

## Clarification Questions

RFQ: TCC/2023/04/002/26705/RFI

6 June 2023

Category	Clarification Question	Response
Procurement	Uploading of the bid response documents on the Transnet e-tender portal.	Please see attached "How to" guide for bidders.
Finance	Financial strength of Newco? The accumulated cost of building the network was probably in excess of R5 billion. Can we confirm the actual building costs and how much has been depreciated?	The carrying value of the assets will be shared with Shortlisted Respondents from the RFQ stage of the procurement process. Transnet will obtain an asset valuation prior to conclusion of the transaction, but not during the RFP process. Bidders will be able to do their own due diligence as Transnet will arrange site visits during the RFP stage of the transaction.
Finance	Will the investment costs be written off or will the full value be transferred to the NewCo?	Transnet will transfer the non-current assets into the SPV at their net book value or at asset value, based on a third-party valuation. The net book value of assets will be shared with Shortlisted Respondents from the RFQ process.
Finance	How will the Balance sheet and P&L look like	Bidders shorted listed through the RFQ will be invited to submit business proposals to Transnet and this will include forecast financial statements.
Finance	1. Any debt?  2. Interest on debt?  3. Pay back period for the debt?	1. A new entity will be established and therefore there will be no debt at inception. Debt may need to be incurred for capital expenditure envisaged by the Bidders.  2 and 3. Debt requirements will be assessed and if required only incurred

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	4. What are the operational costs today? What are the capital costs	<p>once the private sector partner is in place. Any debt attributes will need to be confirmed by both Transnet and the private sector partner.</p> <p>4. Information will be shared with shortlisted respondents.</p>
Governance	<p>1. Will Transnet remain a majority shareholder in NewCo?</p> <p>2. Political risk?</p>	<p>1. Refer to paragraph 14.3 of the RFQ document.</p> <p>2. The partnership will be managed through an MOI and a Shareholder agreement which are legal documents. Drafts of these documents will be included in the RFP documentation and bidders will need to assess political risk.</p>
Operations	Will future potential losses and new investments be covered by the private investor on top of investing in new shares	Financial losses and gains will be incurred by the SPV/NewCo. Investment costs will also be incurred by the SPV/NewCo. Where shareholder funding is required, this will be provided in accordance with the relative equity held in the SPV/NewCo.
Operations	There are several other networks competing in the market with Telkom having the largest network. Other operators with large networks are Liquid, DFA and Broadband Infraco. If Transnet has to compete with these players selling dark fibre or lit fibre, it will be hard to attract new customers and pricing is likely to be very competitive	Shortlisted Respondents from the RFQ will be required to submit business plans for NewCo including demand and revenue forecasts.
Operations	75% of the network has no spare capacity today. When will fibre be available for new customers?	

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		Transnet's network has spare capacity that will be available as soon as the SPV is established, and the private partner is in place. Network availability will be provided in the RFP.
Operations	Some parts of the Network are leased from Liquid and Infraco. What is the opportunity to sublease this capacity to new customers? Is it possible to sell capacity cheaper than what Liquid and Infraco can offer new customers directly?	The network leased is to Liquid and Infraco, however this is a small portion (<10%) compared to overall network capacity. Transnet is looking for potential partners who are able to derive value from the network, and the potential Bidders will have to assess the commercial parameters around which value can be derived.
Operations/Finance	Is there a real business case to operate this network and make a profit?	The shortlisted bidders will have to submit a business plan for NewCo to assess viability.
Evaluation criteria	<p>Evaluation criteria</p> <p>How important are these?</p> <ul style="list-style-type: none"> <li>Respondent footprint NLD across SA provinces (4,5%)</li> <li>East Coast cable system e.g., SEACOM, EASSy, SAFE, METISS etc. (4,5%)</li> <li>West Coast Cable System e.g., SAT-3, WACS, ACE (indicate system(s) (4,5%)</li> <li>OTN/ROADM Systems (The Respondent has at least 14 Nodes Nationally). (4,5%)</li> <li>The Respondent offers Dark fibre service. (4,5%)</li> </ul>	These criteria are important to ensure that the potential partner has infrastructure and capability to manage, operate and monetize a significant footprint such as the Transnet infrastructure.

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	<ul style="list-style-type: none"> <li>· List MEF certification (1,6%)</li> <li>· International upstream peering points (1,6%)</li> <li>· The Respondent has OTN capability to provide support across South Africa (i.e., skilled technical resources). (4,5%)</li> </ul>	