## DPE Stationery:DPE logo.jpg INFORMATION MEMORANDUM

**TO : Mogokare Richard Seleke**

**DIRECTOR-GENERAL**

**FROM : Justin De Allende**

**PLO**

**RE :** **PARLIAMENTARY QUESTION NO 952**

**DATE : 19 June 2017**

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To provide the Minister with a response to Parliamentary Question Number 952

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| **COVER MEMO AND THE PACKAGING OF PQ BY:**  **Department of Public Enterprises** | | |
| **……………………………….**  **Act. Deputy Director-General: TE**  **Date:** | | **COMMENTS:**  **………………………………………..** |
| **…………………………………**  Mogokare Richard Seleke  **Director-General**  **Date:** | **APPROVED/DECLINED/COMMENTS**  **…………………………………………..**  **…………………………………………..**  **………………………………………….** | |



**DEPARTMENT: PUBLIC ENTERPRISES**

**REPUBLIC OF SOUTH AFRICA**

**NATIONAL ASSEMBLY**

**QUESTION FOR WRITTEN REPLY**

**QUESTION NO.: 952**

**DATE OF PUBLICATION: 6 MAY 2017**

**952.     Adv A de W Alberts (FF+) to ask the Minister of Public Enterprises:**

(1) With regard to the contracts that Transnet concluded with certain companies (names furnished) since 2009, (a)(i) what was the purpose of each contract, (ii) what services and/or goods were procured and (iii) what was the (aa) period and (bb) financial value paid out in respect of each contract and (b) if the contracts are still current, (i) what are the payments that still need to be made and (ii) under what circumstances does the payment still need to be made;

(2) Whether Transnet in each case complied with the (a) Public Finance Management Act, Act 1 of 1999, as amended, and (b) Transnet’s internal tender requirements; if not, why is it not considered necessary to follow the tender process in terms of Transnet’s rules;

(3) Whether the contracts were necessary in each case and (b) why the services could not be handled internally by Transnet?

**Reply:**

**(1)(a)(i)**

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| --- | --- | --- | --- | --- |
|  | **(1)(a)(iii)(aa)** | | **(1)(a)(i)** | **(1)(b)** |
| **Name** | **Period** | | **Contract Purpose** | **Status** |
|  |  |  |  |  |
| TFR Bridging plan | 01-Jun-09 | 30-Nov-10 | TFR Bridging plan | Complete |
| Corridors and Hubs | 01-Jan-09 | 30-Jun-11 | Corridor and Hub strategy and execution | Complete |
| Delivering MDS | 01-Jan-12 | 30-Sep-12 | Delivery of the Market Demand Strategy | Complete |
| TFR Operating model | 01-Apr-12 | 30-Aug-13 | Implementation of TFR new operating model | Complete |
| SWAT 1 | 02-Feb-13 | 31-Jan-14 | Group capital Integration and optimisation | Completed |
| Maputo Corridor | 01-Nov-13 | 31-Aug-14 | Strategy, design and evaluation of Maputo Corridor | Complete |
| Capital Rooms and affordability | 01-Apr-14 | 30-Dec-14 | Capital structuring and affordability | Complete |
| TCP - Capital Room | 01-Apr-14 | 31-Mar-15 | TCP Project Factory, War Room, Business Case and Resourcing | Complete |
| Iron Ore | 09-Apr-14 | 08-Apr-15 | Renegotiating Iron Ore contract | Complete |
| Coal | 09-Apr-14 | 30-Sep-15 | Support services for coal line increase with a breakthrough of 2mt per week for a period of 17 months | Complete |
| NMPP | 09-Apr-14 | 08-Oct-15 | De-risking and acceleration of the New Multi-Product Pipeline (NMPP) for a period of 18 months | Complete |
| Defined Benefit Fund | 23-Jan-14 | 30-Jan-16 | Defined benefit consulting services | Complete |
| Results Management Office | 15-Jan-13 | 13-Mar-16 | Implementing and embedding a RMO facility | Complete |
| SWAT II | 09-Apr-14 | 08-Apr-16 | Capital optimisation and implementation support services | Complete |
| Transaction Advisory | 15-Jan-13 | 18-May-16 | Acquisition of 1064 locomotives tender | Complete |
| Manganese | 09-Apr-14 | 08-Oct-16 | Manganese execution support for a period of 30 months | Complete |
| General Freight Business | 19-May-15 | 15-Nov-16 | Support Transnet in increasing General Freight Business | Terminated |
| Liquid Fuel and Gas demand | 24-Mar-15 | 23-Mar-18 | Gas demand forecasting | Complete |

**(1)(a)(ii)** Professional business and consulting services to support the short to medium term requirements of Transnet in the delivery of the various strategies over this timeframe, the strategies included the Four Point Turnaround plan, the Quantum leap program and now the Market Demand Strategy (MDS) as well as the Earnings Before Interest, Taxes, Depreciation and Amortization (EBIDTA) risks to the MDS as a result of the economic conditions in the past 3 years.

**(1)(a)(iii)(bb) and (1)(b)(ii)**

Whilst Transnet is committed to providing as transparent an account of the information requested, Transnet is bound by contractual obligations it owes to these suppliers and the disclosure of the values would be in breach of the confidentiality clauses of the contracts Transnet has with these suppliers and the disclosure of the financial information regarding these contracts would prejudice the commercial interests and rights of these suppliers. Such unauthorised disclosure may expose Transnet to legal proceedings and its directors and officers to charges of failing to comply with their fiduciary duties to the company.

**(2)(a)** To the best of our knowledge, it appears Transnet complied with the Public Finance Management Act, Act 1 of 1999 in all cases.

**(2)(b)** Transnet complied with its internal procurement policies and procedures in each case.

**(3)(a)** In all cases, the contracts were necessary as a result of internal resourcing constraints and the requirement for specialised skills.

**(3)(b)** The specialised nature of the contracts required specialist skills which were not available within Transnet. These specialised skills were only required for the duration of the contracts.

The appointment complies with paragraph 15.8 of the Transnet Procurement Procedures Manual which refers to the appointment of consultants.

**Mogokare Richard Seleke Lynne Brown, MP**

**Director-General Minister of Public Enterprises**

**Date: Date:**