

**Question and Answer Session of the REQUEST FOR PROPOSALS:  
Transnet Engineering Capital Assets Leasing Company**

**RFP NUMBER: TE/2023/04/0019/26626/RFP**

**Briefing Session, 08 May 2023, 9:00am and 3:00pm**



#	Question	Transnet Response
1	With regards to the port equipment that is part of the scope, could you please provide detailed information on what kind of port equipment Transnet Engineering would include in this new LeaseCo/NewCo?	<p>Transnet Engineering has researched, developed, and built the 'Transnet Port Hauler' which is undergoing operational testing at the port of Durban in South Africa.</p> <p>The port equipment scope is not limited to the Port Hauler and could include other port operations equipment based on a needs basis.</p>
2	Will the use of Newco only apply if it is rolling stock that has been manufactured by Transnet Engineering?	Rolling stock can be obtained from any source; it is not limited to rolling stock manufactured by Transnet Engineering.
3	With the exclusion of the B-BBEE, CSD and Financial Requirement, is there other compliance requirement that a company needs to meet	<p>All compliance requirements necessary for the bidders to meet are stated in the RFP.</p> <p>If the compliance requirement is not asked for in the RFP, then it is not required.</p>

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4	What is the estimated capital required for the reinstatement and acquisition of the initial capital assets?	<p>Transnet has locomotives and wagons that are out of service (the B-fleet). Transnet has 100 diesel locomotives and 2000 wagons that could be made available to LeaseCo/NewCo in the event that these assets are required by LeaseCo/NewCo as assets for lease. LeaseCo/NewCo would purchase the assets from Transnet at a price that would be agreed, based on the condition of the asset.</p> <p>Prior to purchase of any locomotives or wagons, LeaseCo/NewCo will assess the estimated cost of refurbishing the assets and bringing them back to service, as a response to a market requirement demonstrated by a business plan.</p> <p>Transnet Engineering has done an assessment of the locomotives and estimates the repair costs to be between R15-18 million per locomotive.</p> <p>Transnet's view is that the quickest way to obtain assets for lease is to refurbish the rolling stock that exists in South Africa today, which is Cape Gauge rolling stock.</p>
5	Should the bidder have a level 4 B-BBEE and the Newco must have level 2 BBEE?	<p>As per the RFP "Although the B-BBEE Contributor Status of the Bidder is not a requirement for the selection of Preferred Bidder, the LeaseCo/NewCo will be required to hold a B-BBEE Contributor Status of at least a level 4."</p> <p>As Transnet is a State-Owned Company (SOC), its ownership in LeaseCo/NewCo does not contribute to the B-BBEE Contributor status of LeaseCo/NewCo.</p>

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6	Is a Consortium allowed in participation to tender?	<p>Yes, a Consortium is allowed to participate in the tender.</p> <p>As per the definition in the RFP, the <b>“Bidder”</b> means an interested party (which could be a single Person or a Consortium) who will submit a Statement of Qualifications and Proposals pursuant to this RFP”.</p>
7	Please be so kind to confirm if the presentation can be emailed to the attendees or will it be uploaded on the tender	Yes, the presentation was emailed to all external attendees in the session. It will also be published on the Central Supplier Database, National Treasury, as well as the Transnet E-tender portal.
9	It was mentioned that there were several studies that showed to Transnet that there was a market for leasing of locomotives. When will these studies be made available to interested bidders?	The studies will only be shared with the Preferred Bidder. Bidders should use their own market intelligence to assess the opportunity to partner with Transnet.
10	What is the approximate value of assets in the NewCo?	The LeaseCo/NewCo has not been established and will not be established until the Preferred Bidder has been selected. There are therefore no assets in LeaseCo/NewCo. LeaseCo/NewCo will establish its need for assets through a marketing and business plan. As per the response to question 4 above, Transnet has locomotives and wagons that could be purchased by LeaseCo/NewCo and refurbished, as assets for lease.

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11	Will the SPV be restricted from business relating to sales of rolling stock, maintenance and servicing, and parts supply?	<p>The LeaseCo/NewCo's initial intention is leasing capital assets, such as rolling stock and port equipment, rather than outright sale.</p> <p>The LeaseCo/NewCo will be responsible for the maintenance of the assets held for lease. Maintenance will be required to ensure the upkeep of the assets and their availability at any given point in time. It is contemplated that the maintenance would be outsourced.</p> <p>An extension of business into sale of rolling stock, maintenance and parts supply would need to be considered by the shareholders and directors of LeaseCo/NewCo based on business viability.</p> <p>All related business activities could be considered in future but the prime focus in the initial stage of the LeaseCo/NewCo operations is the leasing of capital assets.</p>
12	Is there a value in the minimum requirement on the financial criteria?	The criterion that will be used to evaluate the financial strength of the bidder are outlined in the RFP. There is no financial threshold.

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13	<p>In Section 12.2 it states that "Transnet does not have a rolling stock and/or port equipment leasing company, therefore, as such, no assets will be transferred to NewCo for the implementation of the Project. It will be the responsibility of NewCo to acquire leasing assets and apply for relevant legal and regulatory permits for the operation of NewCo"</p> <p>Does this mean that the Newco will purchase the rolling stock for leasing via investment funds provided by the Bidder? In that case, what is the value add that Transnet gives to the Newco, if the money comes from private sector and no rolling stock is transferred to the NewCo?</p>	<p>LeaseCo/NewCo will purchase the rolling stock available for leasing. Transnet and the private sector partner will provide the capital that is required for the establishment of LeaseCo/NewCo in accordance with their relative shareholding. Transnet has access to 100 B-fleet locomotives and 2000 wagons, which could be purchased by the LeaseCo/NewCo as the initial fleet for lease. The purchase of these assets will be subject to the business plan defined by LeaseCo/NewCo and the need for these assets. The asset value is expected to be low, however there will be refurbishment costs that will need to be incurred to allow the leasing of these assets.</p>
14	<p>Will the SPV be restricted from also manufacturing and selling rolling stock? As an addition to leasing.</p>	<p>Please see the response to question 11.</p>
15	<p>If a Bidder presents itself as a Consortium constituted just for the Transnet project (scope consortium) how are you going to evaluate the financial criteria (i.e., balance sheet, financial statements of the last 5 years and so on)?</p>	<p>The evaluation will be done in accordance with Form VIII of the RFP "The Bidder or if the Bidder is a Consortium, at least one of the Consortium Team Members, satisfies the ... five (5) Minimum Financial Criteria".</p>
16	<p>What is the estimated size of capital investment required from the bidder?</p>	<p>Please see response to question 4.</p>
17	<p>Which are the 100 -B locomotives?</p>	<p>The details of the 100 B fleet diesel locomotives will be provided to the Preferred Bidder.</p>

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18	Whose responsibility would it be to refurbish the rolling stock?	It is the responsibility of the LeaseCo/NewCo to refurbish the rolling stock.
19	How is it envisaged that the NewCo will partner with an existing leasing company, where current leases are being done by the same entity. How do you see that both working?	An existing leasing company may be a shareholder in LeaseCo/NewCo. There would however need to be an assessment of any conflict of interest. In the event that the Preferred Bidder is a leasing company, the discussion as to how to resolve any conflict would need to be fair to both parties.
20	What is the leasing opportunity?	In line with Government plans to ensure that rail infrastructure is separated from operations and the imminent introduction of other Rail operators, Transnet believes that there will be demand from the rail operators for leased assets, given the large capital outlay required for ownership of rolling stock.
21	With regards to the refurbishment of assets, is it a requirement that Transnet Engineering will do the refurbishment?	<p>There is no requirement that Transnet Engineering will do the refurbishment. Transnet Engineering has the capability. In terms of its service and price offering, Transnet Engineering would need to be competitive and LeaseCo/NewCo will choose its suppliers.</p> <p>In terms of its capability, Transnet Engineering has six large manufacturing plants around the country and 145 maintenance depots. Transnet Engineering has the engineering capability and capacity to build 150 new locomotives, and four and a half thousand wagons.</p> <p>It is envisaged that there would be three production lines needed for LeaseCo/NewCo: one for light maintenance (D-level repairs), one for heavy repairs and one for wreck repairs.</p>

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22	Is there any information on the financial projections or the potential market? Why are there no leased assets currently on the market?	<p>There are two markets: the regional market and the South African market. The regional markets are quite small but there is opportunity. In South Africa Transnet Freight Rail currently has the monopoly but there are significant changes in the rail industry and therefore Transnet believes that a market for leased assets will be created in response to those changes.</p> <p>There is in excess of 50 million tonnes of unmet demand in freight. Transnet believes that the private sector will have the opportunity to utilise the infrastructure to take up that opportunity. However, given the size of capital investment required, the private sector is likely to respond to an offer of leased assets rather than having to purchase these assets.</p>
23	How long will the relationship last?	The operations of LeaseCo/NewCo does not have a time limit. A newly incorporated entity will be established with the Preferred Bidder and a Memorandum of Incorporation and a Shareholders' Agreement will be jointly developed.
24	In the press recently there has been some discussion around Chinese locomotives that were purchased that do not have parts. Are these part of the fleet that may be made available to LeaseCo/NewCo?	The B-fleet has no Chinese manufactured locomotives.

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25	Is it envisaged that the clients would lease equipment only or would the LeaseCo/NewCo have to provide drivers for the locomotives, and if so, where is the driver's skill set envisaged to be coming from?	<p>Transnet's plan for the LeaseCo/NewCo is that the business model would need to have flexibility. If the LeaseCo/NewCo offering is a wet lease with maintenance, or a lease without maintenance but with drivers, or a lease without drivers, that would depend on the market.</p> <p>LeaseCo/NewCo will need to have some drivers for its own capital asset lease base and to move the assets to and from the client premises.</p> <p>Where drivers are required, LeaseCo/NewCo will need to provide the skills, training, and quality requirements for the drivers.</p>

**Project Manager**

Handwritten signature of K Puoane.

K Puoane

Date: 24 May 2023

**Supply Chain Representative**

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A Mabena

Date: 24 May 2023