providers are free to meet with UNIDO to further understand how they can work together to develop a deeper understanding of the market and the SD opportunities available.

## 7 Government Policy Documents

NIPP [http://www.thedti.gov.za/industrial\\_development/nipp.jsp](http://www.thedti.gov.za/industrial_development/nipp.jsp)

IPAP2 <http://www.thedti.gov.za/DownloadFileAction?id=561>

CSDP <http://www.dpe.gov.za/res/transnetCSDP1.pdf>

NGP <http://www.thepresidency.gov.za/pebble.asp?relid=2323>

## 8 Other Reference Websites

References	Website
Department of Public Enterprise (DPE)	<a href="http://www.dpe.gov.za">www.dpe.gov.za</a>
United Nations Industrial Development Organisation (UNIDO)	<a href="http://www.unido.org/spx">www.unido.org/spx</a>

## GLOSSARY OF WORDS

**Broad-Based Black Economic Empowerment (B-BBEE)**

A South African legal requirement that require all entities operating in the South African economy to contribute to empowerment and transformation

**Enterprise Development (ED)**

An element contained within the B-BBEE scorecard whereby a Measured Entity can receive recognition for any Qualifying Enterprise Development Contributions towards Exempted Micro-Enterprises or Qualifying Small Enterprises which are 50% black owned or 30% black woman owned. Enterprise Development Contributions consists of monetary and non-monetary, recoverable and non-recoverable contributions actually initiated in favour of a beneficiary entity by a measured entity with the specific objective of assisting or accelerating the development, sustainability and ultimate financial independence of the beneficiary. This is commonly accomplished through the expansion of a beneficiaries financial and/ or operation capacity.

**Industrial Policy Action Plan II (IPAPII)**

The implementation plan for the National Industrial Policy Framework (NIPF) which details key action plans (KAPs) and timeframes for the implementation of industrial policy actions in line with the NIPF.

**Integrated Supply Chain Management (iSCM)**

Refers to an integrated "one supply chain management" strategy within Transnet which has been developed with Centres of Excellence (COEs) with cross-functional teams comprising divisional and corporate task team members, to deliver value through improved efficiencies and compliance with the regulatory environment.

**New Growth Path (NGP)**

Developed by the Economic Development Department tabled in January 2010 frames a new approach to unlocking economic growth by knitting together the IPAP2 as well as policies and programmes in rural development, agriculture and, sciences & technology, education, skills development, labour, mining and beneficiation, tourism and social development with the aim to target limited capital and capacity at activities that maximise the creation of decent work opportunities. Key indicators include: Quality job creation, Youth employment, Labour intensive growth, and Equity.

**Original Equipment Manufacturer (OEM)**

Refers to a manufacturing company that owns the intellectual property rights and patents for the equipment it sells and services

**Socio-economic Development**

Refers to development which addresses social and economic aspects such as job creation, poverty reduction and increased national value add and which not only focuses on the business's financial bottom line.

**State Owned Enterprise (SOE)**

Refers to Government-owned corporations. They are legal entities created, and owned, by Government to undertake commercial activities on behalf of an owner Government, and are usually considered to be an element or part of the state. They are established to operate on a commercial basis.

**Supplier Development (SD)**

Improving the socio-economic environment by creating competitive local suppliers via Enterprise Development, CSDP and other initiatives such as Preferential Procurement. This results in a supply base that can eventually be competitive to market its goods on the international market leading to increased exports.

**United Nations Industrial Development Organisation (UNIDO)**

A specialised agency of the United Nations. Its mandate is to promote and accelerate sustainable industrial development in developing countries and economies in transition, and work towards improving living conditions in the world's poorest countries by drawing on its combined global resources and expertise.

**Local Content**

The portion of the tender price which is not included into the imported content provided that the local manufacture does take place.

**Imported Content**

The Portion of the tender price represented by the cost of components, parts or materials which has been or are still to be imported (whether by a supplier or its subcontractor) and which costs are abroad, plus freight and other direct importation costs, such as landing costs, doc dues, imported duty, sales duty or other similar tax or duty at the South African port of entry.





**GENERAL TENDER CONDITIONS - GOODS**  
**FORM CSS5**

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## 1. GENERAL

All tenders and subsequent contracts and orders shall be subject to the following procedures as laid down by Transnet Limited (hereinafter referred to as "Transnet") and are to be strictly adhered to by any person or enterprise or company responding to this tender (hereinafter referred to as "Respondents" or the "Respondent").

## 2. LODGING OF TENDER

- 2.1 Tenders shall be lodged with Transnet no later than the closing date and time specified for the receipt thereof, in accordance with the directions issued with tender documents.
- 2.2 Tenders shall be transmitted in a sealed envelope and placed in the Tender Box at a venue stipulated in the Request for Tender (RFT) or Request for Proposal (RFP) or Request for Quotation (RFQ) (collectively "Tender Documents"), with the tender number and subject endorsed on the left hand bottom corner of the envelope.

## 3. USE OF TENDER FORMS

Where special forms are issued by Transnet for the submission of tenders, Respondents are required to submit their tenders by completion of the appropriate sections on such official forms and not on office stationery bearing their own special conditions of tender; non-compliance with this conditions may result in the rejection of a tender.

## 4. THE RAISING OF A CHARGE FOR PLANS, SPECIFICATIONS AND TENDER FORMS

- 4.1 A non-refundable charge may be raised for Tender Documents, depending on the nature, magnitude and value of technical information supplied.
- 4.2 If any of the drawings and specifications referred to in Tender Documents are the official publications of recognised standardising bodies, copies of such drawings and specifications shall be acquired by Respondents at their own expense.

## 5. DEFAULTS BY RESPONDENTS

- 5.1 If the Respondent, after it has been notified of the acceptance of its tender/quotation fails to:
  - (a) enter into a formal contract when called upon to do so in terms of clause 14 (*Contract Documents*), within such period as Transnet may specify; or
  - (b) accept an order in terms of the tender or quotation; or
  - (c) when called upon to do so, furnish satisfactory security of the fulfilment of the contract in terms of clause 15 (*Securities*);

Transnet may, in any such case, without prejudice to any other legal remedy which it may have, proceed to accept any other tender or quotation or, if it is necessary to do so, call for

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Respondent's Signature

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Date & Company Stamp

tenders or quotations afresh, and may recover from the defaulting Respondent any additional expense incurred by it in calling for new offers or in accepting a higher offer.

5.2 If any Respondent, who has submitted a tender or quotation, concluded a contract with Transnet (hereinafter referred to as "the Supplier"), or in the capacity of agent or subcontractor has been associated with such tender or contract -

- (a) has withdrawn such tender/quotation after the advertised date and hour for the receipt of tenders; or
- (b) has, after having been notified of the acceptance of its tender or quotation, failed or refused to sign a contract when called upon to do so in terms of any condition forming part of the tender documents; or
- (c) has carried out any contract resulting from such tender or quotation in an unsatisfactory manner or has breached any condition of such contract; or
- (d) has offered, promised or given a bribe in relation to the obtaining or the execution of such contract; or
- (e) has acted in a fraudulent or improper manner or in bad faith towards Transnet or any government department or towards any public body, company or person; or
- (f) has made any incorrect statement in the affidavit or certificate referred to in clause 11 (*Formal Notification Regarding Name of Successful Respondent*) and is unable to prove to the satisfaction of Transnet that
  - (i) it made the statement in good faith honestly believing it to be correct; and
  - (ii) before making such statement, it took all reasonable steps to satisfy itself of its correctness; or
- (g) caused Transnet damage, or to incur costs in order to meet the Supplier's requirements which could not be recovered from the Supplier;

then a tender from any such Respondent shall be disqualified and the person, enterprise or company (including any directors) shall, subject to clause 5.3 below, be disqualified from tendering for any Transnet business.

5.3 Any person or enterprise or company against whom a decision has been given under the provisions of sub-clauses 5.2(b), 5.2(d) or 5.2(e) above, may make representations to the Chief Operating Officer of Transnet Group, whose decision shall be final.

5.4 Any disqualification imposed upon any person or enterprise or company, unless Transnet determines otherwise, shall apply to any other enterprise under the same or different names of disqualified persons or enterprise or company (or associates thereof) and shall for avoidance of doubt also be applied to any agent or employee of the person or enterprise or company concerned.

Respondent's Signature

Date & Company Stamp



## **6. CURRENCY**

Prices must be quoted in the currency of the Republic of South Africa in respect of local Goods. Prices in any other currency may be rejected by Transnet save where such price is quoted by a foreign Respondent.

## **7. EXCHANGE AND REMITTANCE**

The Respondent should note that where the whole or a portion of the contract or order value is to be remitted overseas, Transnet shall, if requested to do so by the Supplier, effect payment overseas directly to the foreign principal or manufacturer of such percentage of the contract or order value as may be stipulated by the Respondent in its Tender Documents and any variation in the amount to be so paid, which may arise as a result of fluctuations in the rate of exchange involved, will be for the account of the Supplier.

- 7.1 The Respondent who desires to avail itself of the aforementioned facility must at the time of tendering furnish the information called for in the clause "Exchange and Remittance" of the Tender Documents and also furnish full details of the principals or manufacturer to whom payment is to be made.
- 7.2 The Supplier shall at its own cost obtain forward exchange cover on foreign currency to protect itself against any currency rate fluctuation risks for the duration of any resulting contract or order. Transnet will NOT accept any fluctuations in the rate of exchange at the time when payments are made.

Transnet will not recognise any claim for adjustment of the order and/or contract price under clause 7.2 above, if the increase in price arises after the date on which the Goods were to be delivered, as set out in the order and/or contract, or any subsequent agreement between the parties.

## **8. ACCEPTANCE OF TENDER OR QUOTATION**

- 8.1 Transnet does not bind itself to accept the lowest or any tender or quotation nor will it give any reasons for the rejection of a tender or quotation. Transnet reserves the right to accept any tender in whole or in part.
- 8.2 Upon the acceptance of a tender or quotation by Transnet, the parties shall be bound by these General Tender Conditions and the Standard Terms and Conditions of Contract (Form US7 - Goods).
- 8.3 Where the acceptance by Transnet of the Respondent's offer/bid is delivered by letter, the South African Post Office shall be regarded as the agent of Transnet and delivery of such notice of acceptance to the South African Post Office shall be considered as delivery to the Respondent.

\_\_\_\_\_  
Respondent's Signature

\_\_\_\_\_  
Date & Company Stamp

- 8.4 Where the Respondent has been informed by Transnet per facsimile message of the acceptance of its tender or quotation, the acknowledgement of receipt transmitted by its facsimile machine shall be regarded as proof of delivery to the Respondent.

**9. LAW GOVERNING CONTRACT**

The law of the Republic of South Africa shall govern the contract created by the acceptance of a tender/quotation. The *domicilium citandi et executandi* shall be a place in the Republic of South Africa to be specified by the Respondent in its tender/quotation at which all legal documents may be served on the Respondent who shall agree to submit to the jurisdiction of the courts of the Republic of South Africa. A foreign Respondent shall, therefore, state in its tender/quotation the name of its accredited agent in the Republic of South Africa who is empowered to sign any contract which may be entered into in the event of its tender/quotation being accepted and to act on its behalf in all matters relating to the contract.

**10. IDENTIFICATION**

If the Respondent is a company, the full names of the directors shall be stated in the tender/quotation. If the Respondent is a close corporation, the full names of the members shall be stated in the tender/quotation. If the Respondent is a partnership or an individual trading under a trade name, the full names of the partners or of such individual, as the case may be, shall be furnished.

**11. FORMAL NOTIFICATION REGARDING NAME OF SUCCESSFUL RESPONDENT**

In the case of tenders submitted to the Secretary of a Divisional Acquisition Council, unsuccessful Respondents will be formally notified of the names of successful Respondent(s) as soon as possible after the closing date for receipt of the tender in question. In the case of tenders or quotations submitted to Transnet Acquisition Council, unsuccessful Respondents shall, upon application, be furnished with similar information.

**12. UNAUTHORISED COMMUNICATION ABOUT TENDERS**

Where tenders are submitted to the Secretary of an Acquisition Council, Respondents may at any time communicate with the Secretary on any matter relating to its tender but, in the absence of written authority from the Secretary, no communication on a question affecting the subject of a tender shall take place between Respondents or other potential suppliers or any member of the Acquisition Council or official of Transnet during the period between the closing date for the receipt of the tender and the date of the notification of the successful Respondent(s). A tender, in respect of which any such unauthorised communication has occurred, may be disqualified.

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Respondent's Signature

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### 13. RESPONDENT'S SAMPLES

- 13.1 If samples are required from Respondents, such samples shall be suitably marked with the Respondent's name and address, the tender number and the tender item number and must be despatched in time to reach the addressee as stipulated in the Tender Documents on or before the closing date of the tender. Failure to submit samples by the due date may result in the rejection of a tender.
- 13.2 Transnet reserves the right to retain samples furnished by Respondents in compliance with tender conditions.
- 13.3 Payment will not be made for a successful Respondent's samples that may be retained by Transnet for the purpose of checking the quality and workmanship of Goods delivered in execution of a contract.
- 13.4 If unsuccessful Respondent's samples are retained and Respondents require payment therefor, Transnet will make payment at the tendered price of the Goods. If it is not desired to retain such samples and Respondents require their return, Transnet will accept responsibility for their return to the Respondent's nearest station or siding in South Africa.
- 13.5 Transnet will not accept liability for samples furnished by Respondents on their own initiative. If Respondents desire such samples returned it will be at their own risk and cost.
- 13.6 Should it be necessary to submit a pre-production sample for approval by Transnet prior to the commencement of delivery of the Goods against any resulting contract, Respondents are to note that for the purpose of calculating penalties for late delivery (if applicable) in terms of a contractual provision, the actual contractual delivery date will be considered to be -
- (a) the period offered by the successful Respondent to submit the pre-production sample calculated as from the 7th (seventh) day after the date of the letter of acceptance;  
**PLUS**
  - (b) the period required by Transnet to approve the pre-production sample calculated as from the date of receipt thereof;  
**PLUS**
  - (c) the period offered to effect delivery of the Goods calculated as from the date of approval of the pre-production sample by Transnet.

Suppliers will not be held responsible for late delivery of the Goods resulting from delays on the part of Transnet to approve the pre-production sample.

### 14. CONTRACT DOCUMENTS

The contract documents will comprise these General Tender Conditions and the Standard Terms and Conditions of Contract (Form US7 - Goods) which will constitute the contract between the parties upon receipt by the Respondent of Transnet's letter of acceptance / intent,

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Respondent's Signature

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subject to all additional amendments and/or special conditions thereto as agreed to by the parties.

## **15. SECURITIES**

- 15.1 The successful Respondent, when called upon to do so, shall provide security to the satisfaction of Transnet for the due fulfilment of a contract or order. Such security shall be in the form of a deed of suretyship furnished by an approved bank, building society, insurance or guarantee corporation carrying on business in South Africa.
- 15.2 The security may be applied in whole or part at the discretion of Transnet to make good any loss or damage which Transnet may incur in consequence of a breach of the contract or any part thereof.
- 15.3 Such security, if required, shall be an amount which will be stipulated in the Tender Documents.
- 15.4 For the purpose of clause 15.1 above, Transnet will supply "Deed of Suretyship" forms to the successful Respondent for completion and no guarantee in any other form will be accepted. Copies of such forms will be supplied to Respondents on request. For this purpose "Deed of Suretyship" forms will be provided which shall be completed and returned to Transnet or a designated official by the successful Respondent within 30 (thirty) days from the date of the letter of acceptance. No payment will be made until the forms, duly completed, are delivered to Transnet. Failure to return the Deed of Suretyship within the prescribed time shall, save where prior extension has been granted, entitle Transnet without notice to the Supplier to cancel the contract with immediate effect.
- 15.5 Additional costs incurred by Transnet necessitated by reason of default on the part of the Supplier in relation to the conditions of this clause 15 will be for the account of the Supplier.

## **16. PRICE AND DELIVERY BASIS FOR GOODS**

- 16.1 Unless otherwise specified in the Tender Documents, the prices quoted for Goods must be on a delivered price basis in accordance with the terms and at the delivery point or points specified in Transnet's Tender Documents. Tenders for supply on any other basis of delivery are liable to disqualification. The lead time for delivery stated by the Respondent must be inclusive of all non-working days or holidays, and of periods occupied in stocktaking or in effecting repairs to or overhauling plant, which would ordinarily occur within the delivery period given by the Respondent.
- 16.2 Respondents must furnish their tender prices in the Price Schedule of the Tender Documents on the following basis:

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Respondent's Signature

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- (a) Local Supplies - Prices for Goods to be manufactured, produced or assembled in the RSA, or imported supplies held in South Africa, to be quoted on a Delivered RSA named Destination basis.
- (b) Imported Supplies - Prices for Goods to be imported from all sources to be quoted on a DDU, delivered end destination RSA basis (Delivered, Duty Unpaid to named Destination, ICC Incoterms 2000), unless otherwise specified in the tender Price Schedule.

16.3 The Respondent must indicate whether the quoted prices include rates for, *inter alia*, the following:-

- transport to port of export
- forwarding charges
- ocean freight
- marine insurance
- landing charges
- dock dues
- surcharges
- railage, where possible, otherwise road transportation from port of discharge

Such rates are to be based on estimated weights and dimensions calculated by the Respondent. In the event of such estimations being exceeded by the actual weights and dimensions, Transnet shall not be liable to pay the Supplier the associated increase in costs.

16.4 The Respondent shall indicate whether the prices quoted are exclusive of customs, import and excise duties and VAT.

16.5 The attention of Respondents is drawn to the fact that should Transnet's departmental railage account numbers be used in respect of "Delivered Prices", Transnet reserves the right to cancel such contract/order with immediate effect and enforce the conditions of clause 15 headed "*Rights on Cancellation*" of Form US7 - Goods.

## 17. SHIPMENT OF IMPORTED GOODS

17.1 Where shipping is arranged by the Supplier:

The Supplier shall arrange directly with its freight forwarder or a shipping company for the Ocean Bill of Lading to be drawn in favour of Transnet, as consignee, or a designated Transnet official, at a port of entry.

To ensure prompt clearance at the South African port of entry -

- (a) the first set of negotiable shipping documents shall be posted or couriered within a maximum period of 3 (three) days from date of shipment to Transnet or its designated official; and

Respondent's Signature

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- (b) within 24 (twenty-four) hours of mailing the first set of documents, the second set of negotiable documents shall be posted or couriered to Transnet or its designated official.

The Supplier shall be liable for all costs, including harbour storage charges, incurred in consequence of breach of any of the above-mentioned provisions.

- 17.2 Where the tender's stipulated purchase terms indicate that shipping is to be arranged by the forwarding agent appointed by Transnet:

Shipping arrangements by Transnet's nominated forwarding agent shall be made direct with a shipping company to allow the Ocean Bill of Lading to be drawn in favour of Transnet, as consignee, or its designated official at a port of entry.

- (a) It will be a condition that all Goods collected by or delivered to Transnet's forwarding agent against any resulting contract/order must be accompanied by the foreign manufacturer's/supplier's commercial invoices (which must clearly reflect Transnet's contract / order number) and packing lists/specifications to be handed to Transnet's forwarding agent not later than 3 (three) days prior to the vessel's scheduled date of departure.

It is imperative that the above be strictly adhered to as Goods cannot be cleared by Transnet at a port of entry in South Africa without the required documentation. Any demurrage charges applicable to the Goods which may become payable due to late or non-submission of the aforementioned documentation will be for the Supplier's account.

## 18. EXPORT LICENCE

The award of a tender/quotation for Goods to be imported may be subject to the issue of an export licence in the country of origin or supply. If required, the Supplier's manufacturer or forwarding agent shall be required to apply for such licence.

## 19. QUALITY OF MATERIAL

Unless otherwise stipulated the Goods tendered shall be **NEW** i.e. in the unused condition, neither second-hand nor reconditioned.

## 20. PRICES SUBJECT TO CONFIRMATION

20.1 A tender or quotation with prices which are subject to confirmation will not be considered.

20.2 Tenders where firm prices are quoted for the duration of any resulting order and or contract will receive precedence over prices which are subject to adjustment.

## 21. DELETION OF ITEMS EXCLUDED FROM BID / OFFER

The Respondent must delete items for which it has not tendered or for which the price had been included elsewhere in its tender.

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Respondent's Signature

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## **22. ALTERATIONS MADE BY THE RESPONDENT TO TENDERED PRICES**

All alterations made by the Respondent to its tendered price(s) prior to the submission of its Tender Documents must be done by deleting the incorrect figures and words where required and by inserting the correct figures and words against the items concerned. All such alterations must be initialled by the person who signs the Tender Documents. Failure to observe this requirement may result in the particular item(s) concerned being excluded in the matter of the award of the business.

## **23. VALUE-ADDED TAX**

23.1 In respect of local supplies, i.e. Goods to be manufactured, produced or assembled in the Republic of South Africa, or imported supplies held or already in transit to South Africa, the prices quoted by the Respondent are to be exclusive of Value-Added Tax (VAT) which must be shown separately at the standard rate on the Tax Invoice.

23.2 In respect of imported supplies, i.e. Goods to be imported from all sources where Transnet is responsible for the clearance of the supplies at the port of entry, Value-Added Tax (VAT) will be paid by Transnet upon arrival of the Goods in the Republic of South Africa.

- (a) The invoicing by the Supplier on behalf of its foreign principal represents a supply made by the principal, which is not subject to VAT.
- (b) The Supplier's Tax Invoice(s) for the local portion only (i.e. the "commission" for the services rendered locally) must show the Value-Added Tax (VAT) separately at zero percent if the services are in compliance with section 11(2) of the VAT Act, 89 of 1991.

## **24. TERMS AND CONDITIONS OF TENDER**

The Supplier shall adhere to the Standard Terms and Conditions of Contract as set out in Form US7 - Goods, a copy of which is attached hereto. Should the Respondent find any conditions unacceptable, it should indicate which conditions are unacceptable and offer an alternative. Please note that any alternative offered shall be compared with acceptance of the Form US7 conditions or alternatives offered by other Respondents, except penalties for late deliveries, the exclusion of which may disqualify the tender, save where indicated otherwise by Transnet.

## **25. IMPORTANT NOTICE TO RESPONDENTS REGARDING PAYMENT**

### **25.1 Method of Payment**

- (a) The attention of the Respondent is directed to clause 8 (*Invoices and Payment*) of Form US7 – Goods, which sets out the conditions of payment on which tender price(s) shall be based.
- (b) However, in addition to the foregoing the Respondent is invited to submit offers based on alternative methods of payment and/or financing proposals.

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Respondent's Signature

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- (c) The Respondent is required to give full particulars of the terms that will be applicable to its alternative offer(s) and the financial merits thereof will be evaluated and taken into consideration when the tender is adjudicated.
- (d) The Respondent must, therefore, in the first instance, tender strictly in accordance with sub-clause 25.1(a) above. Failure to comply with sub-clause 25.1(a) above may preclude a tender from further consideration.

**NOTE: The successful Respondent (the Supplier) shall, where applicable, be required to furnish a guarantee covering any advance payments.**

#### **25.2 Conditional Discount**

Respondents offering prices which are subject to a conditional discount applicable for payment within a specific period are to note that the conditional period will be calculated as from the date of receipt by Transnet of the Supplier's month-end statement reflecting the relevant Tax Invoice(s) for payment purposes, provided the conditions of the order or contract have been fulfilled and the Tax Invoice is correct in all respects as referred to in the contract or order. Incomplete and/or incorrect Tax Invoices shall be returned and the conditional period will be recalculated from the date of receipt of the correct documents.

### **26. CONTRACT QUANTITIES AND DELIVERY REQUIREMENTS**

#### **26.1 Contract Quantities**

- (a) It must be clearly understood that although Transnet does not bind itself to purchase any definite quantity under any contract which may be entered into pursuant to this tender, the successful Respondent nevertheless undertakes to supply against the contract such quantities as may be ordered against the contract, which orders are posted or delivered by hand or transmitted electronically on or before the expiry date of such contract.
- (b) It is furthermore a condition that Transnet will not accept liability for any material/stocks specially ordered or carried by the Respondent with a view to meeting the requirements under any such contract.
- (c) The estimated planned quantities likely to be ordered by Transnet per annum are furnished in relevant section of the Tender Documents. For avoidance of doubt the estimated quantities are estimates and Transnet reserves the right to order quantities sufficient for its operational requirements.

#### **26.2 Delivery Period**

##### **(a) Period Contracts and Fixed Quantity Requirements**

It will be a condition of any resulting contract/order that the delivery period embodied therein will be governed by the provisions of clause 13 (*Defective Goods*), 14 (*Total or*

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*Partial Failure to Perform the Scope of Supply*) and 15 (*Rights on Cancellation*) of Form US7 – Goods.

(b) **Progress Reports**

The Supplier may be required to submit periodical progress reports in regard to the delivery of the Goods.

(c) **Emergency Demands: As and When Required**

If, due to breakdowns, derailments, storm damage or similar unforeseen circumstances, supplies of the material covered by the tender are required at short notice for immediate delivery, the Supplier will be given first right of refusal of such business. If it is unable to meet the desired delivery period, Transnet reserves the right to purchase such supplies as may be required to meet the emergency outside the contract if immediate delivery can be offered from any other source. Clause 14 of Form US7 – Goods (*Total or Partial Failure to Perform the Scope of Supply*) will not be applicable in these circumstances.

**27. PACKING AND MARKING**

**27.1 Timber used for crating, packing and dunnage**

Attention is directed to the Forest Act, 1968 (Act 72 of 1968), or any amendments thereto, or regulations promulgated in terms thereof.

**27.2 Printing on container and packaging**

Printing appearing on all containers and packaging of Goods shall be in English.

**28. PLANS, DRAWINGS, DIAGRAMS, SPECIFICATIONS AND DOCUMENTS**

**28.1 Copyright:**

Copyright in plans, drawings, diagrams, specifications and documents compiled by the Supplier for the purpose of contract work shall be governed by the terms and conditions detailed in clause 22 of Form US7 - Goods (*Intellectual Property Rights*).

**28.2 Drawings and specifications:**

In addition to what may be stated in any Tender Document in this connection, the Respondent should note that, unless notified to the contrary by Transnet or a designated official by means of an official amendment to the Tender Documents, it is required to tender for Goods strictly in accordance with the drawings and specifications supplied by Transnet, notwithstanding that it may be aware that alterations or amendments to such drawings or specifications are contemplated by Transnet.

**28.3 Respondent's drawings:**

Drawings required to be submitted by the Respondent must be furnished before the closing time and date of the tender. The non-receipt of such drawings by the appointed time may disqualify the tender.

**28.4 Foreign specifications:**

The Respondent quoting for Goods in accordance with foreign specifications, other than British and American standards, is to submit translated copies of such specifications with the tender. In the event of any departures or variations between the foreign specification(s) quoted in the Tender Documents, full details regarding such departures or variations must be furnished by the Respondent in a covering letter attached to the tender. If this condition is not complied with by the Respondent, the tender may be disqualified.

**28.5 Use of SI ("Système International") Units:**

Where applicable, the Respondent must ensure that all capacities, physical dimensions and sizes of material and fasteners are in units complying with the SI unless otherwise specifically called for by Transnet.

**29. VISITS TO FOREIGN COUNTRIES**

29.1 Respondents must furnish details in a covering letter if it is considered necessary that employees of Transnet should carry out inspection and/or witness any tests on Goods at the premises of the successful Respondent (the Supplier) or its subcontractors overseas for the purpose of a product demonstration and/or final acceptance or for any other reason.

29.2 If the Respondent considers overseas visits to be necessary it must provide the following information in a covering letter in respect of each visit -

- (a) countries and places to be visited;
- (b) number of employees and disciplines involved;
- (c) number of man-days involved; and
- (d) motivation for the visit.

29.3 Transnet will make all arrangements with regard to booking of air journeys, hotel reservations, transport to and from airports, places of inspection or demonstration, etc. and all expenses will be for the account of Transnet.

29.4 Before a visit is undertaken, such as envisage in this clause 29, Transnet and the Supplier will agree in writing on the number of employees of Transnet that should undertake the visit and the number of man-days involved in the visit.

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Respondent's Signature

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### 30. TENDERS BY FOREIGN RESPONDENTS OR ON THEIR BEHALF

- 30.1 Tenders submitted by foreign principals may be forwarded direct by the principals to the Secretary of the Acquisition Council or to a designated official of Transnet according to whichever officer is specified in the Tender Documents, or may be so forwarded on the principal's behalf by its South African representative and/or agent provided that written proof is submitted that such representative / agent has been duly authorised to act in that capacity by the principal. Failure to submit such authorisation by the representative / agent shall disqualify the tender.
- 30.2 When legally authorised to prepare and submit tenders on behalf of their principals not domiciled in the Republic of South Africa, representatives and/or agents must compile the tenders in the names of such principals and sign them on behalf of the latter.
- 30.3 South African representatives and/or agents of successful foreign Respondents must when so required enter into a formal contract in the name of their principals and must sign such contracts on behalf of the latter. In every such case a legal Power of Attorney from their principals must be furnished to Transnet by the South African representative and/or agents authorising them to enter into and sign such contracts.
- (a) Such Powers of Attorney must comply with Government Notice No. 1160 of 27 June 1930 (and any amendments thereto) - "Rules of the Supreme Court of South Africa for the authentication of documents executed outside the Republic for use within the Republic."
  - (b) The Powers of Attorney must be signed by principals under the same title as used in the Tender Documents.
  - (c) On arrival within the Republic of South Africa these Powers of Attorney are to be completed in terms of Section 8(2) of the Stamp Duties Act No. 77 of 1968, or any amendment thereof.
  - (d) If a Power of Attorney held by the South African representative or agent includes matters of a general nature besides provision for the entering into and signing of contracts with Transnet, a notarially certified copy thereof should be furnished.
  - (e) The Power of Attorney must authorise the South African representative or agent to choose the *domicilium citandi et executandi* as provided for in clause 26 (*Addresses for Notices*) of the Standard Conditions of Contract, Form US7 - Goods.
- 30.4 If payment is to be made in South Africa, the foreign Supplier (i.e. the principal, or its South African agents or representatives), must notify Transnet in writing whether -
- (a) For payment by cheque –

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- (i) cheques are to be drawn for payment to the credit of the foreign Supplier's account at a bank in South Africa, in which case the name and branch of such bank shall be furnished; or
  - (ii) cheques are to be made out in favour of the foreign Supplier and forwarded to its South African agent or representative, in which case such agent or representative must be duly authorised to sign the receipt of the cheque and discharge it on behalf of its principal.
- (b) For payment by electronic funds transfer (EFT) –
- (i) funds are to be transferred to the credit of the foreign Supplier's account at a bank in South Africa, in which case the name and branch of such bank shall be furnished; or
  - (ii) funds are to be transferred to the credit of its South African agent or representative, in which case the name and branch of such bank shall be furnished

30.5 The attention of the Respondent is directed to clause 15 above (*Securities*) regarding the provision of security for the fulfilment of contracts and orders and the manner and form in which such security is to be furnished.

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Respondent's Signature

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**TRANSNET**



**STANDARD TERMS AND CONDITIONS OF CONTRACT**

**FOR THE SUPPLY OF GOODS TO TRANSNET**

**FORM US7 – GOODS**

“PREVIEW COPY ONLY”

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ANNEXURE A - SCHEDULE OF REQUIREMENTS
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## 1. INTRODUCTION

When an Agreement is entered into between Transnet and the Supplier of Goods to Transnet, these Standard Terms and Conditions of Contract, the technical specifications for the Goods, the General Tender Conditions, a Schedule of Requirements including such special conditions as applicable, and any terms in the associated tender documents, exclusively govern the supply of Goods and provision of ancillary Services by the Supplier to Transnet.

## 2. DEFINITIONS

Where the following words or phrases are used in the Agreement, such words or phrases shall have the meaning assigned thereto in this clause, except where the context clearly requires otherwise:

- 2.1. **"AFSA"** means the Arbitration Foundation of South Africa;
- 2.2. **"Agreement"** means the Agreement and its associated schedules and/or annexures and/or appendices, including the Schedule of Requirements, the technical specifications for the Goods and such special conditions as shall apply to the Agreement, together with the General Tender Conditions and any additional provisions in the associated bid documents tendered by the Supplier (as agreed between the Parties), which collectively and exclusively govern the supply of Goods and provision of ancillary Services by the Supplier to Transnet;
- 2.3. **"Background Intellectual Property"** means all Intellectual Property introduced and required by either Party to give effect to their obligations under the Agreement owned in whole or in part by or licensed to either Party or their affiliates prior to the Commencement Date or developed after the Commencement Date otherwise pursuant to the Agreement;
- 2.4. **"Business Day(s)"** means Mondays to Fridays between 07:30 and 16:00, excluding public holidays;
- 2.5. **"Commencement Date"** means the effective date at which time the Supplier's provision of Goods and associated ancillary Services to Transnet in terms of the Agreement shall commence, as detailed in Annexure A hereto (SCHEDULE OF REQUIREMENTS);
- 2.6. **"Confidential Information"** means any information or other data, whether in written, oral, graphic or in any other form such as in documents, papers, memoranda, correspondence, notebooks, reports, drawings, diagrams, discs, articles, samples, test results, prototypes, designs, plans, formulae, patents, or inventor's certificates, which a Party discloses or provides to the other Party (intentionally or unintentionally, or as a result of one Party permitting the representative of the other Party to visit any of its premises), or which otherwise becomes known

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to a Party, and which is not in the public domain and includes, without limiting the generality of the term –

- (a) information relating to methods of operation, data and plans of the disclosing Party;
- (b) the contents of the Agreement;
- (c) private and personal details of employees or clients of the disclosing Party or any other person where an onus rests on the disclosing Party to maintain the confidentiality of such information;
- (d) any information disclosed by either Party and which is clearly marked as being confidential or secret;
- (e) information relating to the strategic objectives and planning of the disclosing Party relating to its existing and planned future business activities;
- (f) information relating to the past, present and future research and development of the disclosing Party;
- (g) information relating to the business activities, business relationships, products, services, customers, clients and Subcontractors of the disclosing Party where an onus rests on the disclosing Party to maintain the confidentiality of such information;
- (h) information contained in the software and associated material and documentation belonging to the disclosing Party;
- (i) technical and scientific information, Know-How and trade secrets of a disclosing Party including inventions, applications and processes;
- (j) Copyright works;
- (k) commercial, financial and marketing information;
- (l) data concerning architecture, demonstrations, tools and techniques, processes, machinery and equipment of the disclosing Party;
- (m) plans, designs, concepts, drawings, functional and technical requirements and specifications of the disclosing Party;
- (n) information concerning faults or defects in Goods, equipment, hardware or software or the incidence of such faults or defects; and

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- (o) information concerning the charges, fees and/or costs of the disclosing Party or its authorised Subcontractors, or their methods, practices or service performance levels actually achieved;
- 2.7. **“Copyright”** means the right in expressions, procedures, methods of operations or mathematical concepts, computer program codes, compilations of data or other material, literary works, musical works, artistic works, sound recordings, broadcasts, program carrying signals, published editions, photographic works, or cinematographic works of the copyright owner to do or to authorise the doing of certain acts specified in respect of the different categories of works;
- 2.8. **“Designs”** mean registered Designs and/or Design applications and will include the monopoly right granted for the protection of an independently created industrial design including designs dictated essentially by technical or functional considerations as well as topographies of integrated circuits and integrated circuits;
- 2.9. **“Foreground Intellectual Property”** means all Intellectual Property developed by either Party pursuant to the Agreement;
- 2.10. **“Goods”** mean the material / products as specified in the Schedule of Requirements in Annexure A hereto;
- 2.11. **“ICC Incoterms 2000”** means the set of commercial trade terms as published by the International Chamber of Commerce, Paris (ICC), which are otherwise referred to as purchase terms and which define precisely the responsibilities, costs and risks of the buyer (“Transnet”) and the seller (“the Supplier”). Incoterms are only applicable to contracts involving the import or export of Goods from one country to another and for the purpose of the Agreement, if applicable, shall mean the designated Incoterm as stipulated in Annexure A hereto. Further details of the Incoterm (purchase terms) for the Agreement, if applicable, can be viewed at the International Business Training website - <http://www.i-b-t.net/incoterms.html>;
- 2.12. **“Intellectual Property”** means Patents, Designs, Know-How, Copyright and Trade Marks and all rights having equivalent or similar effect which may exist anywhere in the world and includes all future additions and improvements to the Intellectual Property;
- 2.13. **“Know-How”** means all Confidential Information of whatever nature relating to the Intellectual Property and its exploitation as well as all other Confidential Information generally relating to Transnet's field of technology, including technical information, processing or manufacturing techniques, Designs, specifications, formulae, systems, processes, information concerning materials and marketing and business information in general;

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Respondent's Signature

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- 2.14. **"Parties"** mean the Parties to the Agreement together with their subsidiaries, divisions, business units, successors-in-title and assigns;
- 2.15. **"Party"** means either one of these Parties;
- 2.16. **"Patents"** mean registered Patents and Patent applications, once the latter have proceeded to grant, and includes a right granted for any inventions, products or processes in all fields of technology;
- 2.17. **"Permitted Purpose"** means any activity or process to be undertaken or supervised by a Staff member of one Party during the term of the Agreement, for which purpose authorised disclosure of the other Party's Confidential Information or Intellectual Property is a prerequisite in order to enable such activity or process to be accomplished;
- 2.18. **"Price(s)"** means the agreed Price(s) for the Goods to be purchased from the Supplier by Transnet, as detailed in the Schedule of Requirements, issued in accordance with the Agreement, as amended by mutual agreement between the Parties and in accordance with the terms and conditions in the Agreement from time to time;
- 2.19. **"Purchase Order(s)"** means official orders issued by an operating division of Transnet to the Supplier for the supply of Goods or ancillary Services;
- 2.20. **"Services"** means Services provided to Transnet including activities such as consultation, advisory services, implementation services and day-to-day assistance provided by the Supplier, pursuant to the Schedule of Requirements in terms of the Agreement;
- 2.21. **"Staff"** means any partner, employee, agent, consultant, independent associate or contractor, Subcontractor and the staff of such Subcontractor, or other authorised representative of either Party;
- 2.22. **"Schedule of Requirements"** means Annexure A hereto;
- 2.23. **"Subcontract"** means any contract or agreement or proposed contract or agreement between the Supplier and any third party whereby that third party agrees to provide to the Supplier the Goods or related Services or any part thereof or material used in the manufacture of the Goods or any part thereof;
- 2.24. **"Subcontractor"** means the third party with whom the Supplier enters into a Subcontract;
- 2.25. **"Tax Invoice"** means the document as required by Section 20 of the Value-Added Tax Act, 89 of 1991;

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2.26. **“Trade Marks”** mean registered Trade Marks and Trade Mark applications and include any sign or logo, or combination of signs and/or logos capable of distinguishing the goods or services of one undertaking from those of another undertaking; and

2.27. **“VAT”** means Value-Added Tax in terms of the Value-Added Tax Act, 89 of 1991.

### 3. INTERPRETATION

3.1. Clause headings in the Agreement are included for ease of reference only and do not form part of the Agreement for the purposes of interpretation or for any other purpose. No provision shall be construed against or interpreted to the disadvantage of either Party hereto by reason of such Party having or being deemed to have structured or drafted such provision.

3.2. Any term, word or phrase used in the Agreement, other than those defined under the clause heading “DEFINITIONS” shall be given its plain English meaning, and those terms, words, acronyms, and phrases used in the Agreement will be interpreted in accordance with the generally accepted meanings accorded thereto.

3.3. A reference to the singular incorporates a reference to the plural and vice versa.

3.4. A reference to natural persons incorporates a reference to legal persons and vice versa.

3.5. A reference to a particular gender incorporates a reference to the other genders.

### 4. NATURE AND SCOPE

4.1. The Agreement is an agreement under the terms and conditions of which the Supplier will arrange for the supply to Transnet of the Goods which meet the requirements and specifications of Transnet, the delivery of which is controlled by means of Purchase Orders to be issued by Transnet and executed by the Supplier in accordance with the Agreement.

4.2. Such Purchase Orders and deliveries to Transnet shall be agreed between the Parties from time to time, subject to the terms of the Schedule of Requirements.

4.3. Each properly executed Purchase Order forms an inseparable part of the Agreement as if it were fully incorporated into the body of the Agreement.

4.4. During the period of the Agreement, both Parties can make written suggestions for amendments to the Schedule of Requirements in accordance with procedures set out in clause 28 (AMENDMENT AND CHANGE CONTROL). A Party will advise the other Party within 14 (fourteen) Business Days, or such other period as mutually agreed, whether the amendment is acceptable.

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- 4.5. Insofar as any term, provision or condition in the Schedule of Requirements conflicts with a like term, provision or condition in the Agreement and/or a Purchase Order, or where the Agreement is silent on the matter, the term or provision or condition in the Schedule of Requirements shall prevail.

## **5. AUTHORITY OF PARTIES**

- 5.1. Nothing in the Agreement will constitute or be deemed to constitute a partnership between the Parties, or constitute or be deemed to constitute the Parties as agents or employees of one another for any purpose or in any form whatsoever.
- 5.2. Neither Party shall be entitled to, or have the power or authority to -
- (a) enter into an agreement in the name of the other; or
  - (b) give any warranty, representation or undertaking on the other's behalf; or
  - (c) create any liability against the other or bind the other's credit in any way or for any purpose whatsoever.

## **6. DURATION AND CANCELLATION**

- 6.1. Notwithstanding the date of signature hereof, the Commencement Date and duration of the Agreement will be as specified in the Schedule of Requirements appended hereto, unless the Agreement is terminated by either Party in accordance with the provisions incorporated herein or in any schedules or annexures appended hereto.
- 6.2. Notwithstanding clause 16 (BREACH AND TERMINATION), either Party may cancel the Agreement with 30 (thirty) days prior written notice thereof to the other Party, provided that in such instance, the Agreement will nevertheless be applicable in respect of all Purchase Orders which have been placed prior to the date of such cancellation.

## **7. GENERAL OBLIGATIONS OF THE SUPPLIER**

- 7.1. The Supplier shall –
- (a) respond promptly to all complaints and enquiries from Transnet;
  - (b) inform Transnet immediately of any dispute or complaint arising in relation to the storage or delivery of the Goods;
  - (c) conduct its business in a professional manner which will reflect positively upon the Supplier and the Supplier's products;

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- (d) keep full records clearly indicating all transactions concluded by the Supplier relating to the delivery of the Goods and keep such records for at least 5 (five) years from the date of each such transaction;
- (e) obtain, and at all times maintain in full force and effect, any and all licenses, permits and the like required under applicable laws for the provision of the Goods and ancillary Services and the conduct of the business and activities of the Supplier;
- (f) observe and ensure compliance with all requirements and obligations as set out in the labour and related legislation of South Africa, including the Occupational Health and Safety Act, 85 of 1993; and
- (g) comply with all applicable environmental legislation and regulations, demonstrate sound environmental performance and have an environmental management policy which ensures that its products, including the Goods or ancillary Services are procured, produced, packaged, delivered and are capable of being used and ultimately disposed of in a way that is environmentally appropriate.

7.2. The Supplier acknowledges and agrees that it shall at all times -

- (a) render the supply of the Goods and ancillary Services and perform all its duties with honesty and integrity;
- (b) communicate openly and honestly with Transnet regarding the supply and performance of the Goods and demonstrate a commitment to effecting the supply and performing ancillary Services timeously, efficiently and at least to the required standards;
- (c) endeavour to provide the highest possible standards of service and workmanship, with a reasonable degree of care and diligence;
- (d) use its best endeavours and make every diligent effort to meet agreed deadlines;
- (e) treat its own Staff, as well as all Transnet's Staff, with fairness and courtesy and respect for their human rights;
- (f) practice and promote its own internal policies aimed at prohibiting and preventing unfair discrimination;
- (g) treat all enquiries from Transnet in connection with the supply of the Goods and/or ancillary Services with courtesy and respond to all enquiries promptly and efficiently. Where the Supplier is unable to comply with the provisions of this sub-clause, the Supplier will advise Transnet of the delay and the reasons therefor and will keep Transnet informed of progress made regarding the enquiry;

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- (h) when requested by Transnet, provide clear and accurate information regarding the Supplier's own policies and procedures, excluding Know-How and other Confidential Information, except where a non-disclosure undertaking has been entered into between the Parties;
  - (i) not allow a conflict of interest to develop between its own interests (or the interests of any of its other customers) and the interests of Transnet;
  - (j) not accept or offer, nor allow, induce or promote the acceptance or offering of any gratuity, enticement, incentive or gift that could reasonably be regarded as bribery or an attempt to otherwise exert undue influence over the recipient;
  - (k) not mislead Transnet or its officers, employees and stakeholders, whether by act or omission;
  - (l) not otherwise act in an unethical manner or do anything which could reasonably be expected to damage or tarnish Transnet's reputation or business image; and
  - (m) immediately report to Transnet any unethical, fraudulent or otherwise unlawful conduct of which it becomes aware in connection with Transnet or the supply of Goods or ancillary Services to Transnet.
- 7.3. In compliance with the National Railway Safety Regulator Act, 16 of 2002, the Supplier shall ensure that the Goods and ancillary Services, to be supplied to Transnet under the terms and conditions of the Agreement, comply fully with the Specifications as set forth in Annexure A hereto, and shall thereby adhere to railway safety requirements and/or regulations. Permission for the engagement of a Subcontractor by the Supplier, as applicable, shall be subject to a review of the capability of the proposed Subcontractor to comply with the specified railway safety requirements and/or regulations. The Supplier and/or its Subcontractor shall grant Transnet access, during the term of the Agreement, to review any safety-related activities, including the coordination of such activities across all parts of its organisation.

## **8. INVOICES AND PAYMENT**

- 8.1. Transnet shall pay the Supplier the amounts stipulated in each Purchase Order, subject to the terms and conditions of the Agreement.
- 8.2. Transnet shall pay such amounts to the Supplier upon receipt of a correct and undisputed Tax Invoice together with the supporting documentation, as specified in the Schedule of Requirements appended hereto, once the undisputed Tax Invoices or such portions of the Tax

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Invoices which are undisputed become due and payable to the Supplier for the delivery of the Goods ordered, in terms of sub-clause 8.4 below.

- 8.3. All Prices set out in the Agreement and the Schedule of Requirements hereto are exclusive of VAT.
- 8.4. Unless otherwise provided for in the Schedule of Requirements appended to the Agreement, Tax Invoices shall be submitted together with a month-end statement. Payment against such month-end statement shall be made by Transnet within 30 (thirty) days after date of receipt by Transnet of the Supplier's statement together with the relevant undisputed Tax Invoice(s) and supporting documentation.
- 8.5. Where the payment of any Tax Invoice, or any part of a Tax Invoice which is not in dispute, is not made in accordance with this clause 8, the Supplier shall be entitled to charge interest on the outstanding amount, at The Standard Bank of South Africa's prime rate of interest in force, for the period from the due date of payment until the outstanding amount is paid.
- 8.6. The Supplier shall remain the owner of all plant, material, machinery, equipment and the like (collectively, "the Supplier's Goods") provided to Transnet until Transnet has paid in full for the Supplier's Goods, it being specifically agreed that Transnet shall acquire no rights (including liens and rights of use) of whatsoever nature in such Supplier's Goods until date of final payment by Transnet. Subject to the foregoing, all risk and benefit to the Supplier's Goods shall pass from the Supplier to Transnet on delivery of the Supplier's Goods by the Supplier to Transnet.

## 9. PRICE ADJUSTMENTS

- 9.1. Prices for Goods supplied in terms of the Agreement shall be subject to review as indicated in the Schedule of Requirements annexed hereto.
- 9.2. No less than 2 (two) months prior to any proposed Price adjustment, the Parties shall commence negotiations for Prices for the next period or as otherwise indicated in Annexure A hereto. The Parties shall have regard for market-related pricing of equivalent goods, continuous improvement initiatives, costs (including raw materials and transport/delivery), order size and frequency and changes to the specification of the Goods.
- 9.3. Should Transnet and the Supplier fail to reach an agreement on Price for the successive period, either Party shall be entitled to terminate the Agreement after giving 30 (thirty) days written notice to the other, except for any Purchase Order accepted by the Supplier which shall be binding on the Parties and shall survive such termination.

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- 9.4. Neither Party shall have any claim against the other of whatsoever nature by reason of such cancellation as envisaged in sub-clause 9.3 above.
- 9.5. If during the period of the Agreement Transnet can purchase similar Goods of a like quality from another supplier at a total delivered cost to a Transnet facility that is lower than the total delivered cost of the Goods purchased hereunder from the Supplier, Transnet may notify the Supplier of such total delivered cost and the Supplier shall have an opportunity to adjust the Price of the Goods purchased hereunder, on such a basis as to result in the same total delivered cost to Transnet, within 30 (thirty) calendar days of such notice. If the Supplier fails to do so or cannot legally do so, Transnet may (i) purchase the Goods from such other supplier in which case the obligations, including, but not limited to, any purchase and sale requirements and/or commitments, if any, of Transnet and the Supplier hereunder shall be reduced accordingly; (ii) terminate the Agreement without any penalty, liability or further obligation; or (iii) continue purchases under the Agreement.
- 9.6. If during the period of the Agreement the Supplier sells any materials which are the same as, equivalent to, or substantially similar to the Goods herein, at a total delivered cost to a third party lower than the total delivered cost to a Transnet facility, then the Supplier has an opportunity to adjust its Price for the Goods purchased hereunder within 30 (thirty) calendar days so that the Price is the same or lower than the total delivered cost of such third party. If the Supplier fails to do so or cannot legally do so, Transnet may (i) purchase the Goods from any other such supplier, in which case the obligations, including, but not limited to, any purchase and sale requirements and/or commitments, if any, of Transnet and the Supplier hereunder shall be reduced accordingly; or (ii) terminate the Agreement without any penalty, liability or further obligation. Within 30 (thirty) calendar days of the Commencement Date of the Agreement or at any time Transnet so requests, the Supplier shall certify in writing to Transnet that it is in compliance with this clause and shall provide all information that Transnet reasonably requests in order to verify such compliance.

## 10. WARRANTIES

10.1. The Supplier warrants that -

- (a) Pursuant to sub-clause 7.3 (GENERAL OBLIGATIONS OF THE SUPPLIER), the Goods will be manufactured in accordance with the specifications appended hereto at Annexure A, or the manufacturer's specifications, as agreed in writing by both Parties;
- (b) that the execution and performance of the Agreement by the Supplier does not infringe any rights of a third party or breach any obligation of the Supplier to any third party; and

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- (c) that it has taken all reasonable precautions to ensure that, in the event of a disaster, the impact of such disaster on the ability of the Supplier to comply with its obligations under the Agreement will be reduced to the greatest extent possible, and that the Supplier shall ensure that it has appropriate, tested and documented recovery arrangements in place.

## **11. THIRD PARTY INDEMNITY**

The Supplier hereby indemnifies and shall hold Transnet harmless against any direct damages suffered by or claims arising against Transnet in respect of sub-clause 10.1(b) above.

## **12. INSPECTION**

- 12.1. Transnet reserves the right to arrange for the inspection of all Goods forming the subject of any Purchase Order, at any stage before final acceptance and by any means it may think fit, and when such inspection is to be carried out, the relevant Purchase Order(s) shall be endorsed accordingly.
- 12.2. When inspection at the Supplier's works or warehouse is specified, Transnet's authorised inspector shall have free access to the premises of the Supplier at all times during working hours on a Business Day; shall have liberty to inspect work which is the subject of the Purchase Order at any stage of manufacture, and may reject any Goods which are found to be incomplete, defective or in any way not in conformity with the terms and specifications of the Agreement; and the Supplier shall afford all reasonable facilities for such access and inspection.
- 12.3. The Supplier shall provide inspection gauges, measuring and test equipment to ensure that the requirements of the Agreement are satisfied. All gauges, templates, tools and other equipment required to check the accuracy of the work shall be calibrated at regular and reasonable intervals by a laboratory which has been approved in writing by Transnet. This certificate shall not be more than 12 (twelve) months old.
- 12.4. The Supplier shall prepare and supply, without charge to Transnet, all test pieces, samples and specimens; shall provide all labour and apparatus for carrying out tests and analyses in accordance with the terms of the Agreement or Purchase Order, and render all reasonable assistance in making such tests and analyses.
- 12.5. All special rules governing gauging, testing, analysis and other inspection procedures shall be adhered to strictly in accordance with the terms of the Agreement or Purchase Order and the conditions of any specifications and drawings quoted therein.
- 12.6. Inspection will be arranged by the Staff of Transnet, as indicated in the Purchase Order(s).

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- 12.7. When Goods are ready for inspection, the Supplier shall apply promptly to the appropriate authority for instructions regarding such inspection. All applications for inspection shall quote Transnet's Agreement or Purchase Order number. 7 (seven) Business Days' notice of readiness from the Supplier shall be given to the authorised inspector appointed by Transnet to carry out such inspection.
- 12.8. Transnet shall have the right to recover from the Supplier the cost of inspection of any Goods that have been rejected by its authorised inspector in terms of this clause 12.

### **13. DEFECTIVE GOODS**

Notwithstanding any certificate and/or receipt that may have been issued by or on behalf of Transnet either in South Africa or overseas, Goods will be accepted at the place of delivery or at the port of shipment, as specified in the Agreement, only as regards outward condition of packages and Transnet retains the right to reject the Goods supplied, on or after arrival at the place to which they are consigned, or after they have been placed in use in South Africa, should they be found defective.

- 13.1. If Goods are rejected owing to latent defects becoming apparent during machining operations or other preparation necessary on the part of Transnet before they can be put into use, the Supplier shall bear all expenses incurred by Transnet in carrying out such necessary operations.
- 13.2. If such Goods are rejected, the Supplier will pay the following costs -
- (a) for Goods purchased in South Africa on an ex works basis, the cost of transport from the Supplier's works in South Africa to the named destination where the Goods have been rejected by Transnet, plus handling charges and storage, if leviable; or
  - (b) for Goods manufactured overseas, the Supplier shall pay all replacement costs including the overseas inland transport cost, freight and insurance charges incurred plus railage or other inland transport costs from the South African port to the place where the Goods have been rejected by Transnet, including handling charges, storage, landing charges, customs duty and surcharges, if leviable.
- 13.3. If Transnet requires rejected Goods to be replaced, the Supplier shall, when called upon to do so, arrange prompt replacement of the Goods within the prescribed manufacturing lead times for such Goods, as indicated in Annexure A.
- 13.4. If Goods are found to be defective but the defects are, in the opinion of Transnet, not of so serious a nature as to warrant total rejection of the Goods, the Supplier shall, when called upon

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to do so, remedy or make good such defects at its own cost, or Transnet may remedy or make good such defects at the request of the Supplier and recover from the Supplier all costs or expenses reasonably incurred by it in doing so.

13.5. Should the Supplier fail, when called upon to remedy or make good such defects within a reasonable time or to request Transnet to do so, Transnet may proceed to remedy or make good such defects and thereafter recover from the Supplier all such costs and expenses as aforementioned.

13.6. Any amount recoverable from the Supplier in terms of this clause may, without prejudice to any other legal remedies available to Transnet, be deducted in whole or in part from any monies in the hands of Transnet which are due for payment to the Supplier.

#### **14. TOTAL OR PARTIAL FAILURE TO PERFORM THE SCOPE OF SUPPLY**

14.1. In the case of Goods to be specially manufactured for it, if Transnet at any time ascertains that

- (a) no manufacturing of the Goods specified in a Purchase Order has commenced and there is little or no prospect, in Transnet's opinion, that manufacturing will commence within a reasonable time; or
- (b) delivery of any of the Goods is being or is likely to be delayed beyond the promised delivery date(s), and there is little or no prospect of the Purchase Order(s) being carried out within reasonable adherence to the promised delivery rate(s) or time(s);

then Transnet may, irrespective of the cause of the delay, by notice to the Supplier, cancel as from a future date specified in such notice the whole or any part of the Agreement or Purchase Order in respect of which the Goods to be supplied have not been completed by that date, without incurring any liability by reason of such cancellation except as provided in this clause.

14.2. The Supplier shall thereupon, as soon as possible after such date, deliver to Transnet the Goods (if any) already completed, and payment for the part performance shall be made on a "pro rata" basis, provided the uncompleted part is not an integral or essential part of the completed Goods. Where an integral or essential part of the work has not been completed, the amount to be paid to the Supplier will be calculated on the basis of Transnet's enrichment. The Supplier shall, wherever practicable, supply Transnet with the necessary drawings and/or specifications to enable it to complete the work.

14.3. Whenever, in any case not covered by sub-clause 14.1 above, the Supplier fails or neglects to execute the work or to deliver any portion of the Goods as required by the terms of the Agreement or Purchase Order, or if any Goods are rejected on any of the grounds mentioned in clause 13 (DEFECTIVE GOODS), Transnet may cancel the Agreement or Purchase Order in so

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far as it relates to the unexecuted work or the undelivered or rejected portion of the Goods, and in such event, the supply of the remaining portion shall remain subject in all respects to these conditions.

## **15. RIGHTS ON CANCELLATION**

- 15.1. If the Agreement or Purchase Order is cancelled in whole or in part in terms of clause 14 (TOTAL OR PARTIAL FAILURE TO PERFORM THE SCOPE OF SUPPLY), Transnet may execute or complete the Agreement with any other entity and do so on such terms as it may deem proper, or may procure other comparable Goods in substitution for those neglected to be manufactured or supplied or rejected as aforesaid, and may recover from the Supplier the difference between the cost of such Goods and the Price (if the latter was lower) as well as any costs and expenses (including any additional transport costs) which Transnet may have had to incur in consequence of the Supplier's default.
- 15.2. Any amount which may be recoverable from the Supplier in terms of sub-clause 15.1 above, without prejudice to any other legal remedies available to Transnet, may be deducted in whole or in part from any monies in the hands of Transnet and due for payment to the Supplier.

## **16. BREACH AND TERMINATION**

- 16.1. If either Party (the "Defaulting Party") commits a material breach of the Agreement and fails to remedy such breach within 10 (ten) Business Days of written notice thereof, the other Party (hereinafter the "Aggrieved Party"), shall be entitled, in addition to any other rights and remedies that it may have in terms of the Agreement, to terminate the Agreement forthwith without any liability and without prejudice to any claims which the Aggrieved Party may have for damages against the Defaulting Party.
- 16.2. Either Party may terminate the Agreement forthwith by notice in writing to the other Party when the other Party is unable to pay its debts as they fall due or commits any act or omission which would be an act of insolvency in terms of the Insolvency Act, 1936 (as amended), or if any action, application or proceeding is made with regard to it for -
- (a) a voluntary arrangement or composition or reconstruction of its debts;
  - (b) the presentation of an administrative petition;
  - (c) its winding-up or dissolution;
  - (d) the appointment of a liquidator, trustee, receiver, administrative receiver or similar officer;
- or

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- (e) any similar action, application or proceeding in any jurisdiction to which it is subject.
- 16.3. Transnet may terminate the Agreement at any time within 2 (two) months of becoming aware of a change of control of the Supplier by notice in writing to the Supplier. For the purposes of this clause, "control" means the right to direct the affairs of a company whether by ownership of shares, membership of the board of directors, agreement or otherwise.
- 16.4. The provisions of clauses 2 (DEFINITIONS), 10 (WARRANTIES), 15 (RIGHTS ON CANCELLATION), 19 (CONFIDENTIALITY), 21 (LIMITATION OF LIABILITY), 22 (INTELLECTUAL PROPERTY RIGHTS), 25 (DISPUTE RESOLUTION) and 29.1 (GOVERNING LAW) shall survive termination or expiry of the Agreement.

## **17. CESSION**

- 17.1. Upon written notice to the Supplier, Transnet shall be entitled –
- (a) to appoint Transnet's financier of the Goods as first payer under the Agreement, without transferring the ultimate responsibility for payment which will remain with Transnet; and
  - (b) to cede, assign and transfer its right, title and interest in the Goods to such financier as part of the funding consideration for the Goods.
- 17.2. The Supplier is not entitled to cede, delegate, assign, Subcontract or in any other manner dispose of any of its rights or obligations in terms of the Agreement without the prior written consent of Transnet, which consent shall not be withheld unreasonably.

## **18. FORCE MAJEURE**

- 18.1. Neither Party shall have any claim against the other Party arising from any failure or delay in the performance of any obligation of either Party under the Agreement caused by an act of force majeure such as acts of God, fire, flood, war, strike, lockout, industrial dispute, government action, laws or regulations, riots, terrorism or civil disturbance, defaults, delays or discontinuance on the part of independent contractors, or other circumstances or factors beyond the reasonable control of either Party, and to the extent that the performance of obligations of either Party hereunder is delayed by virtue of the foregoing, any period stipulated for any such performance shall be reasonably extended.
- 18.2. Each Party will take all reasonable steps by whatever lawful means that are available to resume full performance as soon as practicable and will seek agreement to modification of the relevant provisions of the Agreement in order to accommodate the new circumstances caused by the act of force majeure. If a Party fails to agree with such modifications proposed by the other Party

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within 90 (ninety) days of the act of force majeure first occurring, either Party may thereafter terminate the Agreement with immediate notice.

## 19. CONFIDENTIALITY

19.1. The Parties hereby undertake the following with regard to Confidential Information -

- (a) not to divulge or disclose to any person whomsoever in any form or manner whatsoever, either directly or indirectly, any Confidential Information of the other without the prior written consent of such other Party, other than when called upon to do so in accordance with a statute, or by a court having jurisdiction, or by any other duly authorised and empowered authority or official, in which event the Party concerned shall do what is reasonably possible to inform the other of such a demand and each shall assist the other in seeking appropriate relief or the instituting of a defensive action to protect the Confidential Information concerned;
- (b) not to use, exploit, permit the use of, directly or indirectly, or in any other manner whatsoever apply the Confidential Information disclosed to it as a result of the Agreement, for any purpose whatsoever other than for the purpose for which it is disclosed or otherwise than in strict compliance with the provisions in the Agreement;
- (c) not to make any notes, sketches, drawings, photographs or copies of any kind of any part of the disclosed Confidential Information without the prior written consent of such other Party, except when reasonably necessary for the purpose of the Agreement, in which case such copies shall be regarded as Confidential Information;
- (d) not to de-compile, disassemble or reverse engineer any composition, compilation, concept application, item, component de-compilation, including software or hardware disclosed and shall not analyse any sample provided by Transnet, or otherwise determine the composition or structure or cause to permit these tasks to be carried out except in the performance of its obligations pursuant to the Agreement;
- (e) not to exercise less care to safeguard Transnet Confidential Information than the Party exercises in safeguarding its own competitive, sensitive or Confidential Information;
- (f) Confidential Information disclosed by either Party to the other or by either Party to any other party used by such party in the performance of the Agreement, shall be dealt with as "restricted" or shall be dealt with according to any other appropriate level of confidentiality relevant to the nature of the information concerned, agreed between the Parties concerned and stipulated in writing for such information in such cases;

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- (g) the Parties shall not make or permit to be made by any other person subject to their control, any public statements or issue press releases or disclose Confidential Information with regard to any matter related to the Agreement, unless written authorisation to do so has first been obtained from the Party first disclosing such information;
  - (h) each Party shall be entitled to disclose such aspects of Confidential Information as may be relevant to one or more technically qualified employees or consultants of the Party who are required in the course of their duties to receive the Confidential Information for the Permitted Purpose provided that the employee or consultant concerned has a legitimate interest therein, and then only to the extent necessary for the Permitted Purpose, and is informed by the Party of the confidential nature of the Confidential Information and the obligations of the confidentiality to which such disclosure is subject and the Party shall ensure such employees or consultants honour such obligations;
  - (i) each Party shall notify the other Party of the name of each person or entity to whom any Confidential Information has been disclosed as soon as practicable after such disclosure;
  - (j) each Party shall ensure that any person or entity to which it discloses Confidential Information shall observe and perform all of the covenants the Party has accepted in the Agreement as if such person or entity has signed the Agreement. The Party disclosing the Confidential Information shall be responsible for any breach of the provisions of the Agreement by such person or entity; and
  - (k) each Party may by written notice to the other Party specify which of the Party's employees, officers or agents are required to sign a non-disclosure undertaking.
- 19.2. The duties and obligations with regard to Confidential Information in this clause 19 shall not apply where -
- (a) a Party can demonstrate that such information is already in the public domain or becomes available to the public through no breach of the Agreement by that Party, or its Staff; or
  - (b) was rightfully in a Party's possession prior to receipt from the other Party, as proven by the first-mentioned Party's written records, without an infringement of an obligation or duty of confidentiality; or
  - (c) can be proved to have been rightfully received by a Party from a third party without a breach of a duty or obligation of confidentiality; or
  - (d) is independently developed by a Party as proven by its written records.

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19.3. This clause 19 shall survive termination for any reason of the Agreement and shall remain in force and effect from the Commencement Date of the Agreement and 5 (five) years after the termination of the Agreement. Upon termination of the Agreement, all documentation furnished to the Supplier by Transnet pursuant to the Agreement shall be returned to Transnet including, without limitation, all corporate identity equipment including dies, blocks, labels, advertising matter, printing matter and the like.

## **20. INSURANCES**

- 20.1. Without limiting the liability of the Supplier under the Agreement, the Supplier shall take out insurance in respect of all risks for which it is prudent for the Supplier to insure against including any liability it may have as a result of its activities under the Agreement for theft, destruction, loss of or damage to Goods, death or injury to any person and damage to property. The level of insurance will be kept under review by Transnet, on an annual basis, to ensure its adequacy, provided that any variation to the level of such insurance shall be entirely at the discretion of the Supplier.
- 20.2. The Supplier shall arrange insurance with reputable insurers and will produce to Transnet evidence of the existence of the policies on an annual basis within 30 (thirty) days after date of policy renewals.
- 20.3. Subject to sub-clause 20.4 below, if the Supplier fails to effect adequate insurance under this clause 20, it shall notify Transnet in writing as soon as it becomes aware of the reduction or inadequate cover and Transnet may arrange or purchase such insurance. The Supplier shall promptly reimburse Transnet for any premiums paid provided such insurance protects the Supplier's liability. Transnet assumes no responsibility for such insurance being adequate to protect all of the Supplier's liability.
- 20.4. In the event that the Supplier receives written notice from its insurers advising of the termination of its insurance cover referred to in sub-clause 20.1 above or if the insurance ceases to be available upon commercially reasonable terms, the Supplier shall immediately notify Transnet in writing of such termination and/or unavailability, whereafter either the Supplier or Transnet may terminate the Agreement on giving the other Party not less than 30 (thirty) days prior written notice to that effect.

## **21. LIMITATION OF LIABILITY**

- 21.1. The Supplier's liability under this clause 21 shall be in addition to any warranty or condition of any kind, express or implied by law or otherwise, relating to the Goods or ancillary Services,

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including the quality of the Goods or ancillary Services or any materials delivered pursuant to the Agreement.

21.2. Neither Party excludes or limits liability to the other Party for -

- (a) death or personal injury caused by its negligence, (including its employees', agents' or Subcontractors' negligence); or
- (b) fraud.

21.3. Neither Party accepts liability for damages and claims of a special, indirect or consequential nature arising as a result of the performance or non-performance of the Agreement, provided that such loss, damages or claims are not the direct result of the willful acts or omissions and/or negligence or of any event which could reasonably have been foreseen and avoided on the part of the other Party. The phrase, "special, indirect or consequential" is deemed to include economic loss, loss of opportunity, loss of profit or revenue, and loss or damage in connection with claims against the principal by third parties.

21.4. Nothing in this clause 21 shall be taken as limiting the liability of the Parties in respect of clauses 19 (CONFIDENTIALITY) and 22 (INTELLECTUAL PROPERTY RIGHTS).

## **22. INTELLECTUAL PROPERTY RIGHTS**

### **22.1. Title to Confidential Information**

- (a) Transnet will retain all right, title and interest in and to its Confidential Information and Background Intellectual Property and the Supplier acknowledges that it has no claim of any nature in and to the Confidential Information and Background Intellectual Property that is proprietary to Transnet. For the avoidance of doubt, all the Supplier's Background Intellectual Property shall remain vested in the Supplier.
- (b) Transnet shall grant to the Supplier an irrevocable royalty free non-exclusive licence to use Transnet's Background Intellectual Property only for the Permitted Purpose. This licence shall not permit the Supplier to sub-license to other parties.
- (c) The Supplier shall grant to Transnet an irrevocable, royalty free, non-exclusive licence to use the Supplier's Background Intellectual Property for the Permitted Purpose. This licence shall not permit Transnet to sub-license to other parties.
- (d) The Supplier shall grant Transnet access to the Supplier's Background Intellectual Property on terms which shall be bona fide negotiated between the Parties for the purpose

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of commercially exploiting the Foreground Intellectual Property, to the extent that such access is required.

## 22.2. Title to Intellectual Property

- (a) All right, title and interest in and to Foreground Intellectual Property prepared conceived or developed by the Supplier, its researchers, agents and employees shall vest in Transnet and the Supplier acknowledges that it has no claim of any nature in and to the Foreground Intellectual Property. The Supplier shall not at any time during or after the termination or cancellation of the Agreement dispute the validity or enforceability of such Foreground Intellectual Property, or cause to be done any act or anything contesting or in any way impairing or tending to impair any part of that right, title and interest to any of the Foreground Intellectual Property and shall not counsel or assist any person to do so.
- (b) Transnet shall be entitled to seek protection in respect of the Foreground Intellectual Property anywhere in the world as it shall decide in its own absolute discretion and the Supplier shall reasonably assist Transnet in attaining and maintaining protection of the Foreground Intellectual Property.
- (c) Where the Foreground Intellectual Property was created by the Supplier or its researchers, agents and employees and where Transnet elects not to exercise its option to seek protection or decides to discontinue the financial support of the prosecution or maintenance of any such protection, Transnet shall notify the Supplier who shall have the right of first refusal to file or continue prosecution or maintain any such applications and to maintain any protection issuing on the Foreground Intellectual Property.
- (d) No consideration shall be paid by Transnet to the Supplier for the assignment of any Foreground Intellectual Property from the Supplier to Transnet, over and above the sums payable in terms of the Agreement. The Supplier undertakes to sign all documents and do all things as may be necessary to effect, record and perfect the assignment of the Foreground Intellectual Property to Transnet.
- (e) Subject to anything contrary contained in the Agreement and/or the prior written consent of Transnet (which consent shall not be unreasonably be withheld), the Supplier shall under no circumstances be entitled as of right, or to claim the right, to use Transnet's Background Intellectual Property and/or Foreground intellectual Property.

## 22.3. Title to Improvements

Any improvements, developments, adaptations and/or modifications to the Foreground Intellectual Property, and any and all new inventions or discoveries, based on or resulting from

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the use of Transnet's Background Intellectual Property and/or Confidential Information shall be exclusively owned by Transnet. The Supplier shall disclose promptly to Transnet all such improvements, developments, adaptations and/or modifications, inventions or discoveries. The Supplier hereby undertakes to sign all documents and do all things as may be necessary to effect, record and perfect the assignment of such improvements, developments, adaptations and/or modifications, inventions or discoveries to Transnet and the Supplier shall reasonably assist Transnet in attaining, maintaining or documenting ownership and/or protection of the improved Foreground Intellectual Property.

#### **22.4. Unauthorised Use of Confidential Information**

The Supplier shall not authorise any party to act on or use in any way any Confidential Information belonging to Transnet whether or not such party is aware of such Confidential Information, and shall promptly notify Transnet of the information if it becomes aware of any party so acting, and shall provide Transnet the information with such assistance as Transnet reasonably requires, at Transnet's cost and expense, to prevent such third party from so acting.

#### **22.5. Unauthorised Use of Intellectual Property**

- (a) The Supplier agrees to notify Transnet in writing of any conflicting uses of, and applications of registrations of Patents, Designs and Trade Marks or any act of infringement, unfair competition or passing off involving the Intellectual Property of Transnet of which the Supplier acquires knowledge and Transnet shall have the right, as its own option, to proceed against any party infringing its Intellectual Property.
- (b) It shall be within the discretion of Transnet to determine what steps shall be taken against the infringer and the Supplier shall co-operate fully with Transnet, at Transnet's cost, in whatever measure including legal action to bring any infringement of illegal use to an end.
- (c) The Supplier shall cooperate to provide Transnet promptly with all relevant ascertainable facts.
- (d) If proceedings are commenced by Transnet alone, Transnet shall be responsible for all expenses but shall be entitled to all damages or other award arising out of such proceedings. If proceedings are commenced by both Parties, both Parties will be responsible for the expenses and both Parties shall be entitled to damages or other award arising out of proceedings.

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**23. NON-WAIVER**

- 23.1. Failure or neglect by either Party, at any time, to enforce any of the provisions of the Agreement, shall not in any manner be construed to be a waiver of any of that Party's rights in that regard and in terms of the Agreement.
- 23.2. Such failure or neglect shall not in any manner affect the continued, unaltered validity of the Agreement, or prejudice the right of that Party to institute subsequent action.

**24. PARTIAL INVALIDITY**

If any provision of the Agreement shall be held to be invalid, illegal or unenforceable, or shall be required to be modified, the validity, legality and enforceability of the remaining provisions shall not be affected thereby.

**25. DISPUTE RESOLUTION**

- 25.1. Should any dispute of whatsoever nature arise between the Parties concerning the Agreement, the Parties shall try to resolve the dispute by negotiation within 10 (ten) Business Days of such dispute arising.
- 25.2. If the dispute has not been resolved by such negotiation, either of the Parties may refer the dispute to AFSA and notify the other Party accordingly.
- 25.3. Such dispute shall be finally resolved in accordance with the rules of AFSA by an arbitrator or arbitrators appointed by AFSA.
- 25.4. This clause constitutes an irrevocable consent by the Parties to any proceedings in terms hereof, and neither of the Parties shall be entitled to withdraw from the provisions of this clause or claim at any such proceedings that it is not bound by this clause 25.
- 25.5. This clause 25 is severable from the rest of the Agreement and shall remain in effect even if the Agreement is terminated for any reason.
- 25.6. This clause 25 shall not preclude either Party from seeking urgent relief in a court of appropriate jurisdiction, where grounds for urgency exist.

**26. ADDRESSES FOR NOTICES**

- 26.1. The Parties to the Agreement select the physical addresses and facsimile numbers, detailed in Annexure A hereto, as their respective addresses for giving or sending any notice provided for or required in terms of the Agreement, provided that either Party shall be entitled to substitute such other address or facsimile number, as may be, by written notice to the other.

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26.2. Any notice addressed to a Party at its physical or postal address shall be sent by prepaid registered post, or delivered by hand, or sent by facsimile.

26.3. Any notice shall be deemed to have been given -

- (a) if posted by prepaid registered post, 10 (ten) days after the date of posting thereof;
- (b) if hand delivered, on the day of delivery; or
- (c) if sent by facsimile, on the date and time of sending of such facsimile, as evidenced by a facsimile confirmation printout, provided that such notice shall be confirmed by prepaid registered post on the date of dispatch of such facsimile, or, should no postal facilities be available on that date, on the next Business Day.

## 27. WHOLE AND ONLY AGREEMENT

27.1. The Parties hereby confirm that the Agreement constitutes the whole and only agreement between them with regard to the subject matter of the Agreement.

27.2. The Parties hereby confirm that the Agreement replaces all other agreements which exist or may have existed in any form whatsoever between them, with regard to the subject matter dealt with in the Agreement, any annexures appended hereto and the Schedule of Requirements.

## 28. AMENDMENT AND CHANGE CONTROL

Any amendment or change of any nature made to the Agreement and the Schedule of Requirements thereof shall only be valid if it is in writing, signed by both Parties and added to the Agreement as an addendum hereto.

## 29. GENERAL

29.1. **Governing Law:** The Agreement is exclusively governed by and construed in accordance with the laws of the Republic of South Africa and is subject to the jurisdiction of the courts of the Republic of South Africa.

29.2. **Change of Law:** In the Agreement, unless the context otherwise requires, references to a statutory provision include references to that statutory provision as from time to time amended, extended or re-enacted and any regulations made under it, provided that in the event that the amendment, extension or re-enactment of any statutory provision or introduction of any new statutory provision has a material impact on the obligations of either Party, the Parties will negotiate in good faith to agree such amendments to the Agreement as may be appropriate in the circumstances. If, within a reasonable period of time, the Supplier and Transnet cannot reach agreement on the nature of the changes required or on modification of Prices, delivery

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schedules, warranties, or other terms and conditions, either Party may seek to have the matter determined in accordance with clause 25 (DISPUTE RESOLUTION) above.

- 29.3. **Counterparts:** The Agreement may be signed in any number of counterparts, all of which taken together shall constitute one and the same instrument. Either Party may enter into the Agreement by signing any such counterpart.

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## **SPOORNET SPECIFICATION**

**Spoornet : PWM 2/5  
(Issued March 1996)**

**SPECIFICATION FOR MONOLITHIC PRE-STRESSED  
CONCRETE SLEEPERS USED ON 1 065 mm GAUGE RAILWAY  
TRACK**

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B. Quality of Concrete

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## **1. SCOPE**

This specification is compiled for monolithic pre-stressed concrete sleepers used on a 1 065 mm gauge railway track.

## **2. DEFINITION**

"Chief Engineer" means the Chief Engineer, Infrastructure of Spoornet or any other officer of Spoornet lawfully acting on his behalf.

## **3. ACCEPTABLE DESIGNS**

- 3.1. The reinforcement of the sleeper is to be designed by the Tenderer and sleepers to this design must have been satisfactorily tested by Spoornet.
- 3.2. The design offered must have passed the experimental stage and at the time of submission of the tender, a minimum of 3 000 sleepers of the design must be in use in running lines for at least 2 years.

## **4. ELASTIC FASTENINGS**

- 4.1. TENDERERS MUST SUBMIT ALTERNATIVE QUOTATIONS FOR PROPRIETARY BRANDS OF FASTENINGS PRESENTLY IN USE ON SPOORNET.
- 4.2. The design of the sleepers must make provision for elastic fastenings according to Specification CCE 1/5/2 (July 1976).
- 4.3. In design of elastic fastenings where shoulders for securing the rails in position are cast into the sleeper, particular attention must be paid to fixing these shoulders in position in such a way that they are firmly embedded and will not become loose.

- 4.4. Where ferrous components of the fastenings to be cast into the sleeper require a hot-dip zinc (galvanised), this shall be done prior to casting into the sleeper and to SABS 763-1988 . Any minimum internal diameters specified by the fastening manufacturer shall be adhered to.
- 4.5. Components of the fastenings required to be cast into the sleeper must be placed in the sleeper to the dimensions and within the tolerances specified by the manufacturer of the fastenings.
- 4.6. Any components of the fastenings that are to be cast into the sleeper are to be supplied by the manufacturer of the sleeper and the price quoted for the sleeper must include these components.

## 5. **SHAPE AND SIZE OF SLEEPER**

- 5.1. The sleeper shall be of the shape and dimensions as indicated on the following drawings :

Sleeper type	Drawing
P2	E3303 sheet 1
F4	E3303 sheet 2
PY	E3318 sheet 1
FY	E3318 sheet 2
PA(paved)	E3343 sheet 1
PYwing	Based on E3318 sheet 1

## 6. **DESIGN REQUIREMENTS**

- 6.1. The sleeper shall be reinforced to withstand the following moments of resistance without exceeding the maximum permissible stress.

Sleeper type	Positive moment Railseat kN.m	Negative moment centre of sleeper kN.m
P2/F4 (2057 mm)	11.2	10.2
PY/FY/PYwing (2200 mm)	17.2	13.75
PA	11.2	10.2

- 6.2. A maximum **tensile** concrete stress (concrete strength 60 MPa and higher) not exceeding 3.5 MPa (SABS 0100-1:1992) will be permitted in the computation of the above resistance moments.
- 6.3. The maximum permissible **compressive** stress in the concrete due to the stressing force alone, is not to exceed 11,75 MPa.
- 6.4. Tenders must be accompanied by detailed plans and design calculations proving that the minimum resistance moments have been fully provided for.
- 6.5. Only designs using bonded reinforcement will be accepted and only reinforcement of a deformed design approved by the Chief Engineer will be accepted.
- 6.6. Where positive end anchorage is provided, plain reinforcement can be used.
- 6.7. Tenderers are asked to give details of the minimum ultimate tensile strength of the reinforcing steel to be used.

Tenderers are also asked to give details of the initial and final stresses in the reinforcement. These should not exceed the following values :-

- (a) Initial stress - 75% of minimum ultimate stress.
- (b) Final stress - 60% of minimum ultimate stress.

## 7. **BENDING TEST REQUIREMENTS**

- 7.1. In order to verify the resistance against tension cracks, the accepted sleeper design must pass dynamic production control tests for:
  - 7.1.1. Positive and negative bending at midspan, and
  - 7.1.2. Positive bending under the rail seat.
  - 7.1.3. The sample size for dynamic production control tests will be determined by Spoornet for every manufacturing plant.
- 7.2. Tenderers are therefore required to submit a detailed analysis specifying the magnitude of the three resistance moments, computed for a tensile concrete stress of 6,2 MPa. No visible cracking must occur before these bending moment values have been reached.

7.3. The offers must also contain details of the proposed testing arrangement, viz. disposition of any type of supports, number and points of application of the test loads including the magnitude of the test loads to produce the bending moments specified above. The suggested test arrangement must be approved by the Chief Engineer, and may be modified to suit Spoonet's requirements after which it will form part of this specification.

7.4. Pre-tensioned sleepers shall be tested as specified below :

7.4.1. The test load shall be applied at rate not exceeding 20 kN per minute.

7.4.2. The load (P), required to produce the specified design moment, may be applied at a faster rate than specified in (7.4.1).

The loading shall then be continued at the rate prescribed in 7.4.1, until the first crack becomes visible. If the ratio of this load (P1) to the load (P2), which is the theoretical no crack load at which the tensile stress in the concrete is 6,2 MPa, is less than 1,0 the sleeper has failed.

(iii) Should any sleeper fail in (ii) above, Spoonet reserves the right either :

(a) To reject all the sleepers cast on the day with the failed test sleeper.

(b) To order additional tests of sleepers from the day's production of the sleepers concerned at no cost.

A minimum of 3 additional sleepers from the day's production shall be tested in the case of (b) above and the final acceptance or rejection of the day's production will be based on the results of these additional tests.

7.5. Bending moment tests on sleepers taken at random from normal production will be done in Spoonet's laboratory as and when required. Normally one sleeper of each type per contract per distribution term will be required and will be paid for by Spoonet except when further tests are required following the failure of a bending test.

Sleepers required for bending tests shall be delivered to Spoonet's laboratory by the manufacturer at no extra cost. These test sleepers shall also be removed by the manufacturer after completion of the tests or when making the next delivery.

## 8. **QUALITY OF GROUTING MORTAR**

All openings in the end faces of sleepers - used for stressing and anchoring purposes - must be carefully plugged against the ingress of moisture with cement mortar having a minimum compressive strength of 28 MPa after 28 days. See also Clause 12.6.

## 9. **TOLERANCES**

- 9.1. The tolerances shown on the following drawing shall be adhered to. Any changes in these tolerances shall require Spoornet's prior approval in writing.

Sleeper type	Drawing
P2	E3303 sheet 1
F4	E3303 sheet 2
PY	E3318 sheet 1
FY	E3318 sheet 2
PA	E3343 sheet 1
PYwing	Based on E3318 sheet 1

- 9.2. A tolerance of  $\pm 5$  mm shall apply to the length, width and depth of the concrete sleeper unless otherwise shown on the drawings.
- 9.3. The rail bearing surfaces on the sleeper must be true and flat to within 0,5 mm.
- 9.4. The cant of the rail seat shall be not less than 1:21 and not more than 1:18.
- 9.5. An adverse combination of the tolerance described in clause 9.4 and other tolerances affecting gauge will not be permissible. Therefore, when portions of the appropriate mass of rail together with the necessary fastenings (all correct to nominal size) are mounted on a sleeper or sleepers, the track gauge is to be correct within a tolerance of  $\pm 1,5$  mm.

Notwithstanding clause 1 of this specification, the track gauge referred to above shall be the following:



- a) 1064mm  $\pm$ 1.5 mm for 48 kg/m rails on P2 sleepers
- b) 1065mm  $\pm$ 1.5 mm for 48 kg/m rails on F4 sleepers
- c) 1066mm  $\pm$ 1.5 mm for 60 kg/m rails on PY sleepers
- d) 1067mm  $\pm$ 1.5 mm for 60 kg/m rails on FY sleepers
- e) 1065mm  $\pm$ 1.5 mm for 48 kg/m rails on PA (paved) sleepers
- f) 1066mm  $\pm$ 1.5 mm for 60 kg/m rails on PYwing sleepers

- 9.6. The relative twist between the two rail seats shall not exceed an angle of 30 minutes.
- 9.7. See Appendix C for measuring apparatus.

## 10. ACCEPTANCE TESTS

- 10.1. Strength Defects : Should any bonding tests as described in Section 7 or concrete quality tests as described in Appendix B, fail to achieve the required results, that day's production must be held in reserve pending the outcome of further tests as specified in Section 7 and Appendix B.
- 10.2. Other defects : From each days production(lot), a minimum of 10% of the sleepers representative of the lot shall be made available for inspection.

The lot shall be accepted or rejected in accordance with the following procedure.

The "GO" and "NO GO" gauges, in conjunction with feeler or wedge type gauges where applicable, shall be used.

### 10.3. "A" Defects

- A1 Both defects B1 and B5 on the same sleeper
- A2 Both defects B2 and B4 on the same sleeper
- A3 Cast-in components of fastening too low (excessive clamping force)
- A4 Cast-in components of fastening too high (insufficient clamping force)
- A4 Total percentage of defects B4 + B5

10.4. "B" Defects

- B1 Excessive distance between outside shoulders
- B2 Insufficient distance between outside shoulders
- B3 Insufficient distance between shoulders of individual railseat
- B4 Rail seat cant steeper than 1:18
- B5 Rail seat cant flatter than 1:21
- B6 Excessive rail seat width

10.5. "C" Defects

- C1 Excessive distance between shoulders of individual rail seat
- C2 Twist exceeding 30 minutes.
- C3 Rail seat flatness not acceptable
- C4 Insufficient rail seat width
- C5 General appearance ect. as defined by Clause 11.1, 11.2, 12.2, 12.5 and 17.2
- C6 Total percentage of defects B1 + B2
- C7 Total percentage of defects B3 + C1
- C8 Total percentage of defects B6 + C4

10.6. The lot shall be rejected on the results of the sample if the percentage of checkpoints at which any individual defect occurs exceeds

- 6% for "A" defects
- 10% for "B" defects
- 15% for "C" defects

10.7. In all cases of rejection, full particulars shall be made available to the Chief Engineer.

**11. MARKING**

11.1. All sleepers are to be marked with the following:

- Spoornet Logo
- Year and month of manufacture
- Manufacturer's identification mark

- Sleeper fastening identification mark (eg. P2, PY, F4, FY, etc.)
- Place of manufacturing

11.2. Such marking must be indented lettering

## 12. **MANUFACTURE OF SLEEPERS**

- 12.1. Particular care is to be taken that the rail seats are smooth and even and within the tolerances laid down in Clause 9.3.
- 12.2. Spoornet will not accept sleepers where the cover is insufficient or where there are signs that the concrete is cracked. There shall be no projections of reinforcing which will cause tearing of clothing, or skin. These projections shall not exceed 1 mm.
- 12.3. Full details of the curing method to be adopted must be submitted with the tender and this will become part of this specification if approved.
- 12.4. Where vapour curing is used the following shall apply:
- (i) For at least two hours after casting the sleepers shall not be subjected to steam.
  - (ii) The temperature shall be raised by not more than  $15^{\circ}\text{C}$  during the first hour of steaming.
  - (iii) After the first hour of steaming the rate of increase in temperature shall not exceed  $10^{\circ}\text{C}$  per hour.
  - (iv) When a temperature of  $60^{\circ}\text{C}$  has been reached it shall be maintained until a concrete strength of 30 MPa is reached. This temperature must not maintain for more than 6 hours.
  - (v) On no account shall the temperature exceed  $60^{\circ}\text{C}$ .
- 12.5. Reinforcement placed in pre-formed ducts is to be grouted by means of cement grout under pressure.
- 12.6. Recesses formed in the end faces of the sleeper for the purpose of tensioning the reinforcement are to be plugged with cement mortar.

### 13. **CONTROLLING OF ALKALI-SILICA REACTION (ASR)**

- 13.1. The alkali reactivity of aggregates used on the different manufacturing plants must be determined on a six monthly basis by an approved institution.
- 13.2. A copy of results (from each supplier) tested in 13.1 must be forward to Spoornet.
- 13.3. Spoornet reserves the right to draw a sample of aggregate on the manufacturing plant and test it for the alkali-reactivity.
- 13.4. For alkali-reactive aggregate the total content in kilogram  $\text{Na}_2\text{O}$  equivalent per cubic metre should not exceed the limits given in table below for aggregates from the different lithostratigraphic units.
- 13.5. To minimise the risk of ASR the following extenders can be used
  - Ground granulated blastfurnace slag (GGBS) at least 40% by mass
  - Fly ash (FA) at least 20% by mass

The limit of alkali content per cubic metre of concrete for South African aggregates from different lithostratigraphic units are as follows (Fulton's concrete Technology, 1994)

Rock type	Total $\text{Na}_2\text{O}$ equivalent ( $\text{kg/m}^3$ )
• Witwatersrand Supergroup quartzite, shale	2.0
• Dolomite Group chert	2.8
• Malmesbury Group metasediments	2.1
• Table mountain Group orthoquartzite	2.8
• Bokkeveld Group arkose	2.8
• Natal Group Quartzite, sandstone	2.8
• Dwyka Formation tillite	2.8
• Enon Formation quartzite pebbles	2.8
• Quaternary	2.8
	4.0

### 14. **INFORMATION TO BE SUBMITTED BY TENDERERS**

- 14.1. The place of manufacture of the concrete sleepers.
- 14.2. A brief description of their method of manufacture.

- 14.3. Detailed drawing including tolerances and the proposed method of marking the sleepers. These drawing shall bear the signature of approval of the fastening manufacturer that they comply in all respects with the requirements of that particular fastening system.
- 14.4. Detailed specifications which must lay down clearly the various strength and quality tests which apply to the sleepers.
- 14.5. Details of quality control organisation plus copies of the following quality control records shall be submitted to the Chief Engineer at the end of every month for the duration of the contract.
  - 14.5.1. Concrete cube tests.
  - 14.5.2. Bend tests on sleepers.
  - 14.5.3. Stressing equipment, Dynamometer, ect.
  - 14.5.4. Calibration of test machines (yearly) for (1) and (2) above.
  - 14.5.5. The manufacturer must comply to ISO 9002 and must be a certified ISO 9002 manufacturer.

## **15. DELIVERY AND PACKAGING**

- 15.1. The sleepers shall be supplied loaded in railway trucks in the following manner :
  - (a) The sleepers are to be loaded rail seats uppermost transversely in layers: each layer being placed as nearly as possible in the middle of the truck.
  - (b) Each layer of sleepers including the bottom layer, is to rest on two strips of timber packing, each strip having a cross-section of not less than 38 mm x 38 mm.
- 15.2. The number of sleepers to be loaded in each truck shall be based on the permissible load of the vehicle but rounded off to the nearest multiple of 10.

## **16. GUARANTEE**

The supplier will be required to guarantee the sleepers against all defects attributable to faulty manufacture, workmanship and quality of materials for a period of 3 years after the sleepers have been placed in the track.

Sleepers that fail in service before the expiration of the guarantee period shall be replaced free of charge at the initial point of delivery.

#### **17. APPROVAL OF SLEEPERS AT POINT OF DELIVERY**

17.1. Before proceeding with the bulk of the work, the manufacturer is to assemble a short length of track, comprising two lengths of new rails of the appropriate weight, approximately 6 m long, on 6 sleepers complete with fastenings (see 9.5).

17.2. The top and side surfaces of the sleeper shall present a smooth, uniform appearance. A random scattering of surface voids will not be a cause for rejection. Heavy concentrations of surface voids or evidence of improper mixing, vibrating or curing will be a cause for rejection.

The surface finish and texture of the sleepers in the approved short length of track shall be used as a comparison for the acceptable surface finish of sleepers in production.

17.3. Arrangements for the attendance of the Chief Engineer must be done through the Inspector. The two lengths of rail will be supplied free of charge to the manufacturer, together with the necessary fastenings.

17.4. The Inspector may, however, require the manufacture from time to time to set up the short length of track mentioned in clause 17.1 to check on the cant and gauge.

#### **18. INSPECTION**

18.1. Inspection shall be carried out in terms of Clause 25 of the "General Conditions of Promat Tenders, Contracts and Order" (Form U.S.7).



- 18.2. The attention of Tenderers is directed to paragraph (c) of Clause 25 referred to above whereby suppliers are required to supply, without charge to Spoornet, all tolls, gauges, templates and other equipment which may be required for checking the accuracy of the work.

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## APPENDICES

- A. Method of making and Curing 50 mm Concrete Test Cubes.
- B. Quality of Concrete
- C. Apparatus for Measuring Tolerances

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## APPENDIX A

### METHOD OF MAKING AND CURING 150 mm CONCRETE TEST CUBES

#### 1.1. Moulds

Moulds shall conform to current SABS specifications.

#### 1.2. Vibrating Machine

The vibrating machine shall be capable of

- (a) Holding mould firmly attached to the machine during vibration,
- (b) Exercising vibration adequate to expel trapped air within 5 minutes so that no more air bubbles emerge.

#### 1.3. Method of Manufacture

Approximately 20 kg of concrete to be taken where the mixed concrete reaches the sleeper mould. This concrete to be spooned into the cube mould during vibration, and the surface worked level, within 5 minutes. Vibration then to continue for another minute.

#### 1.4. Duration of Manufacture

Vibration of test shall be completed within 45 minutes from the moment the dry cement enters the mixer.

#### 1.5. After Manufacture

After vibration the filled mould shall be covered and transferred back to the sleeper production line for overnight curing. The mould to be removed between 8 and 24 hours after completion of vibration, and the cube marked for identification and stored in water until time of testing, unless otherwise agreed.

## APPENDIX B

### QUALITY OF CONCRETE

- 2.1 The crushing strength of 150 mm cubes of the concrete from which sleepers are made shall be at least 60 MPa at 28 days.

Sleepers may be accepted at earlier age: only where the manufacturer can adequately demonstrate by means of a control chart (a) there is a consistent significant increase in strength from 7 to 28 days in at least 2 month's production, and (b), the 7 day strength of the sleeper: concerned indicates, via the same control chart, that the specified 28 day strength will be reached without question.

- 2.2 One set of three cubes each shall be cast for every three hundred sleepers or part thereof from different batches of concrete at different intervals throughout the day.
- 2.3 The Contractor shall ensure that the testing machine is at all times in correct adjustment and properly calibrated. The Engineer shall have the right to check the calibration by crushing his own cubes on the Contractor's machine and on the Chief Engineer's testing machine and if there is any material discrepancy, the Engineer's calibration shall be accepted.
- 2.4 A test result shall be regarded as the average result for a set of 3 cubes. If the difference between the highest and lowest results for the 3 cubes exceeds 15 per cent of the average, the test shall be rejected, and the standard of testing shall be deemed inadequate if more than 10 per cent of the tests have to be rejected.

Test results shall be recorded on a control chart. For each day's group the average strength shall exceed the strength specified in 2.1 by an amount not less than standard deviation computed from the last 20 recorded averages, failing which the day's production must be separately stacked and held in reserve. In such cases the matter must be reported by the Inspector to the Chief Engineer who will decide whether the sleepers may be accepted. For that purpose additional tests on the sleepers themselves shall be required. A minimum of 3 sleepers manufactured during the day concerned shall be tested in accordance with section 7 of this specification.

APPENDIX "C"

APPARATUS FOR MEASURING TO tolerances

3.1 Twist and Rail Seat Cant

The relative twist between the rail seats and the rail seat cant shall be measured by means of the apparatus illustrated in sketch A or similar.

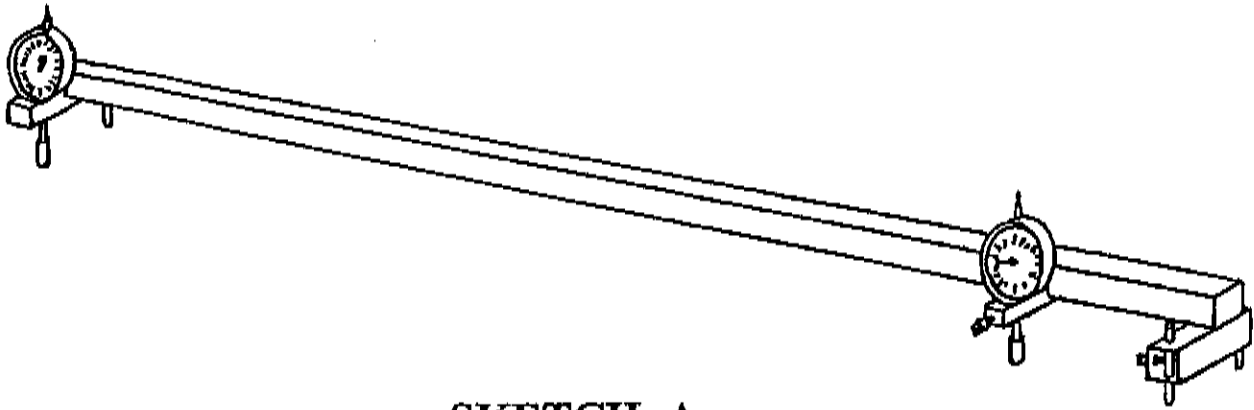
3.2 Rail Seat Width

Rail seat width shall be measured by means of the type of apparatus illustrated in sketch B or similar.

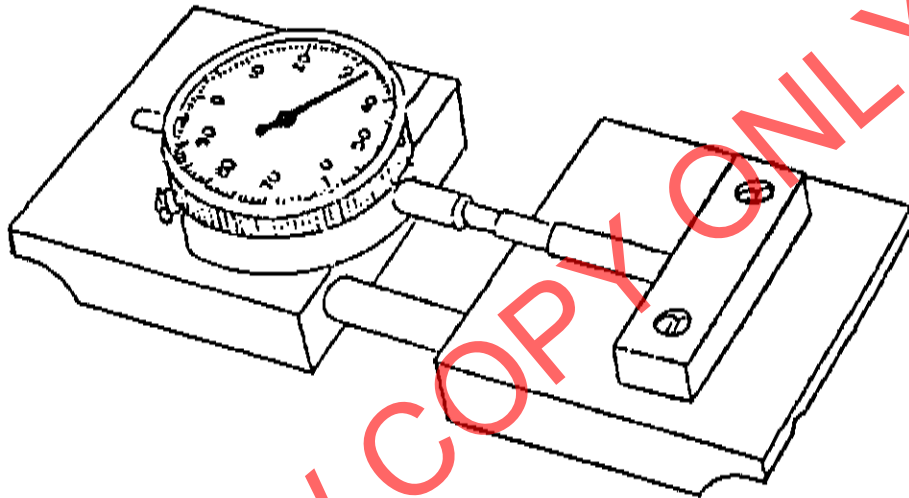
3.3 Flatness of Rail Seat

The flatness of the rail seat shall be measured by means of the type of apparatus illustrated in sketch C or similar.

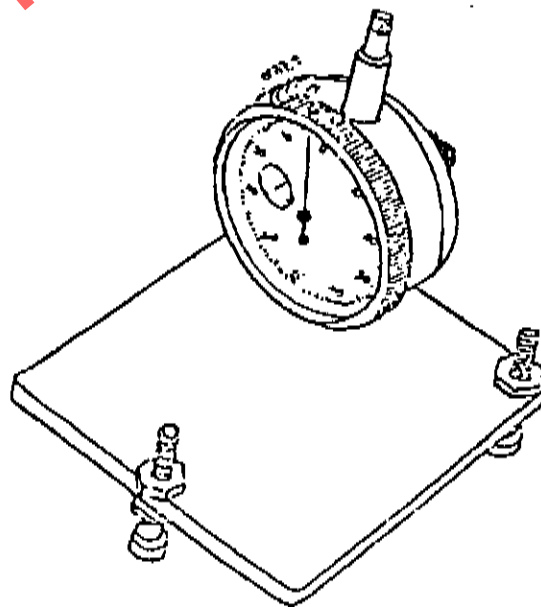
3.4 For each of the foregoing measurements the manufacturer shall make available similar or approved apparatus at his factory for the use of Spoornet's inspectors.



SKETCH A




SKETCH B



SKETCH C



Specification PWM 2/5 approved



D.A. Barnard  
Chief Engineer (Infrastructure)

Date: 96/09/04

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**Amendments to PWM 2/5**  
**Specification for monolithic pre-stressed concrete**  
**sleepers.**

The following changes and amendments must be added to the specifications as outlined below.

1. Add a clause 3.3  
 3.3 Each supplier must get their design (Reinforcing size, quantity and wire positions) approved before manufacturing any sleepers.
2. Add a clause 3.4  
 3.4 The bending moment in clause 6.1 represent the bending moment of the sleeper in an un-cracked state.
3. Replace clause 5.1 with the following clause  
 5.1 The sleepers shall be of the shape and dimensions as indicated on the following drawings:-

Sleeper type	Drawing
P2	E3303-sheet 1
F4	E3303-sheet 2
PY	E3318-sheet 1
FY	E3318-sheet 2
PA (paved)	E3343-sheet 1
PY wing	E3318 sheet 1
LP(Low profile)	See drawing attached

4. Add clause 5.2  
 5.2 All new moulds manufactured must be done in such a manner that the sleeper ends are flush.
5. Replace clause 6.1 with the following clause  
 6.1 The sleeper shall be reinforced to withstand the following moments of resistance without exceeding the maximum permissible stress.

Sleeper type	Positive moment Rail seat kN.m	Negative moment centre of sleeper kN.m
P2/F4 (2057 mm)	11.2	10.2
PY/FY/PY wing (2200 mm)	17.2	13.7
PA	11.2	10.2
Checkrail sleeper	17.2	13.7
LP (2100mm)	11.8	10.9

6. Replace clause 6.3 with the following clause:  
 6.3 The maximum permissible compressive stress in the concrete due to the stressing force alone ( $f_{ci}$ ) is not to exceed 11.75 MPa except for the LP sleeper where the value will be 13.7 MPa. The nominal compressed strength of a 150 mm concrete cubes at stress transfer must be more than 30 MPa where the ( $f_{ci}$ ) is 11.75 and 35 MPa if the ( $f_{ci}$ ) = 13.7 MPa.
7. Add the following paragraph to clause 8  
 Patching will be restricted to occasional damage to sleepers and not to fix manufacturing or mould design problems.  
 The water absorption of the grout must less than the water absorption of the sleeper.  
 The grout used for the repairs must be approved by Transnet.
8. Replace Section 9 with the following section 9  
**9 TOLLERANCES**  
 9.1 The tolerances shown on the following drawings shall be adhered to. Any changes in these tolerances shall require Transnet's prior approval in writing.

Sleeper type	Drawing
P2	E3303 sheet 1
F4	E3303 sheet 2
PY	E3318 sheet 1
FY	E3318 sheet 2
PA	E3343 sheet 1
PY wing	Based on E3318 Sheet 1
LP(Low profile)	See drawing attached

- 9.2 A tolerance of  $\pm 5$  mm shall apply to the length, width and depth of the concrete sleeper unless otherwise shown on the drawings.
- 9.3 The rail bearing surfaces on the sleeper must be true and flat to within 0.5mm
- 9.4 The cant of the rail seat shall be not less than 1:21 and not more that 1:18.
- 9.5 An adverse combination of the tolerance described in clause 9.4 and other tolerances affecting gauge will not be permissible. Therefore, when portions of the appropriate mass of rail together with the necessary fastenings (all correct to nominal size) are mounted on a sleeper or sleepers, the track

gauge is to be correct within a tolerance of  $\pm 1.5$  mm

Notwithstanding clause 9.1 of this specification, the track gauge referred to above shall be the following:

- a) 1064 mm  $\pm 1.5$  mm for 48 kg/m rails on P2 sleepers
- b) 1065 mm  $\pm 1.5$  mm for 48 kg/m rails on F4 sleepers
- c) 1065 mm  $\pm 1.5$  mm for 57 kg/m rails on F4 sleepers
- d) 1066 mm  $\pm 1.5$  mm for 60 kg/m rails on PY sleepers
- e) 1067 mm  $\pm 1.5$  mm for 60 kg/m rails on FY sleepers
- f) 1065 mm  $\pm 1.5$  mm for 48 kg/m rails on PA (paved) sleepers
- g) 1066 mm  $\pm 1.5$  mm for 60 kg/m rails on PY wing sleepers
- h) 1065mm  $\pm 1.5$ mm for 48kg/m rails on LP sleepers

9.6 The relative twist between the two rail seats shall not exceed an angle of 30 minutes.

9.7 See appendix C for measuring apparatus.

9.8 The angle of the sleepers when cut by saw will be  $90^\circ \pm 1^\circ$  in both planes.

**Amendments to PWM 2/14 Specification for monolithic pre-stressed concrete turnout sleepers.**

The following changes and amendments must be added to the specifications as outlined below.

1. Add a clause 3.3  
3.3 Each supplier must get their design (Reinforcing size, quantity and wire positions) approved before manufacturing any sleepers.
2. Add a clause 3.4:  
3.4 The bending moment in clause 6.1 represent the bending moment of the sleeper in an un-cracked state.
3. Replace clause 5 with the following clause.  
5.1 The crossing sleepers will be of the shape and size as approved by Transnet  
  
5.2 Details of each specific sleeper in the turnout will be supplied by the manufacturer of the steel hardware of the turnout.  
  
5.3 The sleepers shall be of the typical shape and dimensions as indicated on the following drawings:-

Sleeper type	Drawing
Turnout sleeper with 57 kg/m and 60 kg/m rails	See drawing attached
Turnout sleeper with 48 kg/m rails	
Universal sleeper	See drawing attached

5.4 The position of the wires in the universal sleeper will be in 3 vertical columns as shown in the drawing to allow for coring between the wires.

5.5 The universal sleepers must be sawn to the correct length at an angle of  $90^\circ \pm 1^\circ$ .

5.6 All new moulds manufactured must be done in such a manor that the sleeper ends are flush.

5.7 All universal sleepers must have visible indents on top of the sleeper indicating where the wire positions is in sleeper. These indents (8-10 mm diameter 2-3 mm deep) must be a maximum of 200 mm from each other.

5.8 The universal sleeper must be available in the following standard lengths (m) 2.1, 2.4, 2.7, 2.8, 3.0, 3.2, 3.8, 4.2 and 6.

4. Replace clause 6.1 with the following clause  
 6.1 The crossing sleeper shall be reinforced to withstand the following moments of resistance without exceeding the maximum permissible stress.

Sleeper type	Positive moment Rail seat kN.m	Negative moment centre of sleeper kN.m
Turnout sleeper with 60E rail profile.	27	17
Turnout sleeper with 48 kg/m rails	25.8	20.2
Universal sleeper	24.0	16.0

5. Replace clause 6.3 with the following clause:  
 6.3 The maximum permissible compressive stress in the concrete due to the stressing force alone (fci) is not to exceed 11.75 MPa. The nominal compressed strength of a 150 mm concrete cubes at stress transfer must be more than 30 MPa where the (fci) is 11.75.
6. Add the following paragraph to clause 8  
 Patching will be restricted to occasional damage to sleepers and not to fix manufacturing or mould design problems.  
 The water absorption of the grout must less than the water absorption of the sleeper.  
 The grout used for the repairs must be approved by Transnet.
7. Replace Section 9 with the following.

#### 9 TOLLERANCES

- 9.1 The tolerances shown on the following drawings shall be adhered to. Any changes in these tolerances shall require Transnet's prior approval in writing.

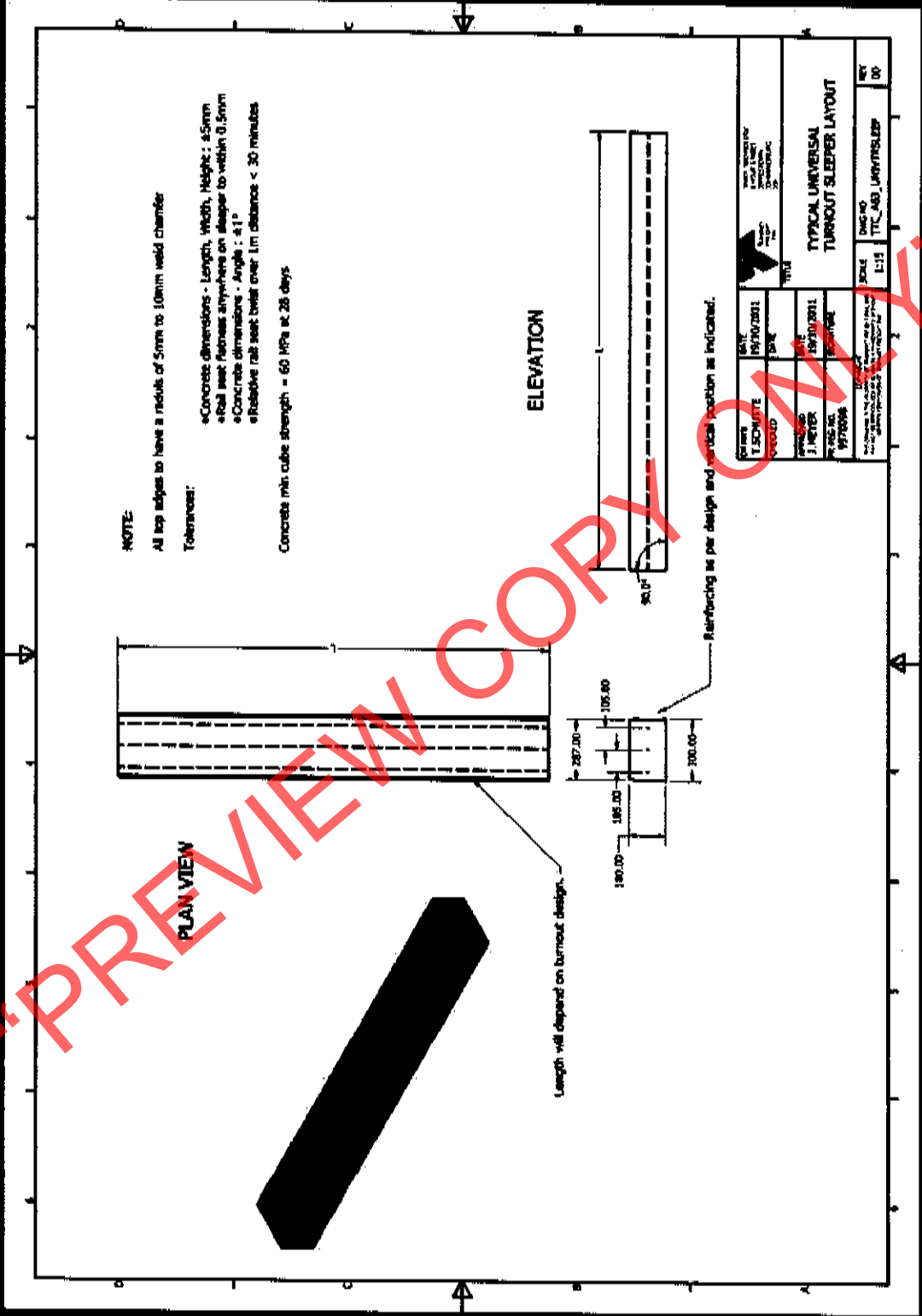
Sleeper type	Drawing
Turnout sleeper with 48 kg/m rails	See drawing attached
Universal sleeper	See drawing attached

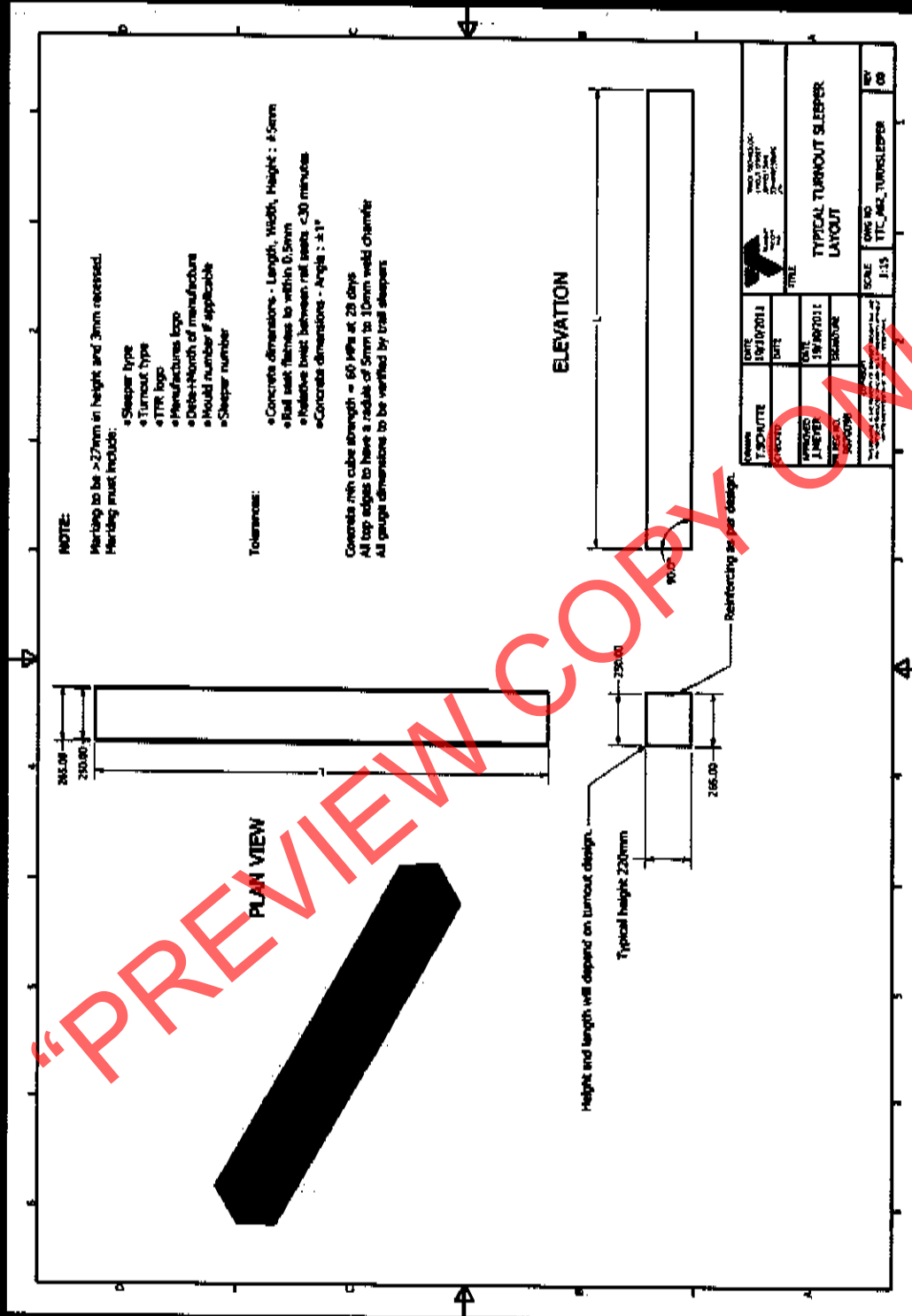
- 9.2 A tolerance of  $\pm 5$  mm shall apply to the length, width and depth of the concrete sleeper unless otherwise shown on the drawings.



- 9.3 The rail bearing surfaces on the sleeper must be true and flat to within 0.5mm anywhere on the sleeper
- 9.4 The tolerance on the cant of the rail seat shall be the specific cant  $+1^\circ$  and  $-2^\circ$ .
- 9.5 An adverse combination of the tolerance described in clause 9.4 and other tolerances affecting gauge will not be permissible. Therefore, when portions of the appropriate mass of rail together with the necessary fastenings (all correct to nominal size) are mounted on a sleeper or sleepers, the track gauge is to be correct within a tolerance of  $\pm 1.5$  mm
- Not withstanding clause 9.1 of this specification, the track gauge referred to above shall be as per the manufacture of the turnouts dimensions.
- 9.6 The relative twist over a 1 m length shall not exceed an angle of 30 minutes.
- 9.7 The angle of the sleepers when cut by saw will be  $90^\circ \pm 1^\circ$  in both planes
- 9.8 See appendix C for measuring apparatus.









**Annexure A**

**REQUEST FOR PROPOSAL**

**GUIDELINES FOR COMPLETION OF  
SUPPLIER DEVELOPMENT BID DOCUMENT**

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### Note

For the purposes of this document, any reference to a/the "Service Provider" shall be construed to mean a reference to a Respondent (in terms of this RFP) and/or to a successful Respondent (to whom the business is to be awarded), as so indicated by the context hereinafter.



## **1 What is 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, capacity and capability of the South African supply base where there are comparative advantages and potential competitive advantages of local or regional supply. This can be achieved through skills transfer, increasing the local content of items procured, as well as building new capability in the local supplier base. In addition, SD has its roots grounded firmly around the transformation of South Africa and the empowerment of previously disadvantaged individuals and enterprises.

## **2 Background and Guidance on the Supplier Development Objectives for South Africa**

As a developing economy with inherent structural and social imbalances, South Africa is facing the significant economic challenge of increasing growth in a manner that includes all South Africans. The historical lack of investment in infrastructure in South Africa has had significant negative impacts on local industry, resulting in a loss of key skills and a decrease in manufacturing industry capabilities. To respond to this, Government policies have been designed to address these imbalances and to act as a catalyst of change for the benefit of South Africa.

One of these Government policies, the New Growth Path (NGP) aims to enhance growth, employment creation and equity by reducing the dependencies of South African industries on imports, and promoting the development of skills and capabilities that are in short supply within the country. It identifies strategies that will enable South Africa to grow in a more equitable and inclusive manner and promotes the development of new industry to attain South Africa's developmental agenda.

Transnet's SD is closely aligned to the NGP objectives and as a result is able to fulfil its commitment to sustainability within South Africa whilst at the same time addressing other corporate objectives, including increasing productivity and efficiency, volume growth, capital investment, financial stability, funding, human capital, SHEQ regulatory compliance and improving customer service.

The combined objectives of Transnet and Government can be realised through:

- aggressively implementing capital investment plans which will result in competitive local industries;
- improving operational efficiency;
- using procurement to influence the development of the local supplier industry; and
- ensuring it creates sufficient opportunities for the participation of previously disadvantaged groups in the economy.

This will lead to Transnet achieving its long-term objective of increasing both shareholder and societal value using its procurement expenditure to ensure local development through sustainable localisation of its supply chain, and the inclusion of the previously disadvantaged individuals in the economy in a manner that is beneficial to Transnet, South African industry, and the population of South Africa. As a result this State Owned Enterprise (SOE) is able to fulfil its responsibility as the biggest player in the South African freight logistics chain whilst complementing the objectives of Government.

### 3 Transnet's Supplier Development Objectives and Framework

To aid its implementation of SD, Transnet has adapted an existing framework from the DPE. This framework allows for a basic set of principles to be applied to appropriately target SD initiatives. Supplier Development initiatives aim to assist local suppliers in developing their competitive advantage through increasing their capability and capacity potential. Hence the framework has been termed the Increased Competitiveness, Capability and Capacity (IC3) Supplier Development Classification Matrix.

This framework encapsulates the types of SD opportunities which Transnet currently considers effective and allows Transnet to move its SD structure away from a dynamic policy environment towards a framework that is designed around general Supplier Development objectives. This enables Transnet to adopt a standard structure but also allows the flexibility to reconsider emphasis on certain aspects as objectives change. The IC3 Matrix (refer to Figure 1 below) categorises SD opportunities in a matrix based on their value, extent of industrial leverage and strategic importance to Transnet. Further categorisation of opportunities into the relevant quadrants is based on supplier-buyer power, industrial complexity, risk and the length of procurement period.

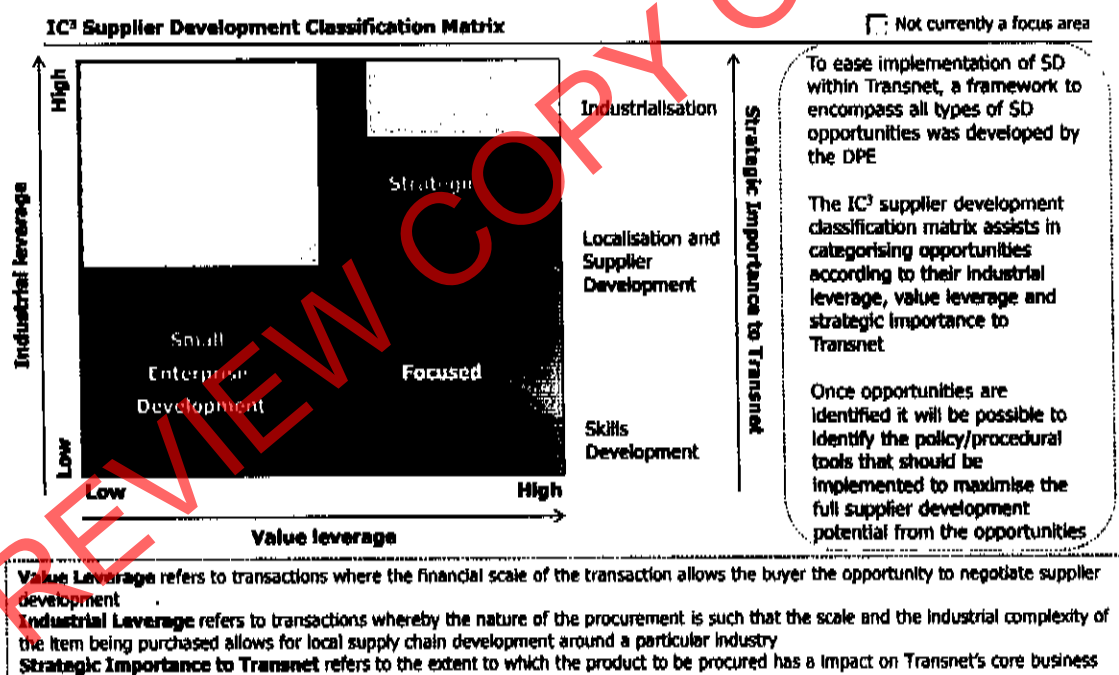


Figure 1: The IC3 Supplier Development Classification Matrix

In order for Service Providers to successfully meet the needs of a particular Initiative, a detailed understanding of each quadrant is required.

#### 3.1 Programmatic

Programmatic initiatives follow a longer than normal planning horizon and generally exceed the funding capacity of Transnet's balance sheet. Collaboration between the SOE and Government is achieved through focused task teams whereby infrastructure development and industrialisation is achieved through joint support and in some cases public spending. Investment is focused in plant, technology and skills in both intermediate and advanced capabilities to develop competitive advantage.

### 3.2 Strategic

Strategic initiatives follow a three to five year planning horizon, involving investment in at least plant, technology and/or skills in intermediate capabilities. This enforces the need for multinational corporations and Original Equipment Manufacturers (OEMs) to develop a certain percentage of their products locally. Strategic initiatives can therefore be used to achieve localisation objectives by increasing the competitiveness, capability and efficiency of local suppliers. Strategic initiatives can sometimes focus on advanced capabilities but will in most cases require Government support to develop local capability.

### 3.3 Focused

Focused initiatives include all high value transactions with limited industrial leverage and medium to low strategic importance. These initiatives address short to medium-term contracts that can be leveraged to encourage Supplier Development, with a focus on investment in technology or skills to enhance existing local capability. Emphasis will largely be placed on benefiting previously disadvantaged individuals. The overall result improves the socio-economic environment by creating competitive local suppliers and furthers objectives of empowerment, transformation and regional development.

### 3.4 Small Enterprise Development

Small Enterprise Development initiatives are typically of low value and have no industrial leverage as they are characterised by typically low complexity goods and high competition. These initiatives concentrate on increasing the capability of small local suppliers and are targeted toward historically disadvantaged individuals and communities, providing basic skills development and improving local employment and quality job creation. It includes a wide range of non-financial services that help entrepreneurs start new business and grow existing ones.

## 4 Response based on the IC<sup>3</sup> Matrix Quadrants

Based on the supplier-buyer power, industrial complexity, risk and the length of procurement period, the Service Provider is expected to formulate a SD Bid Document to identify the opportunities that it will pursue. Ideally the SD Bid Document should address factors that are specific to the applicable quadrant of the IC<sup>3</sup> matrix.

Transnet has identified a number of opportunities which may aid a Service Provider in formulating its response based on each quadrant. Each of the opportunities identified by the Service Provider should have a direct or indirect effect on the value it creates for the country in order to maximise the socio-economic impact.

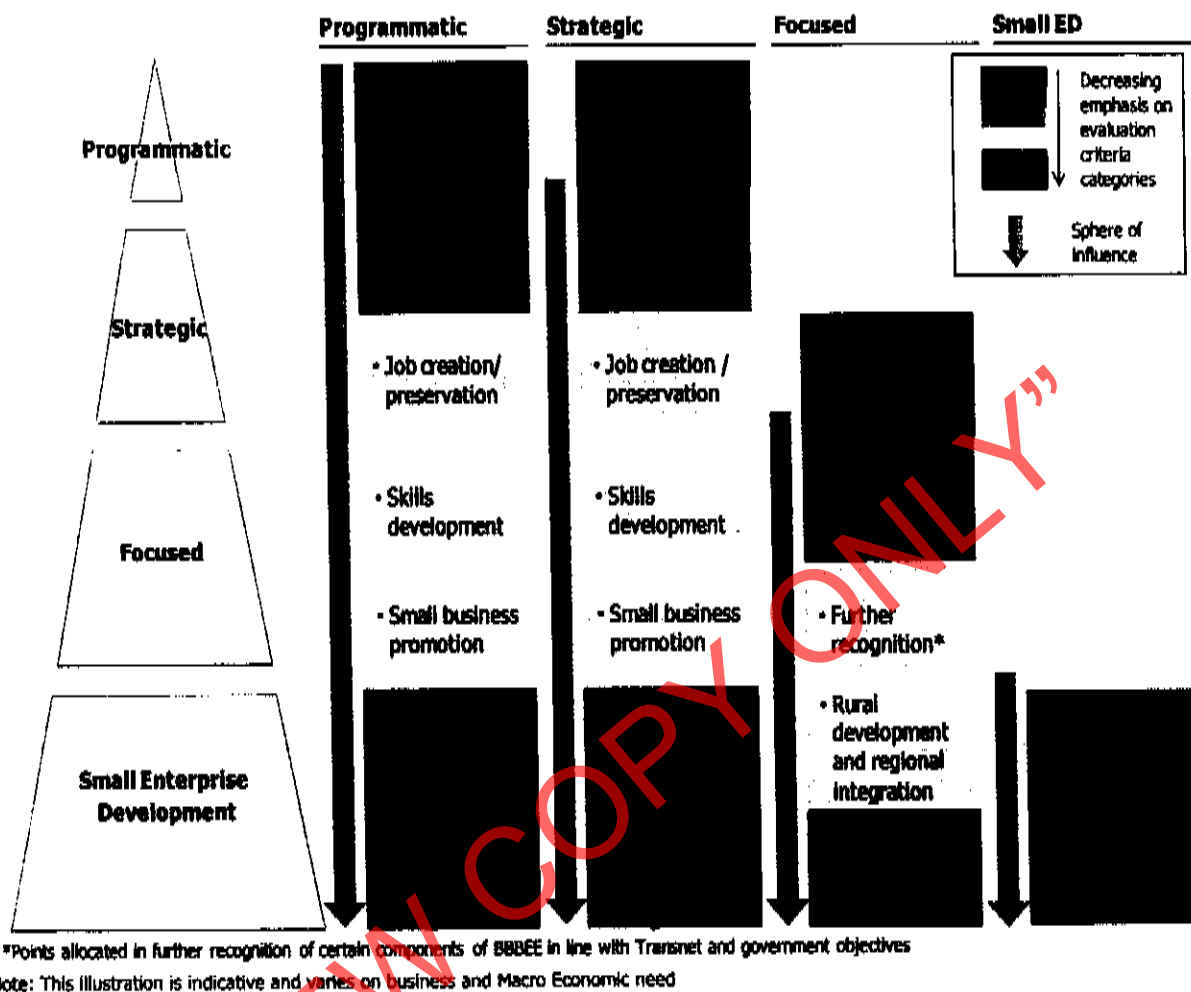


Figure 2: Transnet value capture through supplier influence

#### 4.1 Programmatic

The strategic objective of "Programmatic transactions" is to assist Government to achieve its industrialisation objectives through the development of the local supplier base, in order to increase the cost efficiency of SOE procurement, support and maintenance programmes. In order to satisfy this objective a number of focus areas and key outcomes have been identified:

- Programmatic Focus Areas -**
  - Technology transfer
  - Skills development related to the manufacturing process and the industry
  - Development of new technology and innovation
  - Investment in plant
  - Development of local companies aligned to empowerment objectives
- Key Outcomes -**
  - Industrialisation/localisation
  - Technology transfer
  - Skills development

#### 4.2 Strategic

The main objective of Strategic transactions is to leverage local downstream suppliers through large-scale SOE procurement in order to develop a competitive local supplier base. In response to these objectives the following are the specific focus areas and key outcomes applicable:

- a) Strategic Focus Areas -
  - Transfer of technology and innovation to local suppliers from foreign OEM's
  - Skills development related to the industry
  - Development of local companies aligned to empowerment objectives
- b) Key Outcomes -
  - Localisation
  - Increased technology transfer
  - Skills development
  - Job creation/preservation

#### 4.3 Focused

Focused initiatives assist local suppliers to improve their performance, enhance their existing production and skills capabilities with emphasis being placed on benefiting previously disadvantaged individuals and rural development. In order to satisfy these objectives a number of focus areas and key outcomes have been identified:

- a) Focused Focus Areas -
  - Developing a local supplier base that supports preferential procurement outcomes
  - Developing skills within the specific industry
  - Creating opportunity for job preservation
  - Reducing income inequality in specific regions
- b) Key Outcomes -
  - Empowerment
  - Skills development
  - Rural development
  - Job creation/preservation

#### 4.4 Small Business Development

Enterprise Development (ED) objectives are centred around assisting local suppliers to improve their skills by placing increased emphasis on benefiting previously disadvantaged individuals and rural development in line with the Broad-Based Black Economic Empowerment (B-BBEE) strategy. The following focus areas and key outcomes have been identified:

- a) Small Business Development Focus Areas -
  - Providing small businesses with opportunities and preferential trading terms, increased focus on black woman-owned enterprises, focus on the youth, people with disabilities and region- specific initiatives
  - Empowering previously disadvantaged individuals to create their own businesses resulting in quality job creation

- b) Key Outcomes -
- Empowerment
  - Rural development
  - Skills development
  - Job creation/preservation

Based on these focus areas and key outcomes, a Service Provider would need to actively focus on the quadrant-specific requirements in order to maximise the potential commercial benefit for Transnet, South Africa and themselves. In doing so value can be created across all lines of reporting resulting in continued relations.

## 5 Supplier Development Category Definitions and High Level Descriptions

### 5.1 Industrialisation

Industrialisation refers specifically to industrial capability building that will result in globally leading capabilities developed within South Africa.

Criteria	Description
Value of investment in plant	Quantification of the monetary value invested in machinery, equipment and/or buildings as a result of this RFP
Percentage of local content utilised in the investment of plant	Percentage value invested in machinery, equipment and/or buildings that are sourced from local companies
Reduction in import leakage	A percentage indication of the increase in locally supplied products and therefore the resultant decrease in imports as a result of the award of a contract
Potential increase in export content	The percentage increase in exports that will result from increased industrial capability locally in relation to the award of a contract

### 5.2 Localisation

Localisation refers specifically to industrial capability building that focuses on value-add activities of the local industry through manufacturing or service-related functions.

Criteria	Description
Percentage local content	Planned use of local parts as a percentage of the total contracted items
Value of local parts in relation to a bill of materials	Planned monetary value of the local parts utilised in a bill of materials (as a percentage of the total spend)
Value spent on local suppliers	Planned percentage monetary value spend on procurement of goods and services from SA suppliers
Number of local suppliers in the supply chain	Number of South African suppliers that are to be utilised in the fulfilment of a contract



### 5.3 Technology transfer/sustainability

Technology improvements are intangible assets with significant economic value. The Service Provider will be measured on its plan to transfer knowledge and IP to contribute towards capability building of the local supply base, which ultimately leads to improved efficiency and capability. Plans to assist in this by a Service Provider must be assessed to enable the local supply base to potentially export its newly-acquired technological know-how, thereby decreasing capital leakage.

Criteria	Description
Technology transfer including:	
➤ Methods of manufacturing	➤ Introduction of a new/improved method of manufacturing
➤ Introduction of new technologies	➤ Provision of new technologies: <ul style="list-style-type: none"> <li>○ For processes</li> <li>○ ICT</li> </ul>
➤ IP transfer (number and value)	➤ The provision of patents, trademarks and copyrights
Number of local suppliers to be evaluated for integration into the OEM supply chain	An indication of the number of South African suppliers that an OEM/Service Provider plans to evaluate for possible inclusion into its supply chain, should it meet the requirements

### 5.4 Skills development

Indicates the company's commitment to education and whether that fits in with targeted groups (artisans, technicians, etc.). Consideration needs to be directed towards the adequate quality and value of skills so developed in order to allow for better evaluation in line with Government's objectives.

Number of downstream supply chain individuals to be trained including: <ul style="list-style-type: none"> <li>• Number of artisans trained</li> <li>• Number of technicians trained</li> <li>• Number of black people trained</li> <li>• Total number of people trained</li> </ul>	Number of individuals that the Service Provider plans to train in the local industry over the contract period; training undertaken in the previous year will be taken into account
Number of company employees to be trained	Number of individuals within the company (in South Africa) that the Service Provider plans to train over the contract period; training undertaken in the previous year will not be taken into account as past employee training appears in the skills development pillar of the B-BBEE scorecard; criteria broken down as for industry training above
Certified training (yes/ no)	Compliance with local and/or international skills accreditation
Rand value spent on training	Total planned monetary value spend (as a % of contract value) on skills development/training for the contract period within the industry; money

Criteria	Description
	spent in the previous year will be included in year 1 to make allowance for Service Providers who have just completed a training drive within the industry
Number of bursaries/ scholarships (specify field of study)	The number of higher education bursaries/scholarships provided in the previous year and planned for the length of the contract
Number of apprentices (sector must be specified)	The number of apprentices that the Service Provider plans to enlist during the course of the contract
Investment in Schools in specific sectors e.g. engineering	The monetary value that the Service Provider is prepared to invest in the development and running of schools to increase technical skills development

### 5.5 Job creation/preservation

Job creation / preservation allow assessment of Government's objectives to increase labour absorption, focusing on unskilled workers and Black youth.

Criteria	Description
Number of jobs preserved	Number of jobs which would be preserved through Award of Contract
Number of jobs created including:	Number of jobs to be created during the period of the contract
<ul style="list-style-type: none"> <li>➤ New skilled jobs created</li> </ul>	<ul style="list-style-type: none"> <li>➤ Jobs for people in a specialised field of work requiring a defined training path and / or requisite level of experience in order for them to perform that role. These people could be in possession of a certificate, diploma or degree from a higher education institution</li> </ul>
<ul style="list-style-type: none"> <li>➤ New unskilled jobs created</li> </ul>	<ul style="list-style-type: none"> <li>➤ Jobs for people where the field of work does not require extensive formal training or from whom no minimum level of education is required</li> </ul>
<ul style="list-style-type: none"> <li>➤ Number of jobs created for youth</li> </ul>	<ul style="list-style-type: none"> <li>➤ Jobs created for individuals aged 16 – 30 years</li> </ul>
<ul style="list-style-type: none"> <li>➤ Number of jobs created for Black youth</li> </ul>	<ul style="list-style-type: none"> <li>➤ Jobs created for Black individuals aged 16 – 30 years</li> </ul>

### 5.6 Small business promotion

These criteria give an indication of the Service Provider's commitment to developing small business in line with NGP and B-BBEE requirements.

Criteria	Description
Percentage procurement from: <ul style="list-style-type: none"> <li>• QSEs</li> <li>• EMEs</li> <li>• Start-ups</li> </ul>	Refers to the planned procurement from small business as a % of the total planned procurement spend

Criteria	Description
Non-financial support provided to small business	Service Providers will be credited for each non-financial ED support that they are planning to give to small business e.g. Professional support; employee time allocated to assisting small business
Financial support provided to small business	Service Providers will be credited for each financial ED support initiative that they are planning to undertake during the contract period e.g. Shorter payment terms; interest free loans
Joint ED initiatives with Transnet	The number of ED initiatives that the Service Provider will jointly run with Transnet: <ul style="list-style-type: none"> <li>That are aligned to Transnet's objectives</li> <li>That are non-financial in nature</li> </ul>

### 5.7 Rural development/integration

The Service Provider's planned use of local labour and business will contribute to Governments NGP objectives and result in supply chain efficiencies. Commitment to rural development will result in the alleviation of poverty and thereby contribute to development objectives. The development must be sustainable in order to have a long-term and meaningful impact.

Criteria	Description
Number of local employees	Number of people employed from within the town/city of operation
Value spent on local business	Monetary value spent on businesses within the town/city of operation
Proximity of business to operations	The locality of the business in relation to operations, preference is given for regional (provincial) locality
Number of rural businesses to be developed	The number of rural businesses that the Service Provider plans to develop as a result of the contract
Value of development to local community (sustainable)	The monetary value spent on rural community development that will result in long-term social improvements

## 6 Market Intelligence Assistance

Service Providers with limited knowledge of the local market, supply base and its capabilities may require assistance in identifying local suppliers and the development needs in order to develop its SD Bid Document. The United Nations Industrial Development Organisation (UNIDO) supplies a benchmarking service in South Africa which will be able to assist Service Providers in identifying potential local suppliers with which to work. In addition, this service will provide insight as to the type of support that these local suppliers require in order to become more competitive. UNIDO's benchmarking tool gives insight into the performance levels being seen in Service Providers' businesses and the practices used to deliver the products or services being offered. The benchmarking tool focuses on:

### 6.1 Performance data relating to -

- a) Financial performance

- b) Customer data
- c) Processes
- d) Learning & growth

6.2 Company's current business situation -

- a) Plans for the business and capabilities to manage their fulfilment
- b) Ability to generate business
- c) Employee relationships
- d) Developing new markets
- e) Developing products and services
- f) Managing money

The UNIDO benchmarking tool provides a basic framework through which an understanding of the South African market can be established. Whilst the list of criteria may not be exhaustive, Service Providers are free to meet with UNIDO to further understand how they can work together to develop a deeper understanding of the market and the SD opportunities available.

**7 Government Policy Documents**

- NIPP [http://www.thedti.gov.za/industrial\\_development/nipp.jsp](http://www.thedti.gov.za/industrial_development/nipp.jsp)  
 IPAP2 <http://www.thedti.gov.za/DownloadFileAction?id=561>  
 CSDP <http://www.dpe.gov.za/res/transnetCSDP1.pdf>  
 NGP <http://www.thepresidency.gov.za/pebble.asp?relid=2323>

**8 Other Reference Websites**

	Website
Department of Public Enterprise (DPE)	<a href="http://www.dpe.gov.za">www.dpe.gov.za</a>
United Nations Industrial Development Organisation (UNIDO)	<a href="http://www.unido.org/spx">www.unido.org/spx</a>

## GLOSSARY OF WORDS

**Broad-Based Black Economic Empowerment (B-BBEE)**

A South African legal requirement that require all entities operating in the South African economy to contribute to empowerment and transformation

**Enterprise Development (ED)**

An element contained within the B-BBEE scorecard whereby a Measured Entity can receive recognition for any Qualifying Enterprise Development Contributions towards Exempted Micro-Enterprises or Qualifying Small Enterprises which are 50% black owned or 30% black woman owned. Enterprise Development Contributions consists of monetary and non-monetary, recoverable and non-recoverable contributions actually initiated in favour of a beneficiary entity by a measured entity with the specific objective of assisting or accelerating the development, sustainability and ultimate financial independence of the beneficiary. This is commonly accomplished through the expansion of a beneficiaries financial and/ or operation capacity.

**Industrial Policy Action Plan II (IPAPII)**

The implementation plan for the National Industrial Policy Framework (NIPF) which details key action plans (KAPs) and timeframes for the implementation of Industrial policy actions in line with the NIPF.

**Integrated Supply Chain Management (ISCM)**

Refers to an integrated "one supply chain management" strategy within Transnet which has been developed with Centres of Excellence (COEs) with cross-functional teams comprising divisional and corporate task team members, to deliver value through improved efficiencies and compliance with the regulatory environment.

**New Growth Path (NGP)**

Developed by the Economic Development Department tabled in January 2010 frames a new approach to unlocking economic growth by knitting together the IPAP2 as well as policies and programmes in rural development, agriculture and, sciences & technology, education, skills development, labour, mining and beneficiation, tourism and social development with the aim to target limited capital and capacity at activities that maximise the creation of decent work opportunities. Key indicators include: Quality job creation, Youth employment, Labour intensive growth, and Equity.

**Original Equipment Manufacturer (OEM)**

Refers to a manufacturing company that owns the intellectual property rights and patents for the equipment it sells and services

**Socio-economic Development**

Refers to development which addresses social and economic aspects such as job creation, poverty reduction and increased national value add and which not only focuses on the business's financial bottom line.

**State Owned Enterprise (SOE)**

Refers to Government-owned corporations. They are legal entities created, and owned, by Government to undertake commercial activities on behalf of an owner Government, and are usually considered to be an element or part of the state. They are established to operate on a commercial basis.

**Supplier Development (SD)**

Improving the socio-economic environment by creating competitive local suppliers via Enterprise Development, CSDP and other initiatives such as Preferential Procurement. This results in a supply base that can eventually be competitive to market its goods on the International market leading to increased exports.

**United Nations Industrial Development Organisation (UNIDO)**

A specialised agency of the United Nations. Its mandate is to promote and accelerate sustainable industrial development in developing countries and economies in transition, and work towards improving living conditions in the world's poorest countries by drawing on its combined global resources and expertise.

**Local Content**

The portion of the tender price which is not included into the imported content provided that the local manufacture does take place.

**Imported Content**

The Portion of the tender price represented by the cost of components, parts or materials which has been or are still to be imported (whether by a supplier or its subcontractor) and which costs are abroad, plus freight and other direct importation costs, such as landing costs, doc dues, imported duty, sales duty or other similar tax or duty at the South African port of entry.

## **Annexure B SUPPLIER DEVELOPMENT COMMITMENT**

*Respondents must complete this Annexure B which summarises your Supplier Development (SD) Bid Document and your related commitments.*

*For the purposes of completing the SD Value Indicators, Respondents must calculate their SD commitments as per "Annexure B Questions" and a percentage (%) of their estimated total value of the contract over the Contract Period<sup>[1]</sup>*

*Please insert the SD Value Indicators in the following table. Cross-reference, under the column heading "Respondent's SD Commitments," the Value Indicators quoted with the corresponding section in your SD Bid Document.*

<sup>[1]</sup> "Contract Period" means the period (in years) of this contract including the warranty period

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# **SUPPLIER DEVELOPMENT - BIDDERS RESPONSE - ANNEXURE B QUESTIONS**

This section must be duly completed in terms of this procurement event/tender/RFP (over the contract and warranty period/s).

3.1 Localisation	SD CATEGORY	SD MEASUREMENT	SD VALUE INDICATORS			
			NUMBER	PERCENTAGE	RAND VALUE	BID REFERENCE
3.1.1		What is the Proposed Percentage use of local content (to SA economy) as a percentage of the total contract				
3.1.2		What is the Proposed Percentage use of Local parts in relation to BOM as a percentage of the total spend				
3.1.3		What is the Proposed monetary value spend on procurement of goods & services from local SA suppliers				
3.1.4		What is the Proposed number of NEW local SA manufacturers to be utilised in the supply chain of the bidder				
3.1.5		What is the number of local SA manufacturers/suppliers that are to be utilised in the fulfilment of this contract				

3.2 Industrialisation	SD CATEGORY	SD MEASUREMENT	SD VALUE INDICATORS			
			NUMBER	PERCENTAGE	RAND VALUE	BID REFERENCE
3.2.1		What is the Proposed Value & Percentage use of local content to be utilised in the investment of plant & machinery as a result of this tender				
3.2.2		What is the Proposed Monetary value of investment in plant and machinery sourced from SA / Local suppliers				
3.2.3		What is the Proposed/Potential Percentage Reduction in Import leakage as a result of the award of this tender				
3.2.4		What is the Potential Percentage Increase in Export content that will result from the increased industrial capability locally in terms of the award of this tender				

3.3 Transfer	SD CATEGORY	SD MEASUREMENT	SD VALUE INDICATORS			
			NUMBER	PERCENTAGE	RAND VALUE	BID REFERENCE
3.3.1	Sustainability / Technology & IP	What is the proposed IP Transfer value to SA (contractors/sub-contractors on the provision of patents, trademarks and copyrights)				
3.3.2		How many NEW local suppliers will be EVALUATED/ASSESSED for integration into the bidders (OEM) supply chain				

3.4 Skills Development	SD CATEGORY	SD MEASUREMENT	SD VALUE INDICATORS			
			NUMBER	PERCENTAGE	RAND VALUE	BID REFERENCE
3.4.1		How many (Number) TRANSNET / SA Technical Engineers will be trained				
3.4.2		What is the Proposed Monetary value of TRANSNET / SA Technical Engineers trained (in terms of 3.4.1 above)				
3.4.3		How many (Number) of Graduate SA Technical Engineers will be trained				
		How many (Number & Percentage) of Graduate SA Technical Engineers to be trained will be to Historically Disadvantaged Individuals/Contractors				
		How many (Number & Percentage) of Graduate SA Technical Engineers to be trained will be to Black women				
		How many (Number & Percentage) of Graduate SA Technical Engineers to be trained will be to persons with disabilities				
3.4.4		What is the Proposed Monetary value of Graduate SA Technical Engineers to be trained				
3.4.5		How many (Number) BURSARIES/SCOLARSHIPS to be offered to Graduate SA Technical Engineers				
		How many (Number & Percentage) BURSARIES/SCOLARSHIPS to be offered to Graduate SA Technical Engineers will be to Historically Disadvantaged Individuals/Contractors				
		How many (Number & Percentage) BURSARIES/SCOLARSHIPS to be offered to Graduate SA Technical Engineers will be to Black women				
		How many (Number & Percentage) BURSARIES/SCOLARSHIPS to be offered to Graduate SA Technical Engineers will be to persons with disabilities				
3.4.6		What is the VALUE of BURSARIES/SCOLARSHIPS to be offered to Graduate SA Technical Engineers				
3.4.7		What is the bidders Contribution towards SA APPRENTICESHIPS programme - Number				
		How many (Number & Percentage) APPRENTICESHIPS to be offered to Historically Disadvantaged Individuals/Contractors				
		How many (Number & Percentage) APPRENTICESHIPS to be offered to Black women				
3.4.8		What is the bidders Contribution towards SA APPRENTICESHIPS programme - Value				
3.4.9		Are any of the training interventions recognised qualifications in terms of NQF, SETA or other? Please specify.				

SD CATEGORY		SD VALUE INDICATORS			
3.5	Job Creation	SD MEASUREMENT	NUMBER	PERCENTAGE	RAND VALUE BID REFERENCE
3.5.1.	How many (Number) of New Skilled jobs will be created				
	How many (Number) of New Skilled jobs will be created in the RURAL areas				
	How many (Number & Percentage) of NEW SKILLED JOBS will be to Historically Disadvantaged Individuals/Contractors				
	How many (Number & Percentage) of NEW SKILLED JOBS will be to Black women				
	How many (Number & Percentage) of NEW SKILLED JOBS will be to persons with disabilities				
	How many (Number & Percentage) of NEW SKILLED JOBS will be to the youth				
3.5.2.	How many (Number) of New Unskilled jobs will be created				
	How many (Number) of New Unskilled jobs will be created in the RURAL areas				
	How many (Number & Percentage) of NEW UNSKILLED JOBS will be to Historically Disadvantaged Individuals/Contractors				
	How many (Number & Percentage) of NEW UNSKILLED JOBS will be to Black women				
	How many (Number & Percentage) of NEW UNSKILLED JOBS will be to persons with disabilities				
	How many (Number & Percentage) of NEW UNSKILLED JOBS will be to the youth				

SD CATEGORY		SD VALUE INDICATORS			
3.6	Job Maintenance / Preservation	SD MEASUREMENT	NUMBER	PERCENTAGE	RAND VALUE BID REFERENCE
3.6.1.	How many (Number) Jobs will be Maintained/Preserved				
	- By the Bidder/Tenderer				
	- By Sub-Contractors				
	- By the Suppliers				
	- By Other				

SD CATEGORY		SD VALUE INDICATORS			
3.7	Rural Development and Regional Integration	SD MEASUREMENT	NUMBER	PERCENTAGE	RAND VALUE BID REFERENCE
3.7.1.	How many (Number) of RURAL Employees will be EMPLOYED				
3.7.2.	How many (Number) of Rural businesses will be Developed				
3.7.3.	What is the proposed procurement (VALUE) to be awarded to the Rural businesses in terms of 3.7.2				
3.7.4.	What is the proposed Value of Development to Local Community (Sustainable)				

SD CATEGORY		SD VALUE INDICATORS			
3.8	Small Business Promotion	SD MEASUREMENT	NUMBER	PERCENTAGE	RAND VALUE BID REFERENCE
3.8.1.	What is the Planned Percentage procurement from QSE's within the town/city of operation				
3.8.2.	What is the Planned Percentage procurement from EME's within the town/city of operation				
3.8.3.	What is the Planned Percentage procurement from Start-Up Enterprises within the town/city of operation				
3.8.4.	What and how do you Plan to provide Financial support to small businesses. (Shorter payment terms, interest free loans, etc). Please Specify				
3.8.5.	What and how do you Plan to provide Non-Financial support to small businesses (Professional support, employee time allocated to assisting small business, etc.). Please Specify				
3.8.6.	What and how do you Plan to provide implement Joint ED Initiatives with Transnet (That are aligned to Transnet's objectives and that are not financial in nature). Please Specify				

SD CATEGORY		SD VALUE INDICATORS			
3.9 Further Recognition	SD MEASUREMENT	NUMBER	PERCENTAGE	RAND VALUE	BID REFERENCE
3.9.1	In terms of Ownership of the entity, what percentage of exercisable voting rights is in the hands of Black Persons				
3.9.2	In terms of Ownership of the entity, what percentage of exercisable voting rights is in the hands of Black Women				
3.9.3	In terms of Ownership of the entity, what percentage of exercisable voting rights is in the hands of Black Youth				
3.9.4	In terms of Ownership of the entity, what percentage of exercisable voting rights is in the hands of Employment Schemes/Co-Operatives				
3.9.5	What is the VALUE OF Business with the local community/rural areas				
3.9.6	What is the Number and Value of projects / initiatives in the Involvement of black people with disabilities through ED or Other Initiatives				
3.9.7	What is the Number and Value of projects / initiatives in the Involvement of black youth through ED or Other Initiatives				
3.9.8	What is the percentage of Black Board Members in relation to the total number of Board Members				
3.9.9	What is the percentage of Black Senior Top Management is involved in day to day management of the organisation in relation to the total top management cadre				
3.9.10	What is the percentage of Black Middle Management is involved in day to day management of the organisation in relation to the total Middle Management cadre				
3.9.11	What is the percentage of Black Junior Management is involved in day to day management of the organisation in relation to the total Junior Management cadre				
3.9.12	What is the percentage of Black disabled employees in relation to the total number of employees in the organisation				
3.9.13	What is the percentage of Black employees in relation to the total number of employees in the organisation				
3.9.14	What is the percentage of Black Women employees in relation to the total number of employees in the organisation				
3.9.15	What is the Organisations annual spend on Enterprise Development as a percentage on Net Profit Tax (NPAT)				
SD CATEGORY		SD VALUE INDICATORS			
3.10 Other SD Initiatives / Interventions	SD MEASUREMENT	NUMBER	PERCENTAGE	RAND VALUE	BID REFERENCE
	Detail / Specify numbers, percentages and rand values of other SD initiatives/interventions				

ESTIMATED RAND VALUE OF TOTAL SD COMMITMENT

0

SD COMMITMENT EXPRESSED AS A PERCENTAGE OF ESTIMATED CONTRACT VALUE

%

SD CATEGORY		SD VALUE INDICATORS			
3.11 Green Economy	SD MEASUREMENT	NUMBER	PERCENTAGE	RAND VALUE	BID REFERENCE
3.11.1	What sustainability programs currently exist or your organisation will implement during the manufacturing process? Mention them.				
3.11.2	Please indicate the Carbon Footprint as calculated for your organisation (Percentage).				
3.11.2.1	Are there Carbon footprint strategies in place and implemented.				
3.11.3	What is the Target value (percentage) set to reduce energy consumption during manufacturing.				
3.11.4	What Target value (percentage) has been set to reduce water consumption during the manufacturing process.				
3.11.5	What Waste hierarchy programs are in place and to be implemented during manufacturing process.				
3.11.5.1	What percentage of the Waste hierarchy programs have been implemented during the manufacturing process.				
3.11.6	What Target value (percentage) has been set to reduce waste generation during the manufacturing process.				
3.11.7	Is Sustainability Reporting and disclosures (on Green Economy) part of the overall company policy				
3.11.8	Is Safety, Health and Environment Policy signed and endorsed by top management				

3.11.9	What is the Number of significant safety, health and environmental incidences recorded in the last financial year				
3.11.10	Is your organisation ISO14001 certified Provide copy of certification				

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# SUPPLIER DEVELOPMENT- ANNEXURE B1 QUESTIONS- BIDDERS RESPONSE

This section must be duly completed in terms of this procurement event/tender/RFP (OVER THE CONTRACT AND WARRANTY PERIOD)

3.9	SD CATEGORY	SD MEASUREMENT	SD VALUE INDICATORS			
			NUMBER	PERCENTAGE	RAND VALUE	BID REFERENCE
	Enhanced Further Recognition (EFR)					
3.9.1		In terms of Ownership of the entity, what percentage of exercisable voting rights will be in the hands of Black Persons				
3.9.2		In terms of Ownership of the entity, what percentage of exercisable voting rights will be in the hands of Black Women				
3.9.3		In terms of Ownership of the entity, what percentage of exercisable voting rights will be in the hands of Black Youth				
3.9.4		In terms of Ownership of the entity, what percentage of exercisable voting rights will be in the hands of Employment Schemes/Co-Operatives				
3.9.5		What will the VALUE OF Business with the local community/rural areas				
3.9.6		What will the Number and Value of projects / initiatives in the involvement of black people with disabilities through ED or Other Initiatives				
3.9.7		What will the Number and Value of projects / initiatives in the involvement of black youth through ED or Other Initiatives				
3.9.8		What will the percentage of Black Board Members in relation to the total number of Board Members				
3.9.9		What will the percentage of Black Senior Top Management is involved in day to day management of the organisation in relation to the total top management cadre				
3.9.10		What will the percentage of Black Middle Management is involved in day to day management of the organisation in relation to the total Middle Management cadre				
3.9.11		What will the percentage of Black Junior Management is involved in day to day management of the organisation in relation to the total Junior Management cadre				
3.9.12		What will the percentage of Black disabled employees in relation to the total number of employees in the organisation				
3.9.13		What will the percentage of Black employees in relation to the total number of employees in the organisation				
3.9.14		What will the percentage of Black Women employees in relation to the total number of employees in the organisation				
3.9.15		What will the Organisations annual spend on Enterprise Development as a percentage on Net Profit Tax (NPAT)				
3.9.16		What will the Improvement in BBBEE status level be in the following:- - 1 Year - 2 Years - 3 Years - Over the warranty period				
3.9.17		What will the Preferential Procurement Percentage be as a Percentage of Total Measured Procurement Spend in the following:- - 1 Year - 2 Years - 3 Years - Over the warranty period				
3.9.18						
NB. Respondents are to provide a EFR plan in terms of how they will achieve the above.						

# **SUPPLIER DEVELOPMENT- ANNEXURE B1 QUESTIONS- BIDDERS RESPONSE**

This section must be duly completed in terms of this procurement event/tender/RFP (OVER THE CONTRACT AND WARRANTY PERIOD)

SD CATEGORY		SD VALUE INDICATORS			
3.9	Enhanced Further Recognition (EFR)	SD MEASUREMENT	NUMBER	PERCENTAGE	RAND VALUE
	3.9.1.	In terms of Ownership of the entity, what percentage of exercisable voting rights will be in the hands of Black Persons			
	3.9.2	In terms of Ownership of the entity, what percentage of exercisable voting rights will be in the hands of Black Women			
	3.9.3	In terms of Ownership of the entity, what percentage of exercisable voting rights will be in the hands of Black Youth			
	3.9.4	In terms of Ownership of the entity, what percentage of exercisable voting rights will be in the hands of Employment Schemes/Co-Operatives			
	3.9.5	What will the VALUE OF Business with the local community/rural areas			
	3.9.6	What will the Number and Value of projects / Initiatives in the involvement of black people with disabilities through ED or Other Initiatives			
	3.9.7	What will the Number and Value of projects / Initiatives in the involvement of black youth through ED or Other Initiatives			
	3.9.8	What will the percentage of Black Board Members in relation to the total number of Board Members			
	3.9.9	What will the percentage of Black Senior Top Management is involved in day to day management of the organisation in relation to the total top management cadre			
	3.9.10	What will the percentage of Black Middle Management is involved in day to day management of the organisation in relation to the total Middle Management cadre			
	3.9.11	What will the percentage of Black Junior Management is involved in day to day management of the organisation in relation to the total Junior Management cadre			
	3.9.12	What will the percentage of Black disabled employees in relation to the total number of employees in the organisation			
	3.9.13	What will the percentage of Black employees in relation to the total number of employees in the organisation			
	3.9.14	What will the percentage of Black Women employees in relation to the total number of employees in the organisation			
	3.9.15	What will the Organisations annual spend on Enterprise Development as a percentage on Net Profit Tax (NPAT)			
	3.9.16	What will the Improvement in BBBEE status level be in the following:- - 1 Year - 2 Years - 3 Years - Over the warranty period			
	3.9.17	What will the Preferential Procurement Percentage be as a Percentage of Total Measured Procurement Spend in the following:- - 1 Year - 2 Years - 3 Years - Over the warranty period			
	3.9.18				
<b>NB. Respondents are to provide a EFR plan in terms of how they will achieve the above.</b>					

# **SUPPLIER DEVELOPMENT - BIDDERS RESPONSE - ANNEXURE B QUESTIONS**

This section must be duly completed in terms of this procurement event/tender/RFP (over the contract and warranty period/s).

3.1	SD CATEGORY	SD MEASUREMENT	SD VALUE INDICATORS			
			NUMBER	PERCENTAGE	RAND VALUE	BID REFERENCE
	Localisation					
	3.1.1.	What is the Proposed Percentage use of local content (to SA economy) as a percentage of the total contract				
	3.1.2.	What is the Proposed Percentage use of Local parts in relation to BOM as a percentage of the total spend				
	3.1.3.	What is the Proposed monetary value spend on procurement of goods & services from local SA suppliers				
	3.1.4.	What is the Proposed number of NEW local SA manufacturers to be utilised in the supply chain of the bidder				
	3.1.5.	What is the number of local SA manufacturers/suppliers that are to be utilised in the fulfilment of this contract				

3.2	SD CATEGORY	SD MEASUREMENT	SD VALUE INDICATORS			
			NUMBER	PERCENTAGE	RAND VALUE	BID REFERENCE
	Industrialisation					
	3.2.1.	What is the Proposed Value & Percentage use of local content to be utilised in the investment of plant & machinery as a result of this tender				
	3.2.2.	What is the Proposed Monetary value of investment in plant and machinery sourced from SA / Local suppliers				
	3.2.3.	What is the Proposed/Potential Percentage Reduction in Import leakage as a result of the award of this tender				
	3.2.4.	What is the Potential Percentage Increase in Export content that will result from the increased industrial capability locally in terms of the award of this tender				

3.3	SD CATEGORY	SD MEASUREMENT	SD VALUE INDICATORS			
			NUMBER	PERCENTAGE	RAND VALUE	BID REFERENCE
	Sustainability / Technology & IP Transfer					
	3.3.1.	What is the proposed IP Transfer value to SA (contractors/sub-contractors on the provision of patents, trademarks and copyrights)				
	3.3.2.	How many NEW local suppliers will be EVALUATED/ASSESSED for integration into the bidders (OEM) supply chain				

3.4	SD CATEGORY	SD MEASUREMENT	SD VALUE INDICATORS			
			NUMBER	PERCENTAGE	RAND VALUE	BID REFERENCE
	Skills Development					
	3.4.1.	How many (Number) TRANSNET / SA Technical Engineers will be trained				
	3.4.2.	What is the Proposed Monetary value of TRANSNET / SA Technical Engineers trained (in terms of 3.4.1 above)				
	3.4.3.	How many (Number) of Graduate SA Technical Engineers will be trained				
		How many (Number & Percentage) of Graduate SA Technical Engineers to be trained will be to Historically Disadvantaged Individuals/Contractors				
		How many (Number & Percentage) of Graduate SA Technical Engineers to be trained will be to Black women				
		How many (Number & Percentage) of Graduate SA Technical Engineers to be trained will be to persons with disabilities				
	3.4.4.	What is the Proposed Monetary value of Graduate SA Technical Engineers to be trained				
	3.4.5.	How many (Number) BURSARIES/SOLARSHIPS to be offered to Graduate SA Technical Engineers				
		How many (Number & Percentage) BURSARIES/SOLARSHIPS to be offered to Graduate SA Technical Engineers will be to Historically Disadvantaged Individuals/Contractors				
		How many (Number & Percentage) BURSARIES/SOLARSHIPS to be offered to Graduate SA Technical Engineers will be to Black women				
		How many (Number & Percentage) BURSARIES/SOLARSHIPS to be offered to Graduate SA Technical Engineers will be to persons with disabilities				
	3.4.6.	What is the VALUE of BURSARIES/SOLARSHIPS to be offered to Graduate SA Technical Engineers				
	3.4.7.	What is the bidders Contribution towards SA APPRENTICESHIPS programme - Number				
		How many (Number & Percentage) APPRENTICESHIPS to be offered to Historically Disadvantaged Individuals/Contractors				
		How many (Number & Percentage) APPRENTICESHIPS to be offered to Black women				
	3.4.8.	What is the bidders Contribution towards SA APPRENTICESHIPS programme - Value				
	3.4.9.	Are any of the training interventions recognised qualifications in terms of NQF, SETA or other? Please specify.				



SD CATEGORY		SD VALUE INDICATORS			
3.6	Job Creation	SD MEASUREMENT	NUMBER	PERCENTAGE	RAND VALUE BID REFERENCE
3.6.1	How many (Number) of New Skilled jobs will be created				
	How many (Number) of New Skilled jobs will be created in the RURAL areas				
	How many (Number & Percentage) of NEW SKILLED JOBS will be to Historically Disadvantaged Individuals/Contractors				
	How many (Number & Percentage) of NEW SKILLED JOBS will be to Black women				
	How many (Number & Percentage) of NEW SKILLED JOBS will be to persons with disabilities				
	How many (Number & Percentage) of NEW SKILLED JOBS will be to the youth				
3.6.2	How many (Number) of New Unskilled jobs will be created				
	How many (Number) of New Unskilled jobs will be created in the RURAL areas				
	How many (Number & Percentage) of NEW UNSKILLED JOBS will be to Historically Disadvantaged Individuals/Contractors				
	How many (Number & Percentage) of NEW UNSKILLED JOBS will be to Black women				
	How many (Number & Percentage) of NEW UNSKILLED JOBS will be to persons with disabilities				
	How many (Number & Percentage) of NEW UNSKILLED JOBS will be to the youth				

SD CATEGORY		SD VALUE INDICATORS			
3.6	Job Maintenance / Preservation	SD MEASUREMENT	NUMBER	PERCENTAGE	RAND VALUE BID REFERENCE
3.6.1	How many (Number) Jobs will be Maintained/Preserved				
	- By the Bidder/Tenderer				
	- By Sub-Contractors				
	- By the Suppliers				
	- By Other				

SD CATEGORY		SD VALUE INDICATORS			
3.7	Rural Development and Regional Integration	SD MEASUREMENT	NUMBER	PERCENTAGE	RAND VALUE BID REFERENCE
3.7.1	How many (Number) of RURAL Employees will be EMPLOYED				
3.7.2	How many (Number) of Rural businesses will be Developed				
3.7.3	What is the proposed procurement (VALUE) to be awarded to the Rural businesses in terms of 3.7.2				
3.7.4	What is the proposed Value of Development to Local Community (Sustainable)				

SD CATEGORY		SD VALUE INDICATORS			
3.8	Small Business Promotion	SD MEASUREMENT	NUMBER	PERCENTAGE	RAND VALUE BID REFERENCE
3.8.1	What is the Planned Percentage procurement from QSE's within the town/city of operation				
3.8.2	What is the Planned Percentage procurement from EME's within the town/city of operation				
3.8.3	What is the Planned Percentage procurement from Start-Up Enterprises within the town/city of operation				
3.8.4	What and how do you Plan to provide Financial support to small businesses. (Shorter payment terms, interest free loans, etc). Please Specify				
3.8.5	What and how do you Plan to provide Non-Financial support to small businesses (Professional support, employee time allocated to assisting small business, etc.). Please Specify				
3.8.6	What and how do you Plan to provide implement Joint ED initiatives with Transnet (That are aligned to Transnet's objectives and that are not financial in nature). Please Specify				

SD CATEGORY		SD VALUE INDICATORS			
3.9 Further Recognition	SD MEASUREMENT	NUMBER	PERCENTAGE	RAND VALUE	BID REFERENCE
3.9.1	In terms of Ownership of the entity, what percentage of exercisable voting rights is in the hands of Black Persons				
3.9.2	In terms of Ownership of the entity, what percentage of exercisable voting rights is in the hands of Black Women				
3.9.3	In terms of Ownership of the entity, what percentage of exercisable voting rights is in the hands of Black Youth				
3.9.4	In terms of Ownership of the entity, what percentage of exercisable voting rights is in the hands of Employment Schemes/Co-Operatives				
3.9.5	What is the VALUE OF Business with the local community/rural areas				
3.9.6	What is the Number and Value of projects / initiatives in the Involvement of black people with disabilities through ED or Other Initiatives				
3.9.7	What is the Number and Value of projects / initiatives in the Involvement of black youth through ED or Other Initiatives				
3.9.8	What is the percentage of Black Board Members in relation to the total number of Board Members				
3.9.9	What is the percentage of Black Senior Top Management is involved in day to day management of the organisation in relation to the total top management cadre				
3.9.10	What is the percentage of Black Middle Management is involved in day to day management of the organisation in relation to the total Middle Management cadre				
3.9.11	What is the percentage of Black Junior Management is involved in day to day management of the organisation in relation to the total Junior Management cadre				
3.9.12	What is the percentage of Black disabled employees in relation to the total number of employees in the organisation				
3.9.13	What is the percentage of Black employees in relation to the total number of employees in the organisation				
3.9.14	What is the percentage of Black Women employees in relation to the total number of employees in the organisation				
3.9.15	What is the Organisations annual spend on Enterprise Development as a percentage on Net Profit Tax (NPAT)				

SD CATEGORY		SD VALUE INDICATORS			
3.10 Other SD Initiatives / Interventions	SD MEASUREMENT	NUMBER	PERCENTAGE	RAND VALUE	BID REFERENCE
	Detail / Specify numbers, percentages and rand values of other SD Initiatives/Interventions				

ESTIMATED RAND VALUE OF TOTAL SD COMMITMENT

0

SD COMMITMENT EXPRESSED AS A PERCENTAGE OF ESTIMATED CONTRACT VALUE

%

SD CATEGORY		SD VALUE INDICATORS			
3.11 Green Economy	SD MEASUREMENT	NUMBER	PERCENTAGE	RAND VALUE	BID REFERENCE
3.11.1	What sustainability programs currently exist or your organisation will implement during the manufacturing process? Mention them.				
3.11.2	Please indicate the Carbon Footprint as calculated for your organisation (Percentage).				
3.11.2.1	Are there Carbon footprint strategies in place and implemented.				
3.11.3	What is the Target value (percentage) set to reduce energy consumption during manufacturing.				
3.11.4	What Target value (percentage) has been set to reduce water consumption during the manufacturing process.				
3.11.5	What Waste hierarchy programs are in place and to be implemented during manufacturing process.				
3.11.5.1	What percentage of the Waste hierarchy programs have been implemented during the manufacturing process.				
3.11.6	What Target value (percentage) has been set to reduce waste generation during the manufacturing process.				
3.11.7	Is Sustainability Reporting and disclosures (on Green Economy) part of the overall company policy				
3.11.8	Is Safety, Health and Environment Policy signed and endorsed by top management				

3.11.9	What is the Number of significant safety, health and environmental incidences recorded in the last financial year				
3.11.10	Is your organisation ISO14001 certified Provide copy of certification				

“PREVIEW COPY ONLY”

## **Annexure B**

### **SUPPLIER DEVELOPMENT COMMITMENT**

*Respondents must complete this Annexure B which summarises your Supplier Development (SD) Bid Document and your related commitments.*

*For the purposes of completing the SD Value Indicators, Respondents must calculate their SD commitments as per "Annexure B Questions" and a percentage (%) of their estimated total value of the contract over the Contract Period<sup>[1]</sup>*

*Please insert the SD Value Indicators in the following table. Cross-reference, under the column heading "Respondent's SD Commitments," the Value Indicators quoted with the corresponding section in your SD Bid Document.*

<sup>[1]</sup> "Contract Period" means the period (In years) of this contract including the warranty period

**“PREVIEW COPY ONLY”**



**Annexure A**

**REQUEST FOR PROPOSAL**

**GUIDELINES FOR COMPLETION OF  
SUPPLIER DEVELOPMENT BID DOCUMENT**

“PREVIEW COPY ONLY”

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### Note

For the purposes of this document, any reference to a/the "Service Provider" shall be construed to mean a reference to a Respondent (in terms of this RFP) and/or to a successful Respondent (to whom the business is to be awarded), as so indicated by the context hereinafter.

## **1 What is 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, capacity and capability of the South African supply base where there are comparative advantages and potential competitive advantages of local or regional supply. This can be achieved through skills transfer, increasing the local content of items procured, as well as building new capability in the local supplier base. In addition, SD has its roots grounded firmly around the transformation of South Africa and the empowerment of previously disadvantaged individuals and enterprises.

## **2 Background and Guidance on the Supplier Development Objectives for South Africa**

As a developing economy with inherent structural and social imbalances, South Africa is facing the significant economic challenge of increasing growth in a manner that includes all South Africans. The historical lack of investment in infrastructure in South Africa has had significant negative impacts on local industry, resulting in a loss of key skills and a decrease in manufacturing industry capabilities. To respond to this, Government policies have been designed to address these imbalances and to act as a catalyst of change for the benefit of South Africa.

One of these Government policies, the New Growth Path (**NGP**) aims to enhance growth, employment creation and equity by reducing the dependencies of South African industries on imports, and promoting the development of skills and capabilities that are in short supply within the country. It identifies strategies that will enable South Africa to grow in a more equitable and inclusive manner and promotes the development of new industry to attain South Africa's developmental agenda.

Transnet's SD is closely aligned to the NGP objectives and as a result is able to fulfil its commitment to sustainability within South Africa whilst at the same time addressing other corporate objectives, including increasing productivity and efficiency, volume growth, capital investment, financial stability, funding, human capital, SHEQ regulatory compliance and improving customer service.

The combined objectives of Transnet and Government can be realised through:

- aggressively implementing capital investment plans which will result in competitive local industries;
- improving operational efficiency;
- using procurement to influence the development of the local supplier industry; and
- ensuring it creates sufficient opportunities for the participation of previously disadvantaged groups in the economy.

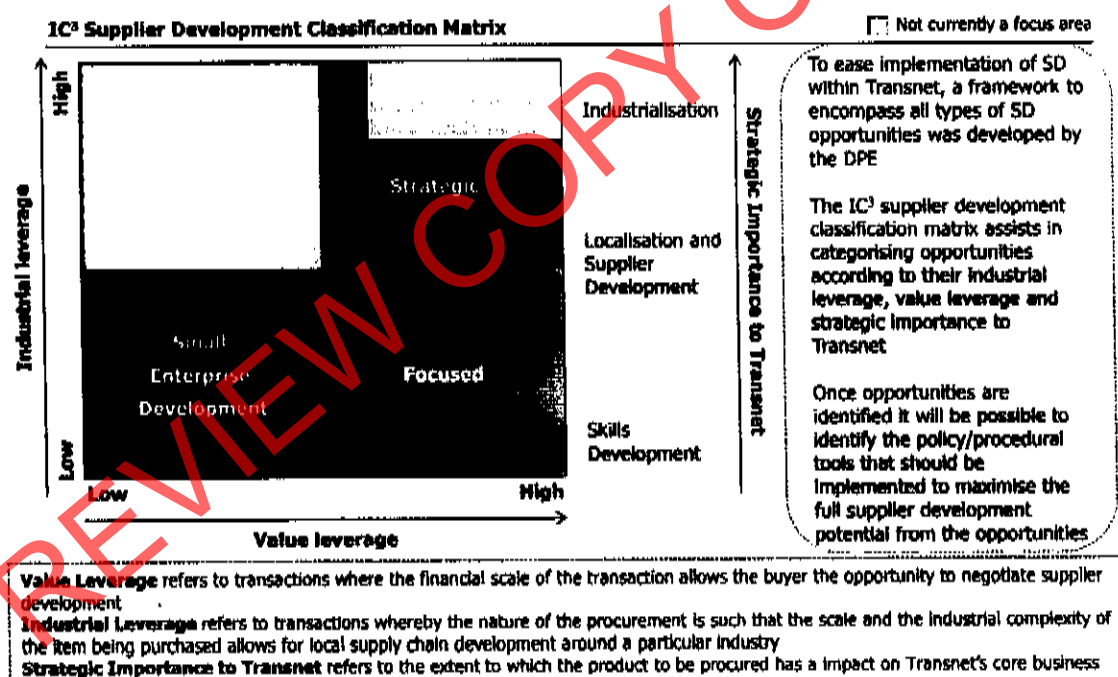
This will lead to Transnet achieving its long-term objective of increasing both shareholder and societal value using its procurement expenditure to ensure local development through sustainable localisation of its supply chain, and the inclusion of the previously disadvantaged individuals in the economy in a manner that is beneficial to Transnet, South African industry, and the population of South Africa. As a result this State Owned Enterprise (**SOE**) is able to fulfil its responsibility as the biggest player in the South African freight logistics chain whilst complementing the objectives of Government.



### 3 Transnet's Supplier Development Objectives and Framework

To aid its implementation of SD, Transnet has adapted an existing framework from the DPE. This framework allows for a basic set of principles to be applied to appropriately target SD initiatives. Supplier Development initiatives aim to assist local suppliers in developing their competitive advantage through increasing their capability and capacity potential. Hence the framework has been termed the Increased Competitiveness, Capability and Capacity (IC3) Supplier Development Classification Matrix.

This framework encapsulates the types of SD opportunities which Transnet currently considers effective and allows Transnet to move its SD structure away from a dynamic policy environment towards a framework that is designed around general Supplier Development objectives. This enables Transnet to adopt a standard structure but also allows the flexibility to reconsider emphasis on certain aspects as objectives change. The IC3 Matrix (refer to Figure 1 below) categorises SD opportunities in a matrix based on their value, extent of industrial leverage and strategic importance to Transnet. Further categorisation of opportunities into the relevant quadrants is based on supplier-buyer power, industrial complexity, risk and the length of procurement period.



**Figure 1: The IC3 Supplier Development Classification Matrix**

In order for Service Providers to successfully meet the needs of a particular initiative, a detailed understanding of each quadrant is required.

#### 3.1 Programmatic

Programmatic initiatives follow a longer than normal planning horizon and generally exceed the funding capacity of Transnet's balance sheet. Collaboration between the SOE and Government is achieved through focused task teams whereby infrastructure development and industrialisation is achieved through joint support and in some cases public spending. Investment is focused in plant, technology and skills in both intermediate and advanced capabilities to develop competitive advantage.

### 3.2 Strategic

Strategic initiatives follow a three to five year planning horizon, involving investment in at least plant, technology and/or skills in intermediate capabilities. This enforces the need for multinational corporations and Original Equipment Manufacturers (OEMs) to develop a certain percentage of their products locally. Strategic initiatives can therefore be used to achieve localisation objectives by increasing the competitiveness, capability and efficiency of local suppliers. Strategic initiatives can sometimes focus on advanced capabilities but will in most cases require Government support to develop local capability.

### 3.3 Focused

Focused initiatives include all high value transactions with limited industrial leverage and medium to low strategic importance. These initiatives address short to medium-term contracts that can be leveraged to encourage Supplier Development, with a focus on investment in technology or skills to enhance existing local capability. Emphasis will largely be placed on benefiting previously disadvantaged individuals. The overall result improves the socio-economic environment by creating competitive local suppliers and furthers objectives of empowerment, transformation and regional development.

### 3.4 Small Enterprise Development

Small Enterprise Development initiatives are typically of low value and have no industrial leverage as they are characterised by typically low complexity goods and high competition. These initiatives concentrate on increasing the capability of small local suppliers and are targeted toward historically disadvantaged individuals and communities, providing basic skills development and improving local employment and quality job creation. It includes a wide range of non-financial services that help entrepreneurs start new business and grow existing ones.

## 4 Response based on the IC<sup>3</sup> Matrix Quadrants

Based on the supplier-buyer power, industrial complexity, risk and the length of procurement period, the Service Provider is expected to formulate a SD Bid Document to identify the opportunities that it will pursue. Ideally the SD Bid Document should address factors that are specific to the applicable quadrant of the IC<sup>3</sup> matrix.

Transnet has identified a number of opportunities which may aid a Service Provider in formulating its response based on each quadrant. Each of the opportunities identified by the Service Provider should have a direct or indirect effect on the value it creates for the country in order to maximise the socio-economic impact.

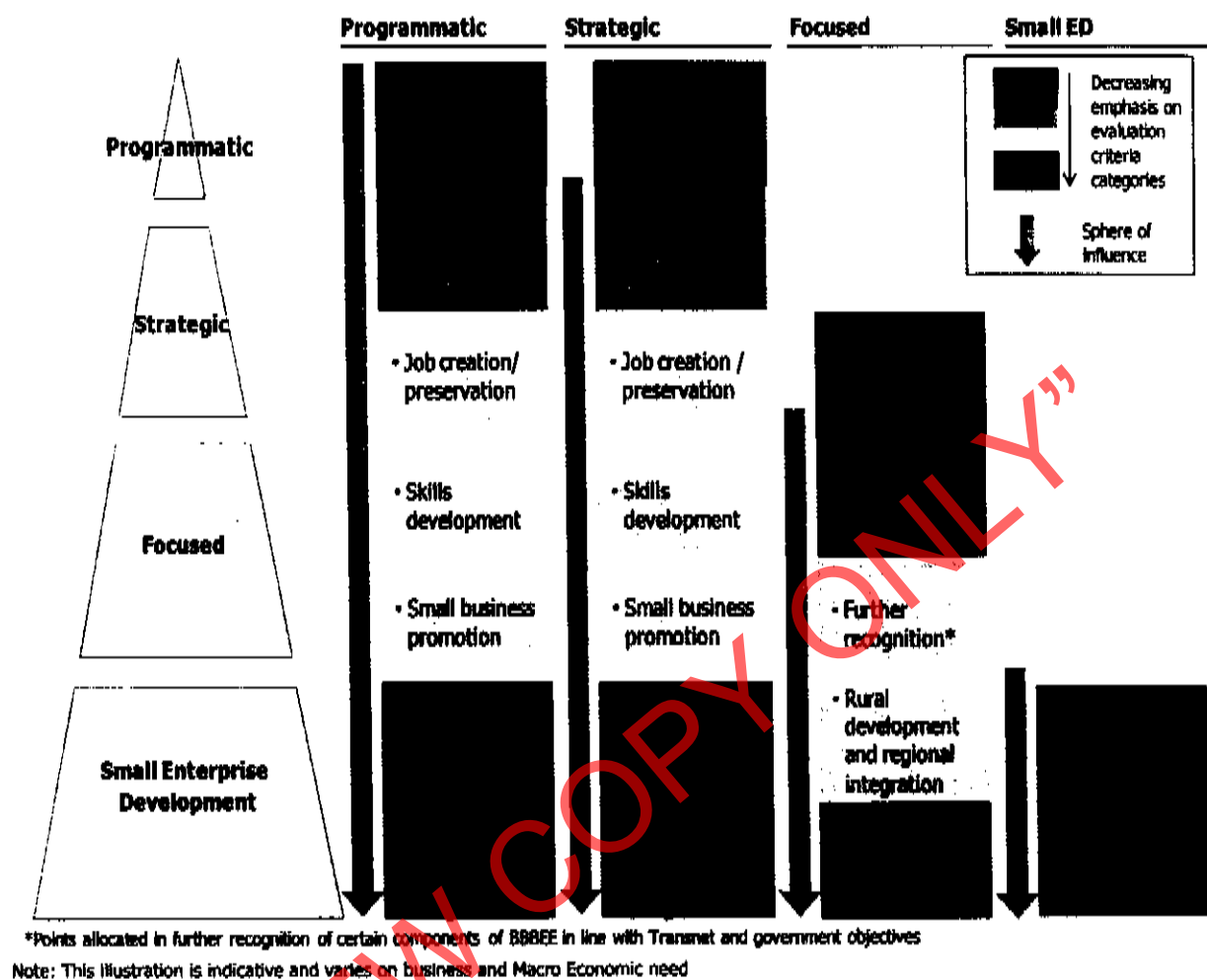


Figure 2: Transnet value capture through supplier influence

#### 4.1 Programmatic

The strategic objective of "Programmatic transactions" is to assist Government to achieve its industrialisation objectives through the development of the local supplier base, in order to increase the cost efficiency of SOE procurement, support and maintenance programmes. In order to satisfy this objective a number of focus areas and key outcomes have been identified:

- Programmatic Focus Areas -**
  - Technology transfer
  - Skills development related to the manufacturing process and the industry
  - Development of new technology and innovation
  - Investment in plant
  - Development of local companies aligned to empowerment objectives
- Key Outcomes -**
  - Industrialisation/localisation
  - Technology transfer
  - Skills development

#### 4.2 Strategic

The main objective of Strategic transactions is to leverage local downstream suppliers through large-scale SOE procurement in order to develop a competitive local supplier base. In response to these objectives the following are the specific focus areas and key outcomes applicable:

- a) Strategic Focus Areas -
  - Transfer of technology and innovation to local suppliers from foreign OEM's
  - Skills development related to the industry
  - Development of local companies aligned to empowerment objectives
- b) Key Outcomes -
  - Localisation
  - Increased technology transfer
  - Skills development
  - Job creation/preservation

#### 4.3 Focused

Focused initiatives assist local suppliers to improve their performance, enhance their existing production and skills capabilities with emphasis being placed on benefiting previously disadvantaged individuals and rural development. In order to satisfy these objectives a number of focus areas and key outcomes have been identified:

- a) Focused Focus Areas -
  - Developing a local supplier base that supports preferential procurement outcomes
  - Developing skills within the specific industry
  - Creating opportunity for job preservation
  - Reducing income inequality in specific regions
- b) Key Outcomes -
  - Empowerment
  - Skills development
  - Rural development
  - Job creation/preservation

#### 4.4 Small Business Development

Enterprise Development (ED) objectives are centred around assisting local suppliers to improve their skills by placing increased emphasis on benefiting previously disadvantaged individuals and rural development in line with the Broad-Based Black Economic Empowerment (B-BBEE) strategy. The following focus areas and key outcomes have been identified:

- a) Small Business Development Focus Areas -
  - Providing small businesses with opportunities and preferential trading terms, increased focus on black woman-owned enterprises, focus on the youth, people with disabilities and region- specific initiatives
  - Empowering previously disadvantaged individuals to create their own businesses resulting in quality job creation

- b) Key Outcomes -
- Empowerment
  - Rural development
  - Skills development
  - Job creation/preservation

Based on these focus areas and key outcomes, a Service Provider would need to actively focus on the quadrant-specific requirements in order to maximise the potential commercial benefit for Transnet, South Africa and themselves. In doing so value can be created across all lines of reporting resulting in continued relations.

## 5 Supplier Development Category Definitions and High Level Descriptions

### 5.1 Industrialisation

Industrialisation refers specifically to industrial capability building that will result in globally leading capabilities developed within South Africa.

Criteria	Description
Value of investment in plant	Quantification of the monetary value invested in machinery, equipment and/or buildings as a result of this RFP
Percentage of local content utilised in the investment of plant	Percentage value invested in machinery, equipment and/or buildings that are sourced from local companies
Reduction in import leakage	A percentage indication of the increase in locally supplied products and therefore the resultant decrease in imports as a result of the award of a contract
Potential increase in export content	The percentage increase in exports that will result from increased industrial capability locally in relation to the award of a contract

### 5.2 Localisation

Localisation refers specifically to industrial capability building that focuses on value-add activities of the local industry through manufacturing or service-related functions.

Criteria	Description
Percentage local content	Planned use of local parts as a percentage of the total contracted items
Value of local parts in relation to a bill of materials	Planned monetary value of the local parts utilised in a bill of materials (as a percentage of the total spend)
Value spent on local suppliers	Planned percentage monetary value spend on procurement of goods and services from SA suppliers
Number of local suppliers in the supply chain	Number of South African suppliers that are to be utilised in the fulfilment of a contract

### 5.3 Technology transfer/sustainability

Technology improvements are intangible assets with significant economic value. The Service Provider will be measured on its plan to transfer knowledge and IP to contribute towards capability building of the local supply base, which ultimately leads to improved efficiency and capability. Plans to assist in this by a Service Provider must be assessed to enable the local supply base to potentially export its newly-acquired technological know-how, thereby decreasing capital leakage.

Criteria	Description
Technology transfer including: <ul style="list-style-type: none"> <li>➤ Methods of manufacturing</li> <li>➤ Introduction of new technologies</li> <li>➤ IP transfer (number and value)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Introduction of a new/improved method of manufacturing</li> <li>➤ Provision of new technologies: <ul style="list-style-type: none"> <li>○ For processes</li> <li>○ ICT</li> </ul> </li> <li>➤ The provision of patents, trademarks and copyrights</li> </ul>
Number of local suppliers to be evaluated for integration into the OEM supply chain	An indication of the number of South African suppliers that an OEM/Service Provider plans to evaluate for possible inclusion into its supply chain, should it meet the requirements

### 5.4 Skills development

Indicates the company's commitment to education and whether that fits in with targeted groups (artisans, technicians, etc.). Consideration needs to be directed towards the adequate quality and value of skills so developed in order to allow for better evaluation in line with Government's objectives.

Number of downstream supply chain individuals to be trained including: <ul style="list-style-type: none"> <li>▪ Number of artisans trained</li> <li>▪ Number of technicians trained</li> <li>▪ Number of black people trained</li> <li>▪ Total number of people trained</li> </ul>	Number of individuals that the Service Provider plans to train in the local industry over the contract period; training undertaken in the previous year will be taken into account
Number of company employees to be trained	Number of individuals within the company (in South Africa) that the Service Provider plans to train over the contract period; training undertaken in the previous year will not be taken into account as past employee training appears in the skills development pillar of the B-BBEE scorecard; criteria broken down as for industry training above
Certified training (yes/ no)	Compliance with local and/or international skills accreditation
Rand value spent on training	Total planned monetary value spend (as a % of contract value) on skills development/training for the contract period within the industry; money



Criteria	Description
	spent in the previous year will be included in year 1 to make allowance for Service Providers who have just completed a training drive within the industry
Number of bursaries/ scholarships (specify field of study)	The number of higher education bursaries/scholarships provided in the previous year and planned for the length of the contract
Number of apprentices (sector must be specified)	The number of apprentices that the Service Provider plans to enlist during the course of the contract
Investment in Schools in specific sectors e.g. engineering	The monetary value that the Service Provider is prepared to invest in the development and running of schools to increase technical skills development

#### 5.5 Job creation/preservation

Job creation / preservation allow assessment of Government's objectives to increase labour absorption, focusing on unskilled workers and Black youth.

Criteria	Description
Number of jobs preserved	Number of jobs which would be preserved through Award of Contract
Number of jobs created including:	Number of jobs to be created during the period of the contract
<ul style="list-style-type: none"> <li>➤ New skilled jobs created</li> <li>➤ New unskilled jobs created</li> <li>➤ Number of jobs created for youth</li> <li>➤ Number of jobs created for Black youth</li> </ul>	<ul style="list-style-type: none"> <li>➤ Jobs for people in a specialised field of work requiring a defined training path and / or requisite level of experience in order for them to perform that role. These people could be in possession of a certificate, diploma or degree from a higher education institution</li> <li>➤ Jobs for people where the field of work does not require extensive formal training or from whom no minimum level of education is required</li> <li>➤ Jobs created for individuals aged 16 – 30 years</li> <li>➤ Jobs created for Black individuals aged 16 – 30 years</li> </ul>

#### 5.6 Small business promotion

These criteria give an indication of the Service Provider's commitment to developing small business in line with NGP and B-BBEE requirements.

Criteria	Description
Percentage procurement from: <ul style="list-style-type: none"> <li>• QSEs</li> <li>• EMEs</li> <li>• Start-ups</li> </ul>	Refers to the planned procurement from small business as a % of the total planned procurement spend



Criteria	Description
Non-financial support provided to small business	Service Providers will be credited for each non-financial ED support that they are planning to give to small business e.g. Professional support; employee time allocated to assisting small business
Financial support provided to small business	Service Providers will be credited for each financial ED support initiative that they are planning to undertake during the contract period e.g. Shorter payment terms; interest free loans
Joint ED initiatives with Transnet	The number of ED initiatives that the Service Provider will jointly run with Transnet: <ul style="list-style-type: none"> <li>That are aligned to Transnet's objectives</li> <li>That are non-financial in nature</li> </ul>

### 5.7 Rural development/integration

The Service Provider's planned use of local labour and business will contribute to Governments NGP objectives and result in supply chain efficiencies. Commitment to rural development will result in the alleviation of poverty and thereby contribute to development objectives. The development must be sustainable in order to have a long-term and meaningful impact.

Criteria	Description
Number of local employees	Number of people employed from within the town/city of operation
Value spent on local business	Monetary value spent on businesses within the town/city of operation
Proximity of business to operations	The locality of the business in relation to operations, preference is given for regional (provincial) locality
Number of rural businesses to be developed	The number of rural businesses that the Service Provider plans to develop as a result of the contract
Value of development to local community (sustainable)	The monetary value spent on rural community development that will result in long-term social improvements

## 6 Market Intelligence Assistance

Service Providers with limited knowledge of the local market, supply base and its capabilities may require assistance in identifying local suppliers and the development needs in order to develop its SD Bid Document. The United Nations Industrial Development Organisation (UNIDO) supplies a benchmarking service in South Africa which will be able to assist Service Providers in identifying potential local suppliers with which to work. In addition, this service will provide insight as to the type of support that these local suppliers require in order to become more competitive. UNIDO's benchmarking tool gives insight into the performance levels being seen in Service Providers' businesses and the practices used to deliver the products or services being offered. The benchmarking tool focuses on:

### 6.1 Performance data relating to -

- Financial performance

- b) Customer data
- c) Processes
- d) Learning & growth

**6.2 Company's current business situation -**

- a) Plans for the business and capabilities to manage their fulfilment
- b) Ability to generate business
- c) Employee relationships
- d) Developing new markets
- e) Developing products and services
- f) Managing money

The UNIDO benchmarking tool provides a basic framework through which an understanding of the South African market can be established. Whilst the list of criteria may not be exhaustive, Service Providers are free to meet with UNIDO to further understand how they can work together to develop a deeper understanding of the market and the SD opportunities available.

**7 Government Policy Documents**

NIPP [http://www.thedti.gov.za/industrial\\_development/nipp.jsp](http://www.thedti.gov.za/industrial_development/nipp.jsp)  
 IPAP2 <http://www.thedti.gov.za/Download/FileAction?id=561>  
 CSDP <http://www.dpe.gov.za/res/transnetCSDP1.pdf>  
 NGP <http://www.thepresidency.gov.za/pebble.asp?relid=2323>

**8 Other Reference Websites**

	Website
Department of Public Enterprise (DPE)	<a href="http://www.dpe.gov.za">www.dpe.gov.za</a>
United Nations Industrial Development Organisation (UNIDO)	<a href="http://www.unido.org/spx">www.unido.org/spx</a>

## GLOSSARY OF WORDS

### **Broad-Based Black Economic Empowerment (B-BBEE)**

A South African legal requirement that require all entities operating in the South African economy to contribute to empowerment and transformation

### **Enterprise Development (ED)**

An element contained within the B-BBEE scorecard whereby a Measured Entity can receive recognition for any Qualifying Enterprise Development Contributions towards Exempted Micro-Enterprises or Qualifying Small Enterprises which are 50% black owned or 30% black woman owned. Enterprise Development Contributions consists of monetary and non-monetary, recoverable and non-recoverable contributions actually initiated in favour of a beneficiary entity by a measured entity with the specific objective of assisting or accelerating the development, sustainability and ultimate financial independence of the beneficiary. This is commonly accomplished through the expansion of a beneficiaries financial and/ or operation capacity.

### **Industrial Policy Action Plan II (IPAPII)**

The implementation plan for the National Industrial Policy Framework (NIPF) which details key action plans (KAPs) and timeframes for the implementation of industrial policy actions in line with the NIPF.

### **Integrated Supply Chain Management (ISCM)**

Refers to an integrated "one supply chain management" strategy within Transnet which has been developed with Centres of Excellence (COEs) with cross-functional teams comprising divisional and corporate task team members, to deliver value through improved efficiencies and compliance with the regulatory environment.

### **New Growth Path (NGP)**

Developed by the Economic Development Department tabled in January 2010 frames a new approach to unlocking economic growth by knitting together the IPAP2 as well as policies and programmes in rural development, agriculture and, sciences & technology, education, skills development, labour, mining and beneficiation, tourism and social development with the aim to target limited capital and capacity at activities that maximise the creation of decent work opportunities. Key indicators include: Quality job creation, Youth employment, Labour intensive growth, and Equity.

**Original Equipment Manufacturer (OEM)**

Refers to a manufacturing company that owns the intellectual property rights and patents for the equipment it sells and services

**Socio-economic Development**

Refers to development which addresses social and economic aspects such as job creation, poverty reduction and increased national value add and which not only focuses on the business's financial bottom line.

**State Owned Enterprise (SOE)**

Refers to Government-owned corporations. They are legal entities created, and owned, by Government to undertake commercial activities on behalf of an owner Government, and are usually considered to be an element or part of the state. They are established to operate on a commercial basis.

**Supplier Development (SD)**

Improving the socio-economic environment by creating competitive local suppliers via Enterprise Development, CSDP and other initiatives such as Preferential Procurement. This results in a supply base that can eventually be competitive to market its goods on the international market leading to increased exports.

**United Nations Industrial Development Organisation (UNIDO)**

A specialised agency of the United Nations. Its mandate is to promote and accelerate sustainable industrial development in developing countries and economies in transition, and work towards improving living conditions in the world's poorest countries by drawing on its combined global resources and expertise.

**Local Content**

The portion of the tender price which is not included into the imported content provided that the local manufacture does take place.

**Imported Content**

The Portion of the tender price represented by the cost of components, parts or materials which has been or are still to be imported (whether by a supplier or its subcontractor) and which costs are abroad, plus freight and other direct importation costs, such as landing costs, doc dues, imported duty, sales duty or other similar tax or duty at the South African port of entry.