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**GUPTA-ZUMA-SHARMA-ESSA-MOLEFE & TRANSNET  
THEFT OF OVER R10.6 billion (1064 x R10m)**

**LOCOMOTIVES TENDER**

Transnet issued an RFP for a total of 1064 new locomotives on the 23 July 2012 (Closing date 16 Oct 2012), broken down as follows:

- **RFP NO: TFRAC-HO-8608 - 599 NEW DUAL VOLTAGE ELECTRIC LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB)**
- **RFP NO: TFRAC-HO-8609 - 465 NEW DIESEL LOCOMOTIVES FOR THE GENERAL FREIGHT BUSINESS (GFB)**

**Timeline:**

**DEC 2010: Public Enterprise Minister Malusi Gigaba** appoints **Iqbal Sharma** to the Transnet board. Mafika Mkhwanazi is made Chairman after Gigaba fails to convince cabinet to make Iqbal Sharma Chairman

**FEB 2011: Brian Molefe (CEO) and Anoj Singh (CFO)** appointed on the Transnet board. **Garry Pita** is **Group Chief Supply Chain officer**.

**2011: Transnet Board creates a new committee - Board Acquisition and Disposal Committee (BADC Board Tender Committee) and makes Iqbal Sharma Chairman. The BADC Board Tender Committee specific task is to control all tenders above R2.5billion.**

**23 JUL 2012: Transnet issues out two tenders for a total of 1064 locomotives 465 Diesel (RFP: TFRAC-HO-8609) and 599 Electric (RFP: TFRAC-HO-8609)**

**16 OCT 2012: Tender submission closes**

**24 JAN 2014: (a) Transnet Special Board of Directors meeting approves the recommendation of the acquisition of 599 Electric locomotives of two successful bidders (Bidder 1: BOMBADIER and Bidder 2: CHINA SOUTH RAIL) on a 40% to BOMBADIER and 60% to CHINA SOUTH RAIL basis, post the evaluation process for the negotiations and award of business, subject to a further endorsement by the Board Acquisitions and Disposal Committee (Board Chairman Iqbal Sharma), post the negotiation process. A bizarre decision from the main board. How can a board empower a board sub-committee to finally approve an award running into billions.**

(b) Transnet Special Board of Directors meeting approves the recommendation of the acquisition of 465 Diesel locomotives of two successful bidders (Bidder 1: CHINA NORTH RAIL and Bidder 4: GENERAL ELECTRIC) on a 50% to CHINA NORTH RAIL and 50% to GENERAL ELECTRIC basis, post the evaluation process for the negotiations and award of business, subject to a further endorsement by the Board Acquisitions and Disposal Committee (**Board Chairman Iqbal Sharma**), post the negotiation process. A bizarre decision from the main board. How can a board empower a board sub-committee to finally approve an award running into billions. (See Annexure A)

**15 JAN 2014: Shortlisted 4 bidders Best and Final offer (BAFO) price submitted to 1064 LOCOMOTIVE STEERING COMMITTEE:**

**465 DIESEL LOCOMOTIVES (price per loco) INCLUSIVE OF HEDGING, ESCALATION (ANNEX B)**

**BIDDER 1: CHINA NORTH RAIL - R 30 455 335**

**BIDDER 4: GENERAL ELECTRIC - R 27 493 481**

**599 ELECTRIC LOCOMOTIVES (price per loco) INCLUSIVE OF HEDGING, ESCALATION (ANNEX C):**

**BIDDER 1: BOMBARDIER - R 32 377 762**

**BIDDER 2: CHINA SOUTH RAIL - R 32 462 295**

**Please note that all the bidders submitted their Best and Final offer (BAFO) as all inclusive of ALL COSTS**

**24 JAN 2014: Shortlisted 4 bidders Best and Final offer (BAFO) price submitted to board (ANNEX D 1 & 2):**

**465 DIESEL LOCOMOTIVES (price per loco):**

**BIDDER 1: CHINA NORTH RAIL - R 27 360 000**

**BIDDER 4: GENERAL ELECTRIC - R 24 312 000**

**599 ELECTRIC LOCOMOTIVES:**

**BIDDER 1: BOMBARDIER - R 28 788 150**

**BIDDER 2: CHINA SOUTH RAIL - R 28 900 000**

**FEB 2014: Regiments Capital/Trillian proposal on ACCELERATED DELIVERY SCHEDULE (ANNEXURE E 1 & 2):**

**465 DIESEL LOCOMOTIVES (price per loco):**

**BIDDER 1: CHINA NORTH RAIL - R 36 442 964**

**BIDDER 4: GENERAL ELECTRIC - R 33 361 514**

**599 ELECTRIC LOCOMOTIVES:**

**BIDDER 1: BOMBARDIER - R 38 322 258**

**BIDDER 2: CHINA SOUTH RAIL - R 40 441 542**

**FEB 2014: Submission to BOARD ACQUISITION & DISPOSAL COMMITTEE on ACCELERATED DELIVERY SCHEDULE (ANNEXURE D 1 & 2):**

**465 DIESEL LOCOMOTIVES (price per loco):**

**BIDDER 1: CHINA NORTH RAIL - R 42 005 000**

**BIDDER 4: GENERAL ELECTRIC - R 38 655 694**

**599 ELECTRIC LOCOMOTIVES:**

**BIDDER 1: BOMBARDIER - R 55 330 000**

**BIDDER 2: CHINA SOUTH RAIL - R 50 899 647**

**How can a supplier charge the client more if they are awarded contracts to be concluded over a shorter period. They should instead give a bigger discount, but not according to Brian Molefe, Anoj Singh, Iqbal Sharma and Garry Pita.**

**PRICES WERE INFLATED FROM THE ORIGINAL FINAL BEST PRICE GIVEN BY THE SUPPLIERS ALL INCLUSIVE. FRAUD IS COMMITTED AGAINST THE PFMA AS THE GUPTA LINKED CRIMINALS INFLATED THE SUPPLIERS PRICE AFTER THE SUPPLIER GAVE THEIR BEST PRICE.**

**17 MAR 2014: Tender award to 4 bidders at increased pricing from initial board submission for approval :**

**SUMMARY OF OVER INFLATING OF PRICES:**

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	465 DIESEL LOCOMOTIVE		599 ELECTRIC LOCOMOTIVE	
BIDDER:	<i>CHINA NORTH RAIL (232)</i>	<i>GENERAL ELECTRIC (233)</i>	<i>BOMBADIER (240)</i>	<i>CHINA SOUTH RAIL (359)</i>
Suppliers tendered best price	R 30,455,335	R 27,493,481	R 32,377,762	R 32,462,295
INFLATED Final Price submitted - Board Acquisition and Disposal Committee (including escalation & hedging) Feb 2014	R 42,005,000	R 38,655,694	R 55,330,000	R 50,899,647
DIFFERENCE: PER LOCOMOTIVE	R 11,549,665	R 11,162,213	R 22,952,238	R 18,437,352
TOTAL INFLATED COST PER TOTAL LOCOMOTIVES AWARDED	R 2,679,522,280	R 2,600,795,629	R 5,508,537,120	R 6,619,009,368

**THE TOTAL INFLATED AMOUNT FOR THE 1064 LOCOMOTIVES AMOUNTS TO:**

**R 17.4 billion**

**PER AGREEMENT, TO DATE THERE SHOULD HAVE BEEN 356 ELECTRIC LOCOMOTIVES DELIVERED TO TRANSNET (See Delivery Schedule - ANNEXURE F)**

## KEY ROLE PLAYERS:

- **MALUSI GIGABA (MINISTER OF PUBLIC ENTERPRISES)** - Initiates internal Transnet Skeem Saam for Gupta's (Brian Molefe, Anoj Singh, Iqbal Sharma, Garry Pita). Gigaba in his Gupta capture mindset of all SOE's and VR laser interest in the locomotives, scribed a letter on the 07 December 2012 to Denel Chairman about PPPFA Act and locomotives acquisitions (subject line), something non related to Denel (arms) and went further in his letter to Denel on the 07 December 2012 stating that all SOE's should continue against the law and he will defend them breaking the law against Treasury. Today he is Minister of Finance. (See ANNEXURE G)

We also know that the Chairman of Denel stayed at the Oberoi Hotel in Dubai and Gigaba also stayed at the same hotel with his wife on Gupta costs for his honeymoon.

Gigaba fell from grace with Zuma when he challenged SAA Chair Dudu Myeni. He was then moved to Home Affairs.

- **BRIAN MOLEFE (TRANSNET CEO)** - Heads Transnet Executive to ensure all processes are supported by the executive under the pretext of urgent supply hence Accelerated Delivery Schedule reason for this to be concluded urgently for the General Freight business and yet none of the acceleration is visible in locomotives delivered since 2014.

- **ANOJ SINGH (TRANSNET CHIEF FINANCIAL OFFICER)** - Key mastermind and paymaster. Ensured prepayment for locomotives and to date none are forthcoming yet approved the advance payment, Escalation and Hedging calculations under the pretext that the locomotives are urgently required for the General Freight business. ANOJ SINGH WITH IQBAL SHARMA AND GARRY PITA PLAYED THE MASTER ROLE IN INFLATING THE LOCOMOTIVE PRICE. ITS FRAUD AND A CRIMINAL ACT.

- **IQBAL SHARMA (CHAIRMAN: ACQUISITIONS & DISPOSAL BOARD COMMITTEE TRANSNET)** - Gate keeper for the Gupta's at Transnet. Chairman of the Acquisitions and Disposal committee with carte blanche authority to determine who must be the successful bidder and at what price. Board committee specially created for him to lead as only Authorised committee to deal with all tenders above R2.5billion. ANOJ SINGH WITH IQBAL SHARMA AND GARRY PITA PLAYED THE MASTER ROLE IN INFLATING THE LOCOMOTIVE PRICE. ITS FRAUD AND A CRIMINAL ACT.

- **GARRY PITA (TRANSNET GROUP CHIEF SUPPLY CHAIN OFFICER)** - The procurement genius who creates the facade that all procurement processes are duly followed. This smokescreen is there to ensure that all the governance boxes are "ticked" and that there is no interference in processes led thereafter by Acquisitions and Disposals Chairman Iqbal Sharma and CFO Anoj Singh, who then decide what price they want the tender to be issued at, ignoring the very same bidder's Best and Final Offer and negotiating a higher price (not lower best price which is common cause) for Transnet to pay.

- **PRESIDENT ZUMA** - President Zuma was at a function to receive the 26 locomotives from China and he stated he was too happy and feels like composing a song on the delivery. Zuma is a self confirmed friend of the Gupta's and father to Duduzane.

- **GENERAL:**

Post the receipt of the 4 shortlisted bidders Best and Final Offer price (ALL INCLUSIVE) to Transnet (15 Jan 2012) which was the price the Board of Transnet based their decision to award the tender on, in a split form to each pair of shortlisted Diesel (China North Rail and General Electric) and Electric Locomotive (China South Rail and Bombardier) suppliers, the Transnet Board Acquisitions and Disposals Committee (BACD) chaired by Gupta partner (and Essa confidant) Iqbal Sharma, together with the CFO Anoj Singh (now Eskom CEO) and Garry Pita (Chief Procurement Officer) decided to negotiate a final price upwards, increasing the tender price from that of the price the Transnet Board awarded on and exposing Transnet (of which they are custodians and obligated to defend and get the best value for price through their fiduciary duties), into financial risk.

It's an unknown phenomenon that after receiving a bidders Best and Final Offer (BAFO) the BACD Chairman Iqbal Sharma and CFO Anoj Singh negotiates for successful bidders to charge them more money - DELIBERATE PRICE INFLATION (FRAUD). It questions how the evaluation was done on price and if the unsuccessful bidders were cheated out of the tender as they too could have a better price then the final price awarded.

**It is now known thanks to the leaked Gupta emails why the increase in prices as Essa company had signed a contract for R10m per locomotive with China South Rail. The price increase was to create a gulf in which Essa/Gupta/Zuma company can be paid his corrupt bribe from. This all done from taxpayer money with China South Rail being a conduit to launder South African citizens and taxpayers money.**

The question stands:

- Where are the locomotives already paid for by Transnet Anoj Singh and Garry Pita?
- How many of those locomotives paid for have actually been delivered to Transnet since 2014?
- Sharma is currently a partner with Essa at VR Lazer through his ownership of VR Lazer properties. It has been previously reported that the 4 shortlisted locomotive companies all visited VR Lazer premises whilst Iqbal Sharma was Chairperson of Transnet's Acquisitions and Disposals committee, to look at partnering the shortlisted companies for the supply of steel for the manufacture of the locomotives. SEE ALSO MALUSI GIGABA LETTER TO DENEL CHAIR ON 07 DEC 2012 (DENEL AND VR LAZER JOINT

VENTURE VRLZER ASIA). How can a Minister instruct an SOE to ignore the laws of the country at Treasury to spite then Minister Pravin Gordhan. We now know why Pravin was replaced from Treasury so as to protect the Gupta's and prepare for the Nuclear project under ESKOM with the same Anoj Singh who is now CFO at ESKOM.

- The corrupt activities of all the main players: Minister Gigaba, Brian Molefe, Anoj Singh, Iqbal Sharma (Essa) and Garry Pita is a well thought out and orchestrated money laundering scheme. **INFLATED PRICING AND ABUSE OF PUBLIC FUNDS IS A CRIME.**
- It now raises the question that these characters could not have achieved this in isolation of the bidders themselves participating in this massive corruption. **WHY WOULD THESE COUNTRIES ALLOW DELIBERATE INFLATED PRICING TO GO UNNOTICED. HOW ARE THE COMPANIES TREATING THE PAYMENT OF THE STOLEN AND INFLATED PRICING:**
  - **CHINA GOVERNMENT & PRES XI NEEDS TO ANSWER AS CHINA SOUTH RAIL AND CHINA NORTH RAIL IS IMPLICATED**
  - **CANADA GOVERNMENT NEEDS TO ANSWER AS BOMBARDIER IS IMPLICATED**
  - **AMERICA GOVERNMENT AND PRES TRUMP NEEDS TO ANSWER AS GENERAL ELECTRIC IS IMPLICATED**
  - **THE WORLD BANK, WHO NORMALLY PLAYS A ROLE IN FINANCING SUCH PROJECTS, NEEDS TO INVESTIGATE THESE COMPANIES, WHO DEFINITELY HAVE A CASE TO ANSWER. WHEN FINALLY PROVEN GUILTY, THEY MUST BE BARRED FROM TENDERING FOR NEW TENDERS.**

**THERE IS NO LOCOMOTIVES SUPPLY ORDER THIS LARGE IN ANY COUNTRY IN THE WORLD OR THE ABOVE COUNTRIES. SOUTH AFRICA IS GIVING THEM LIFE.**

We cannot let this rot continue in our name and will be pressing criminal charges as we have the Bidder giving us an all inclusive Best and Final Offer, a submission is made to the Board for approval and the PRICE IS INFLATED BY ALMOST DOUBLE to a more expensive price, after the supplier gave Transnet a cheaper price. South Africa and TRANSNET have paid the highest and the most expensive price per locomotive in the world.

THE BOARD ACQUISITION AND DISPOSAL COMMITTEE (BADC) INFLATED PRICES OF ALL BUDDERS AS THE FULL BOARD STATED IN THEIR MINUTES THAT THE BADC WHICH IS HEADED BY IQBAL SHARMA AND CFO ANOJ SINGH WERE MANDATED BY THE BOARD TO ENDORSE THE AWARD POST NEGOTIATIONS. THE BOARD LEFT THE FINAL PRICE DECISION IN THE HANDS OF GUPTA CRONIES IQBAL SHARMA AND ANOJ SINGH TO FINALISE THE DEAL AS THEY WISH.

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IT WILL BE INTERESTING TO NOTE WHO WAS ON THE TRANSNET BOARD MEETING OF THE 24 JANUARY ENDORSING AND MANDATING THE ACQUISITIONS & DISPOSAL COMMITTEE IQBAL SHARMA TOGETHER WITH THE CFO ANOJ SINGH TO FINALISE NEGOTIATIONS.

We demand the Police to act. The Transnet board to suspend and charge Garry Pita (Chief procurement Officer) and ex-Transnet board members Brian Molefe, Anoj Singh and Iqbal Sharma.

The Public Protector needs to investigate all the successful bidders so that all monies paid to the Gupta's, Zuma, Essa, Iqbal Sharma, Anoj Singh, Brian Molefe, Garry Pita, Malusi Gigaba must be paid back.

The corrupt locomotives tenders must be set aside. The Transnet and Arms deal have cost South Africans over R200 billion.



EXCERPT FROM THE MINUTES OF THE SPECIAL BOARD OF DIRECTORS OF TRANSNET SOC LTD  
MEETING NO. 14/1 HELD ON 24 JANUARY 2014 AT 16:10 IN BOARDROOM 4901, 49<sup>TH</sup> FLOOR,  
CARLTON CENTRE, 150 COMMISSIONER STREET, JOHANNESBURG

"4.2 Acquisition of 599 Electric Locomotives

**RESOLVED** that the Board:

- Approved the tender evaluation process.
- The acquisition of 599 Electric Locomotives estimated at R19.8bn (excluding hedging costs, escalations and scope of TE's work).
- Approved the recommendation of the *Bidder T1* and *Bidder T2* as a result of the evaluation process for the negotiations and award of business, subject a further endorsement by the Board Acquisitions and Disposals Committee post the negotiation process.
- Approved the allocation on a 60% - 40% basis; 60% to *Bidder T2* and 40% to *Bidder T1*, subject to a performance clause in the contract.
- Delegated authority to the GCE to sign, approve and conclude all necessary documents to give effect to the resolution.

14/1/2"



EXCERPT FROM THE MINUTES OF THE SPECIAL BOARD OF DIRECTORS OF TRANSNET SOC LTD  
MEETING NO. 14/1 HELD ON 24 JANUARY 2014 AT 16:10 IN BOARDROOM 4901, 49<sup>TH</sup> FLOOR,  
CARLTON CENTRE, 150 COMMISSIONER STREET, JOHANNESBURG

"4.3 Acquisition of 465 Diesel Locomotives

RESOLVED that the Board:

- Approved the tender evaluation process.
- The acquisition of 465 Diesel Locomotives estimated at R13.6bn (excluding hedging costs, escalations and scope of TE's work).
- Approved the recommendation of the *Bidder T1* and *Bidder T4* as a result of the evaluation process for the negotiations and award of business, subject a further endorsement by the Board Acquisitions and Disposals Committee post the negotiation process.
- Approved the allocation on a 50/50 split, subject to a performance clause in the contract.
- Delegated authority to the GCE to sign, approve and conclude all necessary documents to give effect to the resolution.

14/1/3"

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## MEMORANDUM

**TO :** 1064 Locomotive Steering Committee

**FROM :** The Cross Functional Evaluation Team (CFET) (Finance)

**DATE :** 15 January 2014

**SUBJECT :** **465 DIESEL LOCOMOTIVES – RESULTS OF 'BEST AND FINAL OFFER' RESPONSES**

### PURPOSE:

- 1) The purpose of this memo is to provide the Steering Committee with an update of the evaluation results based on the 'Best and Final Offer's (BAFO)' received;

### BACKGROUND:

- 2) On 27 December 2013 the 1064 Steering Committee issued a memo (Attached Annexure A) to the CFET Finance requesting that a 'Best and Final Offer' letter be issued to all Bidders;
- 3) Responses from Bidders were received on 10 January 2014;

### BUDGET IMPLICATIONS:

- 4) There are no budget implications applicable to this memo;

### FINANCIAL IMPLICATIONS:

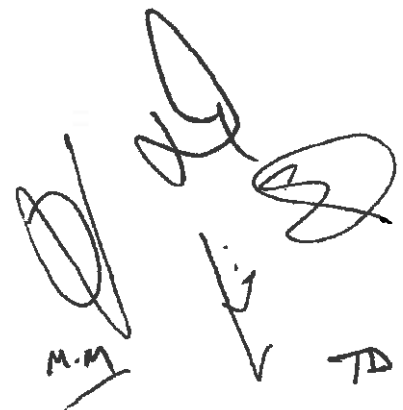
#### Outcome of responses received:

- 5) The table below outlines the BAFO prices as provided by the Bidders:

	<b>Bidder 1</b>	<b>Bidder 2</b>	<b>Bidder 3</b>	<b>Bidder 4</b>
BAFO Evaluated price	R30 455 335	R30 320 728	R40 244 313	R27 159 485
Previous Evaluated price	R44 232 853	R33 254 876	R42 761 272	R27 493 481
Difference	R13 777 518	R2 934 148	R2 516 959	R333 996

**Note:** A reconciliation of the BAFO price submitted and the previous price used for evaluation is attached hereto (Annexure B)

- 6) Bidder 1's BAFO price was reduced by R13.8 million (31%). This is a significant reduction from the original price offer;
- 7) Bidder 1 did not provide confirmation of the foreign currency content applicable to the new BAFO price. This information was requested from the Bidders as any reduction in offer prices could change the proportion of the foreign currency content to the new price. The other 3 Bidders provided this information as requested. A further clarification letter was therefore issued to Bidder 1 in order to obtain this information. The response from Bidder 1 was to make reference back to the tender documents of 30 April 2013. Accordingly we reverted back to the foreign content amounts provided on the original price offer (Appendix E of the original tender submission) and applied the same percentage allocation to the BAFO price for the purposes of completing the evaluation. It should be noted that this percentage does not tie in to the local content % declaration. Any change in the foreign content percentage in relation to the new BAFO price could have a significant impact on the ranking as Bidder 1 and Bidder 2's final scoring are almost the same (0.8 points difference);
- 8) Bidder 3 in their response indicated their concern around the integrity of the tender process. An extract from their response letter dated 9 January 2014 is quoted below:  
  
*"(Please note that with respect to TFR's request that bidders provide a quotation "using subcontractors of (their) choice not Transnet Engineering"; we trust that this does not allow a bidder who did not previously offer a non-Transnet Engineering option to now amend their bid to include a new "private sector" offer. If this is the case we are concerned that this could jeopardize the integrity of the tender process)"*;
- 9) Some bidders included additional SD related proposals in their response. We advised SCS of these items for further consideration;
- 10) This memorandum must be read in conjunction with the CFET (Finance) report dated 10<sup>th</sup> December 2013;



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**CONCLUSION:**


11) The updated evaluation results are reflected below:


WHAT IS BEING MEASURED	WEIGHT	EFFECTIVE WEIGHT	BIDDER			
			1	2	3	4
1 Price	30.00%	18.00%	5.00	5.00	0.00	30.00
2 Total Cost Of Ownership (TCO)	20.00%	12.00%	4.00	0.00	0.00	4.00
3 Delivery Schedule (DS)	25.00%	15.00%	4.00	5.00	4.00	9.00
4 Payment Terms (PT)	10.00%	6.00%	10.00	10.00	6.00	9.00
5 RFP & Contractual Compliance (CC)	10.00%	6.00%	8.75	8.75	7.00	7.50
6 Financial Stability (FS)	6.00%	3.00%	2.38	3.00	3.25	2.36
<b>TOTAL</b>	<b>100.00%</b>	<b>60.00%</b>	<b>37.13</b>	<b>37.75</b>	<b>32.25</b>	<b>47.76</b>


12) Bidder 4 still has the highest overall points scoring. The final scoring for Bidder 1 and Bidder 2 is almost the same (0.8 points difference).


**SUBMITTED BY:**


  
 Mr. Mohammed Moola  
 Senior Manager: TFR  
 Date: 15/11/2014

  
 Mr. Danie Smit  
 Deputy Treasurer Middle Office: Group Treasury  
 Date: 2014/01/15

  
 Mr. Yousuf Laher  
 Executive Manager: TFR  
 Date: 15/1/14

  
 Mr. Thabo Seapi  
 Senior Manager: TFR  
 Date: 15/01/2014

  
 Mr. Zunaid Vally  
 Executive Manager: TFR  
 Date:

  
 Mr. Tsietso Tlalets  
 Debt Manager: Group Treasury  
 Date: 15/1/2014

Annexure B

14

Reconciliation between BAFO (Best and Final Offer) submitted in January 2014 and prices used for evaluation as per December 2013 report

BAFO prices per lot as submitted by bidder

Bidder 1	Bidder 2	Bidder 3	Bidder 4
28 124 158	26 900 000	32 758 000	26 511 700
491 202	548 193	2 275 033	34 141
22 787		33 724	31 073
442 830	532 721	407 918	
27 595	15 472	74 399	3 066
		2 534	
-10		-1	

Add adjustments for items to reconcile to price per Annexure F:

Special tooling  
Engineering support  
Capital Spares  
Commutables  
Spares holding  
Setup cost  
Insurance  
Rounding  
Customs  
Forex Hedging

Price per lot as submitted as per annex F, before the impact adjustments and options

Bidder 1	Bidder 2	Bidder 3	Bidder 4
28 617 371	27 448 193	36 034 033	26 545 861

Adjustments to normalize:

Deduct Schedule II capital spares  
Add spares not included  
Deduct Forex hedging

-	-126 034	-	-
-41 012	-	26 853	497 257
-	-100 000	-	-

Sub Total 1 (Amended BAFO Price excluding impact of hedging and excise/duties)

28 638 383	27 222 159	36 060 886	26 843 088
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Add Options

495 108	196 399	1 059 637	861 342
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Sub Total 2 - Amended BAFO Price with options included (Capital acquisition cost)

29 154 491	27 418 558	36 120 526	26 724 440
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X

Impact of Re-bidding for foreign exchange movements

1 300 844	2 902 170	4 123 787	1 435 045
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Sub Total 3 (Amended BAFO Total price before TE adjustment)

30 455 335	30 320 728	40 244 313	27 159 485
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Impact of not using TE as the main sub-contractor

X

BAFO - Prices used for evaluation

30 455 335	30 320 728	40 244 313	27 159 485
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Price used for evaluation before BAFO

44 232 853	33 254 876	42 761 272	27 493 481
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Difference

13 777 918	2 934 148	2 516 959	133 894
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Make up off

12 375 431	2 499 163	2 091 000	266 800
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Discount on price  
Forex change due to import content and rate changes

1 401 887	434 985	425 959	67 196
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Note: 1. The BAFO prices requested from bidders was without the use of TE as a subcontractor. Therefore the impact of using TE as main subcontractor is already being factored into the initial BAFO price.

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**MEMORANDUM**

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**TO :** 1064 Locomotive Steering Committee

**FROM :** The Cross Functional Evaluation Team (CFET) (Finance)

**DATE :** 15 January 2014

**SUBJECT :** 599 ELECTRIC LOCOMOTIVES – RESULTS OF 'BEST AND FINAL OFFER' RESPONSES

**PURPOSE:**

- 1) The purpose of this memo is to provide the steering committee with an update of the results of the 'Best and Final Offer (BAFO)' response from Bidders 1 and 2;

**BACKGROUND:**

- 2) On 27 December 2013 the 1064 steering committee issued a memo (Attached Annexure A) to the CFET Finance requesting that a 'Best and Final Offer' letter be issued to Bidders 1 and 2;
- 3) Responses from Bidders 1 and 2 were received on 10 January 2014;

**BUDGET IMPLICATIONS:**

- 4) There are no budget implications applicable to this memo;

**FINANCIAL IMPLICATIONS:****Outcome of responses received:**

- 5) The table below outlines the BAFO prices as provided by the Bidders 1 and 2:

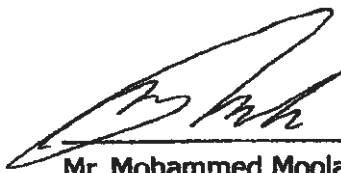
	<b>Bidder 1</b>	<b>Bidder 2</b>
BAFO Evaluated price	R32 377 762	R32 462 295
Previous Evaluated price	R32 833 423	R34 716 188
Difference	R455 661	R2 253 893

**Note:** A reconciliation of the BAFO price submitted and the previous price used for evaluation is attached hereto (Annexure B)

*[Handwritten signatures and initials]*

- 6) Bidder 1 did not provide a BAFO price. Bidder 1 provided a confirmation of the foreign currency content percentage applicable to the price. We used this percentage to update the evaluated price;
- 7) Bidder 2 provided a new BAFO price as well as a new foreign currency content amount. Both of these were used to update the evaluated price;
- 8) Bidder 1 included some additional SD related proposals in their response. We advised SCS of these items.
- 9) This memorandum must be read in conjunction with the CFET (Finance) report dated 10<sup>th</sup> December 2013.

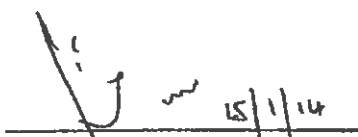
**SUBMITTED BY:**



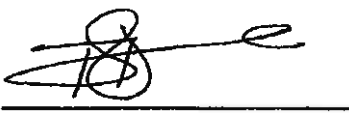
Mr. Mohammed Moola  
Senior Manager: TFR  
Date: 15/1/2014



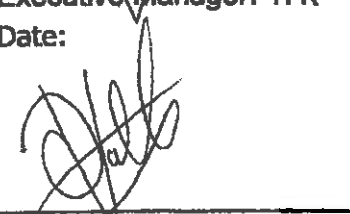
Mr. Danie Smit  
Deputy Treasurer Middle Office: Group Treasury  
Date: 20/4/01/15



Mr. Yousuf Laher  
Executive Manager: TFR  
Date:



Mr. Thabo Seapi  
Senior Manager: TFR  
Date: 15/01/2014



Mr. Zunaid Vally  
Executive Manager: TFR  
Date:



Mr. Tsietsi Tlaetsi  
Debt Manager: Group Treasury  
Date: 15/1/2014



Annexure B

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Reconciliation between BAFO (Best and Final Offer) submitted in January 2014 and prices used for evaluation as per December 2013 report

BAFO price per loco as submitted by bidder

Add adjustments for items to reconcile to price per Annexure F:

Special tooling  
Engineering support  
Capital Spares  
Consumables  
Spares holding  
Setup cost  
Insurance  
Rounding  
Forex Hedging

	29 049 486	28 890 000
	1 821 465	636 007
	3 762	34 789
	491 240	402 918
	45 302	
	27 405	198 300
	1 253 756	
	<b>30 870 951</b>	<b>29 526 007</b>

Price per loco submitted as per annex F, before the impact adjustments and options

Adjustments to normalise:

Deduct Schedule B capital spares  
Deduct Forex hedging  
Sub Total 1 (Amended BAFO Price excluding impact of hedging and escalations)

	-16 360	-122 648
	-1 253 756	-
	<b>29 600 835</b>	<b>29 403 359</b>

Add Options

Sub Total 2 - Amended BAFO Price with options included (Capital acquisition cost)

	1 266 001	1 262 187
	<b>30 866 836</b>	<b>30 665 546</b>

Impact of Re-basing (foreign exchange movements)

Sub Total 3 (Amended BAFO Total price before TE adjustment)

	1 510 926	1 796 749
	<b>32 377 762</b>	<b>32 462 295</b>

Impact of not using TE as the main sub-contractor

BAFO - Price used for evaluation

	<b>32 377 762</b>	<b>32 462 295</b>
--	-------------------	-------------------

Price used for evaluation before BAFO

	32 833 423	34 716 188
--	------------	------------

Difference

Made up of:

Discount on price  
Forex change due to import content and rate changes

	<b>455 661</b>	<b>2 253 893</b>
--	----------------	------------------

	-	2 010 000
	455 661	243 893

Note:

- The BAFO prices requested from bidders was without the use of TE as a subcontractor. Therefore the impact of using TE as main subcontractor is already being factored into the initial BAFO price.
- Bidder 1 did not provide BAFO price but provided the foreign currency component percentage which was used to update the rebasing of foreign portion of the price.
- Bidder 2 provided a new BAFO price and a new foreign currency component percentage. These were used to update the price.

M.M  
TS

ANNEXURE D (1 & 2)



**Award of Tender for 1064 (599 Electric and 465 Diesel) Locomotives** Presentation to the Board Acquisition and Disposal Council (BADC)

Date: February 2014



**Purpose of the Submission**



**This submission is to obtain approval from the Board Acquisition and Disposal Committee (BADDC) for the award of 465 Diesel Locomotives and 599 Electric Locomotives**

# Award of 465 Diesel Locomotive Contract - Approval by BADC



## Award of 465 Diesel Locomotive Contract - Approval by BADC

Bidder 1	Bidder 4
232 (50%)	233 (50%)
27 360 000	24 312 000
	12.5%

Best and Final Offer per Board submission

Adjusted for changes to:

- Escalation up to signature date (from close of tender to Feb 14)
- Longer delivery schedule impact due to production rate tempo of 12 per month
- Forex adjustment to spot rate at 24 Feb 2014
- Batch pricing adjustment for reduction of batch size to 50 %

Best and Final Offer updated to 24 Feb 2014

Adjustments for:

Additional TE Scope

Negotiated discounts

New Price including TE scope

Cost to fix escalation to end of contract

Cost of Hedging

Final Locomotive cost

Estimated Total Cost excluding Hedging and Escalation

Estimated Total Cost including Hedging and Escalation

Estimated total cost and locomotive pricing is subject to change pending confirmation of final TE scope and any further potential discount negotiations

Recommendation:

BADC to approve the 50/50 (232/233) allocation and the award of business to each supplier on that basis.

36 577 723 30 073 800 21.6%

34 000 000 31 646 300 7.4%

5 400 000 5 094 638  
2 605 000 1 914 756

42 005 000 38 655 694 8.7%

15 261 587 900 7 888 000 000 7 373 587 900

18 751 936 702 9 745 160 000 9 006 776 702

# Award of 599 Electric Locomotive Contract - Approval by BADC



## Award of 599 Electric Locomotive Contract - Approval by BADC

Bidder 1	Bidder 2
240 (40%)	359 (60%)

Best and Final Offer per Board submission

28 788 150 -0.4%

Adjusted for changes to:

Escalation up to signature date (from close of tender to Feb 14)

Longer delivery schedule impact due to production rate tempo of 12 per month

Forex adjustment to spot rate at 24 Feb 2014

Batch pricing adjustment for reduction of batch size to 40 % / 60 %

Best and Final Offer updated to 24 Feb 2014

42 560 000 -0.1%

New price after negotiations

42 560 000 8.8%

Cost to fix escalation to end of contract

9 111 000

Cost of Hedging

3 659 000

Final Locomotive cost excluding TE scope

55 330 000 8.7%

Estimated Total Cost excluding Hedging, Escalation & TE scope

19 605 576 240

Estimated Total Cost including Hedging & Escalation and excluding TE scope

13 279 200 000

18 272 973 273

Estimated total cost and locomotive pricing is subject to change pending confirmation of final TE scope and any further potential discount negotiations

Recommendation:

BADC to approve the 40/60 (240/359) allocation and the award of business to each supplier on that basis.

ANNEXURE E 1 & 2

Transnet – Financial and risk analysis for  
1064 procurement negotiations

25 February 2014



REGIMENTS CAPITAL™

There is a material reduction in both escalation and forex cost with the accelerated delivery schedule (Max 50) across all bidders

delivering freight reliably



Original delivery schedule		Accelerated delivery schedule	
<b>GE: 465 locomotives</b> Spot USD @ 5 Feb 2014:11.115		<b>GE: 233 locomotives</b> Spot USD @ 5 Feb 2014:11.115	
Per loco (ZAR)	Total (ZAR)	Per loco (ZAR)	Total (ZAR)
Cost	28 035 405	28 035 405	6 532 249 422
Escalation	4 158 717	2 809 519	654 617 840
Forex cost	3 723 266	2 516 590	586 365 458
<b>Total cost</b>	<b>35 917 388</b>	<b>33 361 514</b>	<b>7 773 232 720</b>
Delivery dates: 1 May 2015 - 1 April 2020 Escalation drivers: - US: 1.9% in 2014 and 2.1% from 2015 and beyond - Local: 5.5% in 2014 and 6% from 2015 and beyond			
<b>CNR: 465 locomotives</b> Spot USD/EUR @ 5 Feb 2014:11.115/15.030		<b>CNR: 232 locomotives</b> Spot USD/EUR @ 5 Feb 2014:11.115/15.030	
Per loco (ZAR)	Total (ZAR)	Per loco (ZAR)	Total (ZAR)
Cost	31 184 564	31 184 564	7 234 818 938
Escalation	2 876 309	2 655 754	615 134 927
Forex cost	2 857 506	2 602 845	603 813 724
<b>Total cost</b>	<b>36 918 379</b>	<b>36 442 964</b>	<b>8 454 767 590</b>
Delivery dates: 1 April 2015 - 1 March 2020 Escalation drivers: - Foreign: Copper, German eng PPI, German labour, proxy for China CPI - Local: PPI, CPI, Hot rolled steel, labour index, mechanical eng and electrical materials PPI - Zero escalation on 13.8% of the loco cost			

Saving		Accelerated delivery schedule					
Per loco (ZAR)	Per loco (%)	Total change (233 locos)	Per loco (ZAR)	Per loco (%)	Total change (232 locos)		
Escalation	1 349 198	32.44%	1 279 185 378	Escalation	220 555	07.67%	721 348 745
Forex cost	1 206 676	32.41%	1 144 953 163	Forex cost	254 861	08.92%	724 926 582
<b>Total</b>	<b>2 555 874</b>		<b>2 424 138 541</b>	<b>Total</b>	<b>475 416</b>		<b>1 446 275 327</b>

Note: the total costs noted above excludes the additional cost impact of TE

There is a material reduction in both escalation and forex cost with the accelerated delivery schedule (Max 50) across all bidders

delivering freight reliably



Original delivery schedule

CSR: 599 locomotives Spot USD @ 5 Feb 2014:11.115

	Per loco (ZAR)	Total (ZAR)
Cost	33 543 612	20 092 623 289
Escalation	6 553 032	3 925 266 015
Forex cost	6 339 908	3 797 604 640
<b>Total cost</b>	<b>46 436 551</b>	<b>27 815 493 944</b>

- Delivery dates: 1 May 2016 – 1 April 2021
- Escalation drivers (SA): Price of hot rolled steel plates, PPI mechanical, PPI electrical, CPI
- Zero escalation on 5% of the loco cost

Bombardier: 599 locomotives Spot EUR @ 5 Feb 2014:15.030

	Per loco (ZAR)	Total (ZAR)
Cost	33 221 298	19 899 557 588
Escalation	7 209 981	4 318 778 509
Forex cost	4 417 729	2 646 219 752
<b>Total cost</b>	<b>44 849 008</b>	<b>26 864 555 849</b>

- Delivery dates: 1 May 2016 - 1 April 2021
- Escalation drivers:
  - Foreign: Germany price of mechanical engineering products and minimum wage for skilled worker (Grade 5) in Hessen
  - Local: CPI, PPI and labour index

Accelerated delivery schedule

CSR: 359 locomotives Spot USD @ 5 Feb 2014:11.115

	Per loco (ZAR)	Total (ZAR)
Cost	33 543 612	12 042 156 529
Escalation	3 680 715	1 321 376 789
Forex cost	3 217 215	1 154 980 198
<b>Total cost</b>	<b>40 441 542</b>	<b>14 518 513 516</b>

- Delivery dates: 1 Aug 2015 – 1 April 2018
- Escalation drivers (SA): Price of hot rolled steel plates, PPI mechanical, PPI electrical, CPI
- Zero escalation on 5% of the loco cost

Bombardier: 240 locomotives Spot EUR @ 5 Feb 2014:15.030

	Per loco (ZAR)	Total (ZAR)
Cost	33 221 298	7 973 111 555
Escalation	3 451 193	828 286 406
Forex cost	1 649 767	395 943 994
<b>Total cost</b>	<b>38 322 258</b>	<b>9 197 341 955</b>

- Delivery dates: 1 Sep 2015 - 1 Sep 2017
- Escalation drivers:
  - Foreign: Germany price of mechanical engineering products and minimum wage for skilled worker (Grade 5) in Hessen
  - Local: CPI, PPI and labour index

Saving

	Per loco (ZAR)	Per loco (%)	Total change (299 locos)
Escalation	2 872 317	43.83%	2 603 889 226
Forex cost	3 122 693	49.25%	2 642 624 442
<b>Total</b>	<b>5 995 010</b>		<b>5 246 513 668</b>

	Per loco (ZAR)	Per loco (%)	Total change (300 locos)
Escalation	3 758 788	52.13%	3 490 492 103
Forex cost	2 767 962	62.66%	2 250 275 758
<b>Total</b>	<b>6 526 750</b>		<b>5 740 767 861</b>

Note: the total costs noted above excludes the additional cost impact of TE





MINISTER  
PUBLIC ENTERPRISES  
REPUBLIC OF SOUTH AFRICA

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Mr Zoli Kunene  
Chairperson; Denel SOC Limited  
P.O. Box 8322  
Centurion  
0046

Tel: (012) 671 2791  
Fax: (012) 671 2833

Dear Colleague

**Re: The Preferential Procurement Policy Framework Act and the Locomotive Fleet Procurement**

As you are aware, the PPPFA exemption enjoyed by Schedule 2 entities under the PFMA expires today (7 December 2012). In essence, the expiry of the exemption will render various procurement initiatives by State Owned Companies (SOC) illegal under the PPPFA.

There are a number of unresolved issues pertaining to the extension of the exemption to State Owned Companies (SOC) from Regulations 2(2); 3 to 8; 10; 11(1) to (9); 11(11) to (13); 12 – 13 as issued in Government Notice No R1027 of 7 December 2011 of the PPPFA. I believe that these issues can have a material impact on the ability of the SOC to extract optimal commercial, developmental and transformational value from strategic procurements.

Given this situation, I am personally engaging with the Minister of Finance to resolve these issues. In the meantime, the SOC should continue to procure as if the extension to the exemption is in place. In addition, no communication should take place between the SOC and National Treasury pertaining to the PPPFA until the situation has been resolved. Should any queries be directed

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to the SOC from the National Treasury regarding the PPPFA, please refer the National Treasury to my office.

In this regard, I would like you to pledge your full support and cooperation to the Department as we engage with the Minister of Finance on this matter.

Yours sincerely



**MALUSI GIGABA, MP**  
**MINISTER OF PUBLIC ENTERPRISES**  
DATE: 2012/12/07

**Cc: Mr. Riaz Saloojee**  
GCEO: Denel (SOC) Limited  
Tel: (012) 671 2791  
Fax: (012) 671 2833

**Annexure C**

The table below indicates the standard delivery schedule used for the payment terms evaluation.

	2013	2014	2015	2016	2017
April	5	10	10	10	12
May	5	10	10	10	12
June	5	11	11	11	12
July	5	11	11	11	12
August	5	11	11	11	12
September	5	11	11	11	12
October	5	11	11	11	12
November	5	11	11	11	12
December	6	11	11	11	12
January	6	11	11	11	12
February	6	11	11	11	12
March	6	11	11	11	12
<b>Total locos delivered per year</b>	<b>65</b>	<b>130</b>	<b>130</b>	<b>130</b>	<b>144</b>
<b>Cumulative total locos delivered</b>	<b>65</b>	<b>195</b>	<b>325</b>	<b>455</b>	<b>599</b>

RR