

TRANSNET



delivering freight reliably



Infrastructure Planning
Regional Customer Conference
30 September 2015

Contents



Market Demand
Strategy



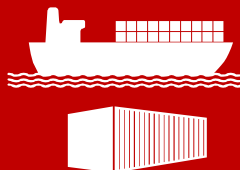
Key Drivers for port
expansion



TNPA 7 year Capex
plan



Expansion projects
with examples



DDOP



DoE



PMO Vacancy



Dredging



Supplier
Development



THANK YOU

Market Demand Strategy will be executed through a series of initiatives



Significant financial, social, economic and environmental impact for South Africa and the region through:

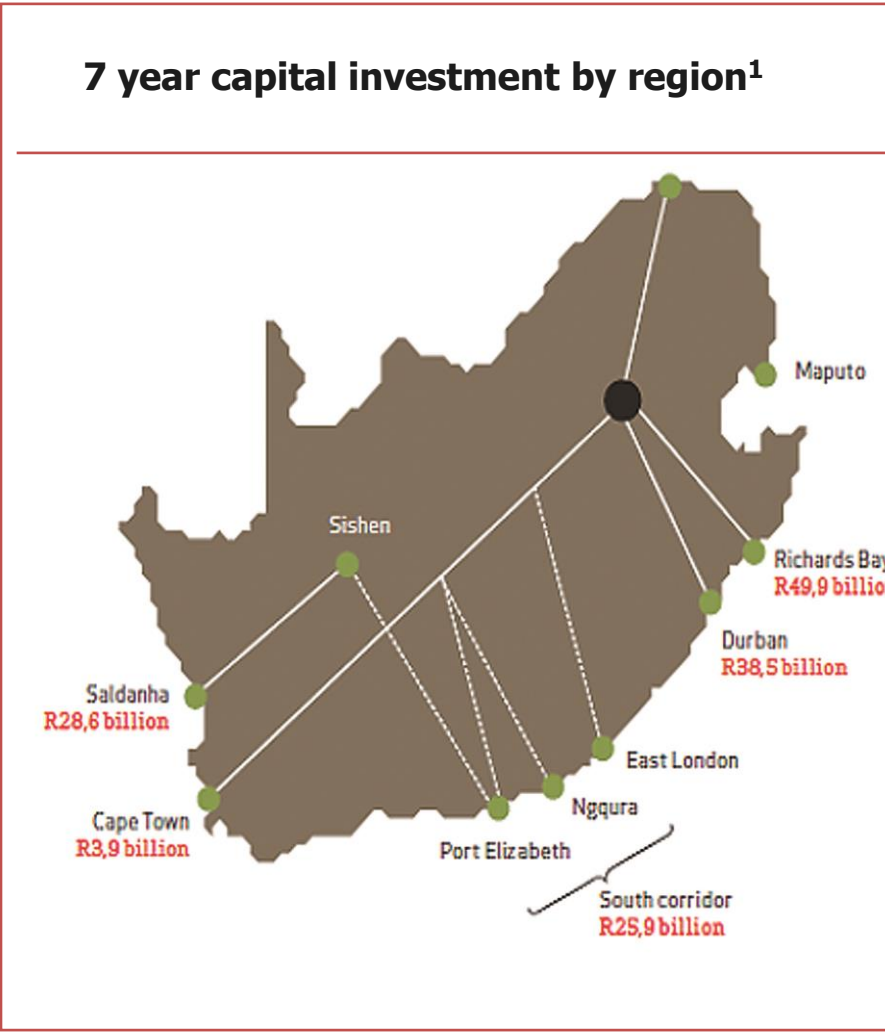
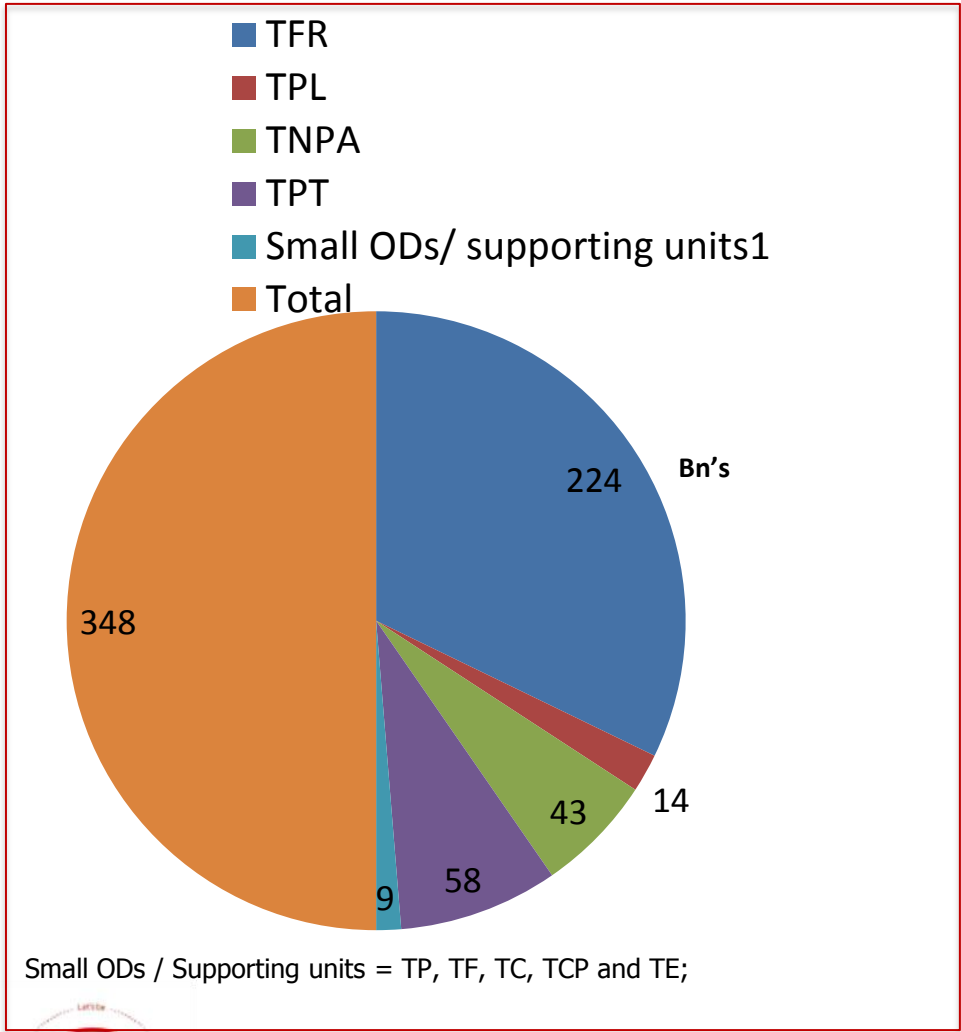
<p>1</p> <p>Optimising capital investments</p> <ul style="list-style-type: none"> • Optimise the capital portfolio • Achieve "gold standard" management and execution • Practice efficient, cost-effective procurement • Achieve localisation and empowerment objectives 	<p>2</p> <p>Growing volumes and market share</p> <ul style="list-style-type: none"> • Expand integrated customer planning • Create long-term stable customer relationships • Enhance key account management capabilities • Align tariffs to recover full economic cost from customers 	<p>3</p> <p>Improving operational efficiencies</p> <ul style="list-style-type: none"> • Become a "Gold standard" operator • Improve quality of infrastructure • Drive continuous improvement to enhance operational efficiency and productivity 	<p>4</p> <p>Finance and funding</p> <ul style="list-style-type: none"> • Maintain financial sustainability throughout the capital investment programme • Pursue private sector participation opportunities • Enhance financial risk management 	<p>5</p> <p>Regulatory and key stakeholder engagement</p> <ul style="list-style-type: none"> • Alignment on tariff methodology and regulatory policy • Engage with stakeholders to develop joint view on transport industry structure • Actively engage with internal and external stakeholders to support MDS 	<p>6</p> <p>Safety, health, sustainability, quality and risk</p> <ul style="list-style-type: none"> • Embed a safety culture • Accelerate initiatives to address environmental challenges • Actively monitor and improve socio-economic impact
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<p>7</p> <p>Human capital strategy</p> <ul style="list-style-type: none"> • Fill critical vacancies whilst achieving employment equity targets • Implement enhanced talent management strategy • Increase contribution to skills development within South Africa 	<ul style="list-style-type: none"> • Embed core values of dignity and respect • Continued focus on employee wellness • Embed union engagement model
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<p>8</p> <p>Building organisational readiness, a high performance culture and maintaining good governance</p> <ul style="list-style-type: none"> • Enhance performance management approaches • Optimise the reward and incentives model • Establish high performance programmes • Safe guard corporate governance and ensure statutory compliance 	<ul style="list-style-type: none"> • Enhance identification, assessment and mitigation capacity of enterprise risk management to manage risks • Improve, standardise and integrate IMS to support delivery on business requirements • Ensure integrated, holistic approach to MDS tracking and reporting
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TRANSNET GROUP Draft Corporate Budgets (All ODs) (MDS)



Expanding on rail, port and pipeline infrastructure

Contents



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Strategy



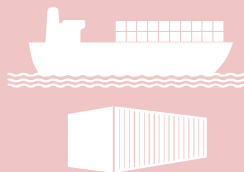
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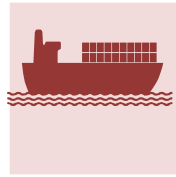


PORT DEVELOPMENT AND KEY DRIVERS



VOLUMES

- Increase in import/export container volumes
- Market growth demand in all cargoes



SHIPPING TECHNOLOGY

- Economies of scale (vessels; equipment)
- Inter-modality
- Ports need depth and quay length
- Strong focus on training and capacity development



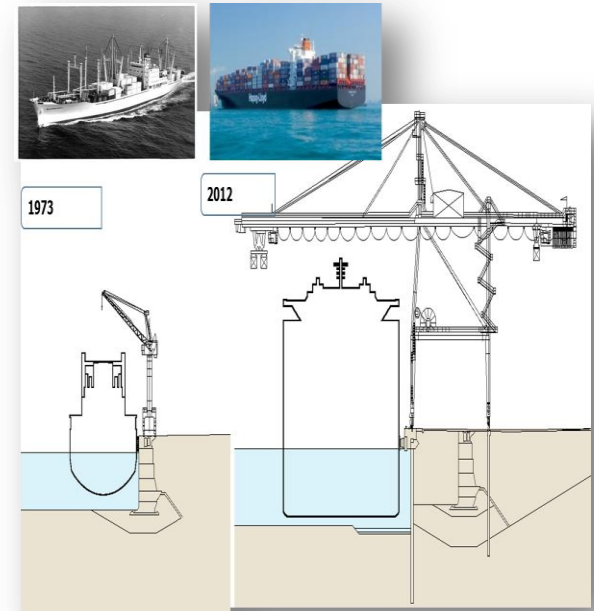
SUSTAINABILITY

- Eco-systems
- Socio-political systems
- Economy
- Human Capital Management
- Responsible development



COST OF CAPITAL

- Development constraint
- Risk management
- Forces phasing of investment
- Development rationale (strategies)





OPERATION PHAKISA



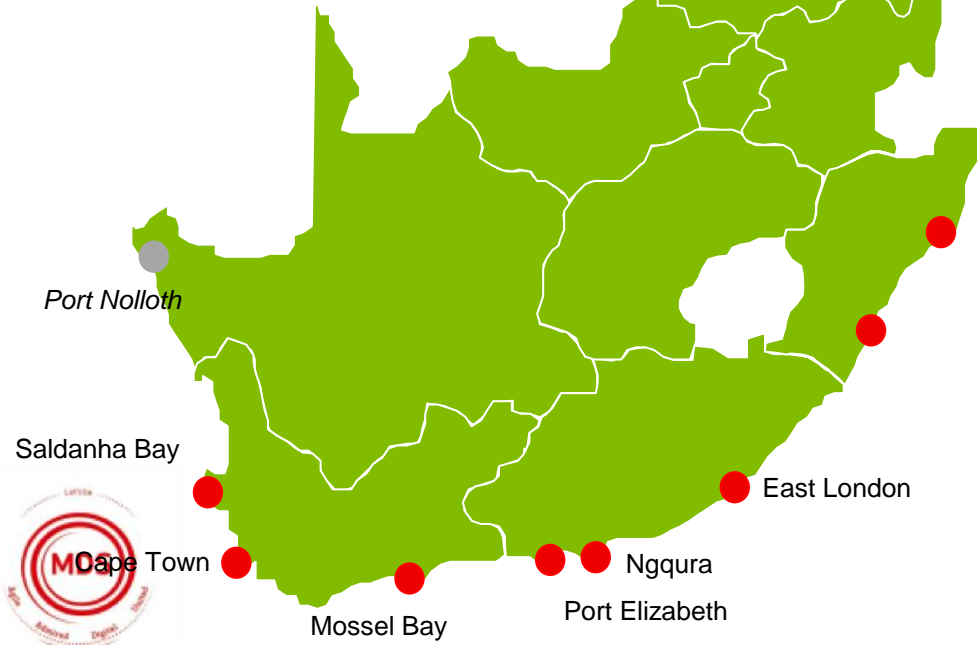
Through Operation Phakisa, government aims to implement priority programmes better, faster and more effectively the ship repair market was identified as a key industry contributing to job creation, transformation, skills development and infrastructure investment

TRANSNET



Ship repair facilities are located at 8 of the 9 commercial ports as on or more of the following:

- Slipways
- Synchrolifts
- Dry docks
- Floating docks



SHIP REPAIR MARKET SIZE

- $\pm 13,000$ total ship calls at SA ports p.a.
- Potential 2500-5500 ships p.a. for ship repair
- Global demand for dry docks to increase at 13% p.a. from 2015 onwards
- $\pm 33\%$ of bulk carriers, tankers and container ships are dry-docked p.a.

STRATEGY PILLARS

- The capital investment over the short to medium term will improve the safety, reliability and efficiency relating to the ship repair facilities



CURRENT PORT SYSTEM

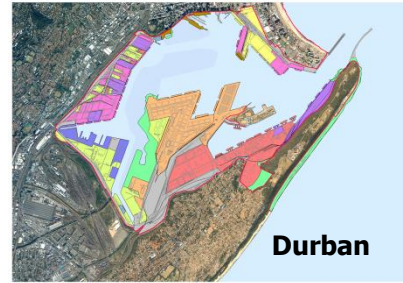


Ngqura



Saldanha Bay

Newer ports of Ngqura, Saldanha Bay & Richards Bay are the largest ports by area



Durban



Cape Town



East London

(drawn to same scale)



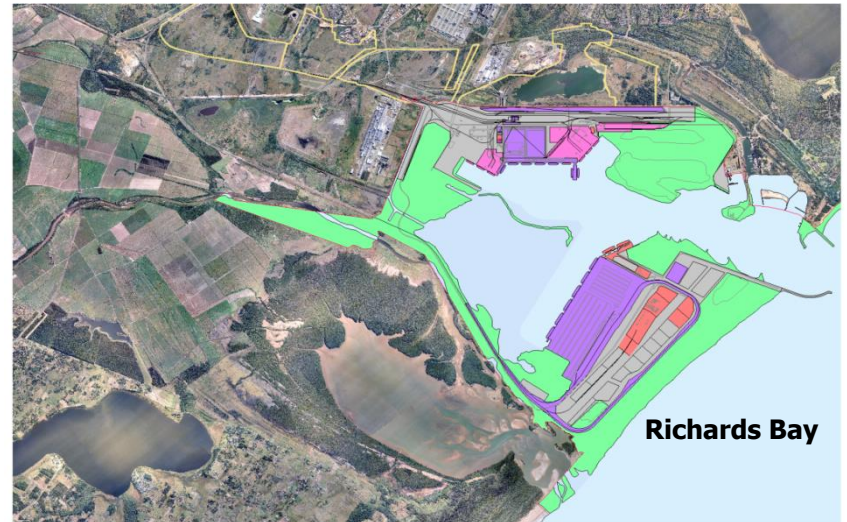
Port Elizabeth



Old Durban airport site



Mossel Bay



Richards Bay



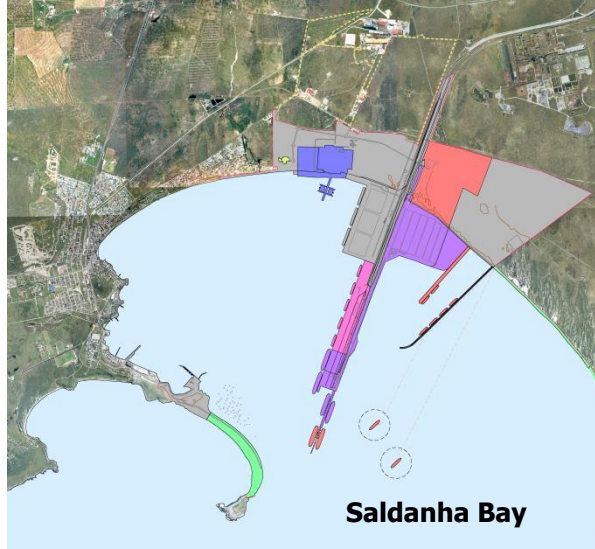


LONG-TERM VISION OF THE PORT SYSTEM

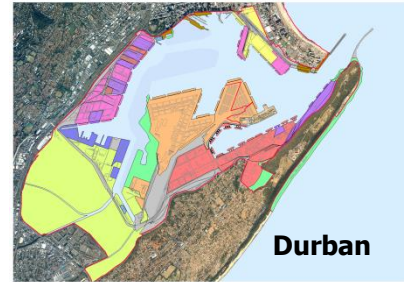
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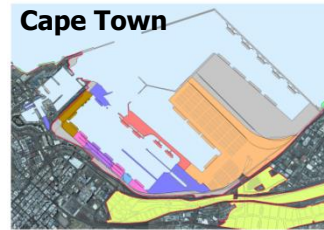
Ngqura



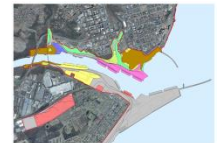
Saldanha Bay



Durban

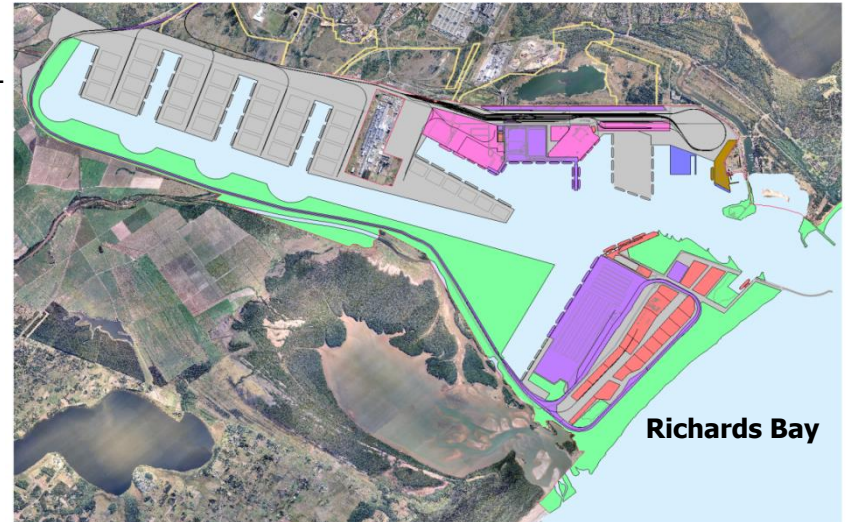


Cape Town



East London

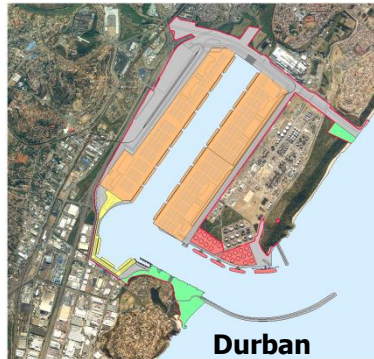
The newer ports offer large development potential, with the addition of the proposed Durban Dig-Out Port



Richards Bay



Port Elizabeth



Durban Dig-Out Port



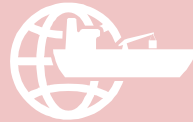
Mossel Bay



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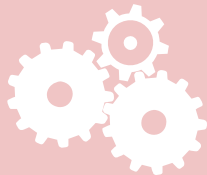
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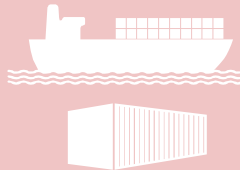
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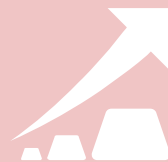
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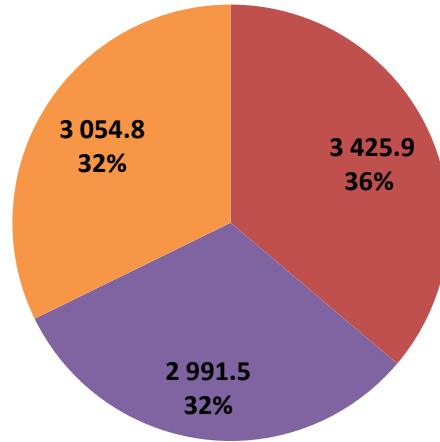


THANK YOU



TNPA CAPEX PROGRAMME BUDGET RE-OPTIMISATION

2015/16 CAPEX MANAGEMENT BUDGET OPTIMISATION



■ Group Approved budget ■ Optimised Budget 2015/16 #1 ■ Optimised Budget 2015/16 #2

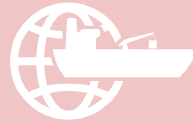
Programme	Optimised Budget 2015/16 #2
CPT	168.59
DBN	611.76
DRS	349.06
EL	137.13
HO	317.42
LHS	91.99
MSB	15.90
NGQ	403.37
PE	218.65
RCB	490.86
SLD	250.08
Grand Total	3 054.793



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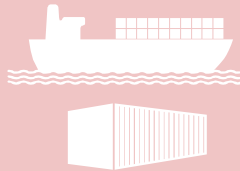
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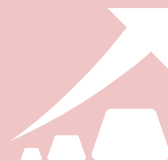
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Salisbury
Infill

Berth
Deepening

Artist Impression on Completion



PORT OF DURBAN CONTAINER EXPANSION PROGRAMME

PROGRAMME DESCRIPTION

The Port of Durban Container Expansion Programme consists of the following two projects:

1. Pier 1 Phase 2 Salisbury Island Infill:

- This project will increase the capacity from 0.7 million TEUs p.a. to 2.5 million TEUs.

2. DCT North Quay Berth Deepening and Lengthening:

- This project will provide sufficient water depth to safely accommodate larger Post Panamax Vessels and sustain the current capacity of DCT at 2.9 million TEUs.

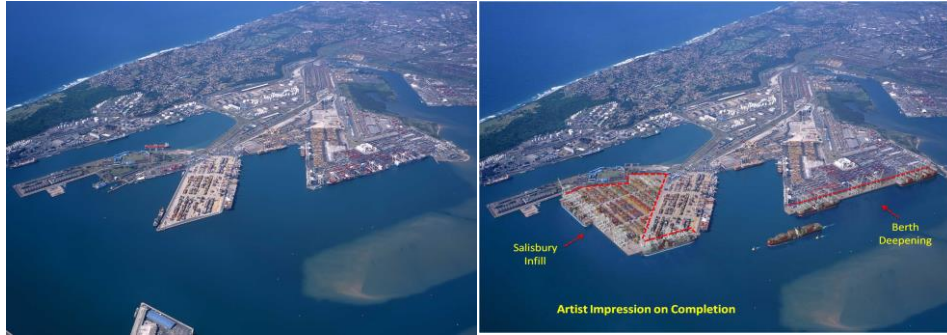
PROGRAMME SCOPE

1. Pier 1 Phase 2 Salisbury Island Infill:

- Lease 8.62ha of DPW land.
- Provision of Navy Infrastructure.
- Reclaim 22ha between Pier 1 and Salisbury.
- Construct three deep water berths at -16.5m Chart Datum Port (CDP).
- Concrete paving and terminal buildings.
- Terminal handling equipment.

2. DCT North Quay Berth Deepening and Lengthening:

- The construction of a new quay wall 50m seawards of the existing quay wall, along Berths 203 to 205.
- Increase the existing quay wall length from 914m to 1 210m to allow simultaneous berthing of three 350m long larger Post Panamax Vessels.
- Dredge to provide a deeper turning basin, approach channel and Berths 203 to 205, from -12.8m to -16.5m CDP to accommodate the larger Post Panamax Vessels with a sailing draft of 14.5m.
- Construction of a new central mess and ablution facility, substations and satellite buildings at DCT north quay.
- Modify and relocate the existing 7 DCT Ship to shore (STS) cranes onto the newly constructed quay wall.



Current Pier 1 and DCT

Future – artists impression

ESTIMATED TOTAL COST OF PROGRAMME – EXECUTION COSTS (Excluding escalation)

1. Pier 1 Phase 2 Salisbury Island Infill:

- TNPA: R5.9billion
- Terminal Operator: R4.8billion

2. DCT North Quay Berth Deepening and Lengthening:

- TNPA: R5.3billion
- TPT: R0.8billion

PROGRESS

1. Pier 1 Phase 2 Salisbury Island Infill:

- Lease agreement with DPW expected to be concluded by the end of August 2015.
- FEL3 Detailed engineering to be completed in February 2016.
- Environmental specialist studies are underway, environment application to be lodged in November 2015.

2. DCT North Quay Berth Deepening and Lengthening:

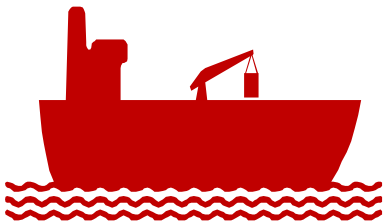
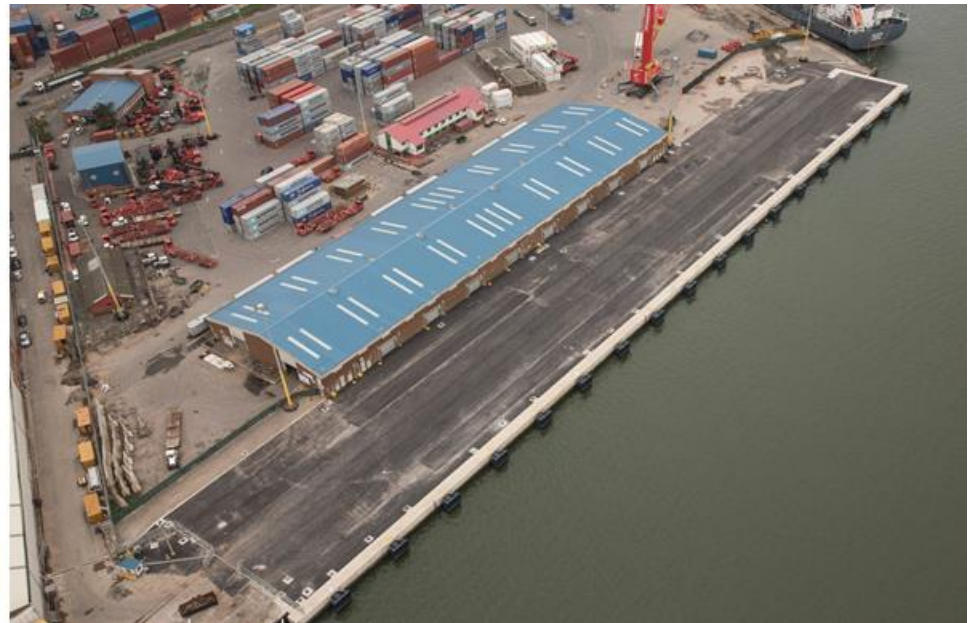
- FEL3 Detailed engineering has been completed.
- Business case is targeted to be tabled at the November 2015 Transnet Board meeting.
- Environmental authorisation was granted in January 2015, however two appeals were lodged. The appeal process is expected to be completed in September 2015.



DURBAN PROGRAMME	STATUS	PERFORMANCE	COMMENTS	NOTIFICATION/SUPPORT REQUIRED																														
FOCUS	Feasibility Planning Phase																																	
Commercial / market		<ul style="list-style-type: none"> Container demand based on 2015 LTPF demand data Capacity to match demand Pier 1 Phase 2 Salisbury Island Infill: <ul style="list-style-type: none"> This project will increase the capacity from 0.7 million TEUs p.a. to 2.5 million TEUs. DCT North Quay Berth Deepening and Lengthening: <ul style="list-style-type: none"> During the execution phase there will be a capacity loss of 400 000 TEUs. This project will sustain the current capacity of DCT at 2.9 million TEUs. 	<ul style="list-style-type: none"> A cargo diversion strategy will be required during the execution phase of the berth deepening project when demand for the Port of Durban is greater than the capacity. 	<ul style="list-style-type: none"> The cargo diversion strategy is being dealt by Transnet Group Commercial and requires support from TNPA, TPT and TFR. 																														
Financial		<p>Capital Expenditure (FEL3)</p> <p>Pier 1 Phase 2 Salisbury Island Infill:</p> <ul style="list-style-type: none"> Budget: R63.3m Spent to date: R26.8m Final forecast cost: R49m <p>DCT North Quay Berth Deepening and Lengthening:</p> <ul style="list-style-type: none"> Budget: R127.6m Spent to date: R87.9m Final forecast cost: R109m 	<ul style="list-style-type: none"> Any further environmental approval conditions may have an effect on the forecast cost. 																															
Schedule (key milestones)		<table border="1"> <thead> <tr> <th colspan="2">Pier 1 Phase 2 Salisbury Island Infill</th> </tr> <tr> <th>High-level milestones</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>Feasibility studies (FEL3) completed</td> <td>June 2017</td> </tr> <tr> <td>Construction start</td> <td>August 2019</td> </tr> <tr> <td>Construction complete</td> <td>March 2023</td> </tr> </tbody> </table> <table border="1"> <thead> <tr> <th colspan="2">DCT North Quay Berth Deepening and Lengthening</th> </tr> <tr> <th>High-level milestones</th> <th>Date</th> </tr> </thead> <tbody> <tr> <td>Feasibility studies (FEL3) completed</td> <td>February 2016</td> </tr> <tr> <td>Construction start</td> <td>May 2016</td> </tr> <tr> <td>Construction complete</td> <td>July 2022</td> </tr> </tbody> </table>	Pier 1 Phase 2 Salisbury Island Infill		High-level milestones	Date	Feasibility studies (FEL3) completed	June 2017	Construction start	August 2019	Construction complete	March 2023	DCT North Quay Berth Deepening and Lengthening		High-level milestones	Date	Feasibility studies (FEL3) completed	February 2016	Construction start	May 2016	Construction complete	July 2022	<ul style="list-style-type: none"> The milestones are based on the approvals being granted for environmental authorisation and execution costs. 											
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Interdependencies		<p>Pier 1 Phase 2 Salisbury Island Infill:</p> <ul style="list-style-type: none"> Durban Dig Out Port <p>DCT North Quay Berth Deepening and Lengthening:</p> <ul style="list-style-type: none"> Acquisition of 5 New STS Cranes 																																
Governance		<p>Gate Review</p> <p>Pier 1 Phase 2 Salisbury Island Infill:</p> <ul style="list-style-type: none"> Scheduled for May 2016. <p>DCT North Quay Berth Deepening and Lengthening:</p> <ul style="list-style-type: none"> Awaiting final gate review report 																																



RECONSTRUCTION OF THE SHEETPILES IN MWH



Replacement of old steel sheet pile berths 1-4, and 12-14, with new deep water berths. To provide infrastructure to sustain port operations and cater for growth in cargo volumes





ISLAND VIEW BERTHS



Froman Images Photography 2012 ©

ISLAND VIEW BERTH 5 (BEFORE)



SkyPics ©

ISLAND VIEW BERTH 5 (AFTER)



EXISTING IV 1

Upgraded IV 2

SkyPics ©

ISLAND VIEW BERTH 1&2



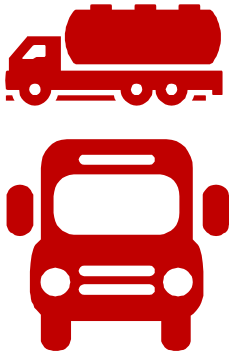
SkyPics ©

ISLAND VIEW BERTH 1&2 (OCCUPIED)





DURBAN TRUCK STAGING AREA



New dual carriageway from Langeberg Rd to Pier 1, Provision of 2 additional truck staging areas (136 truck staging bays). To alleviate traffic congestions going to Pier 1 and Cutler Complex, to sustain current cargo volumes.





PORT OF DURBAN: SHIP REPAIR OVERVIEW

DRYDOCK / GRAVING DOCK				
Wharf	Len	Design Depth CD	Max Avail Depth	Max Depth Draught
Graving dock	79	-11.3	10.8	10.5
Repair Quay	155	-6.1	6.1	5.8
Dept repair jetty	300	-6.1	5.1	4.8
Ship repair jetty	413	-8.5	7	6.7



WORKSHOP 24		
Asset	Quantity	Capacity
Cranes	3	
Repair Quays	2	
Slipways	1	
Machinery	10	

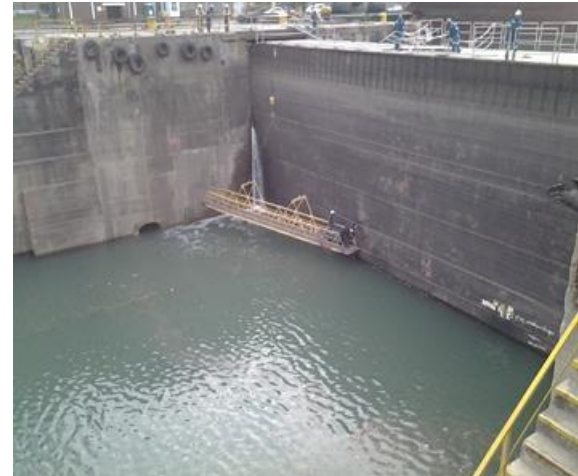


FLOATING DOCKS			
	EL-Dock	SA- Shipyards	TNPA
Length (m)	155	3	109
Width (m)	23.5	2	23.34
Lifting Capacity (tonnes)	8500		4500
Cranes	2	1	2



• Prince Edward Graving Dock was commissioned in 1925

• The Caissons Rehabilitation project





delivering freight reliably

RCB TRUCK STAGING AREA



RCB TRUCK STAGING AREA



ENTRANCE TO TSA – SECURITY CHECK



REAR ENTRANCE TO GOVERNMENT HOUSE

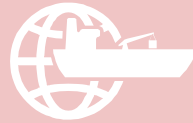


OVERVIEW OF FACILITY

Contents



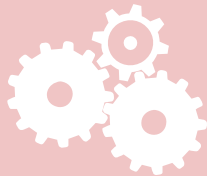
Market Demand
Strategy



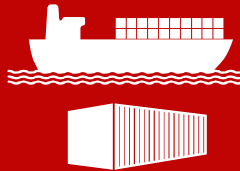
Key Drivers for port
expansion



TNPA 7 year Capex
plan



Expansion projects
with examples



DDOP



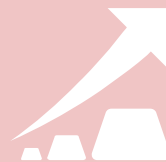
DoE



PMO Vacancy



Dredging



Supplier
Development



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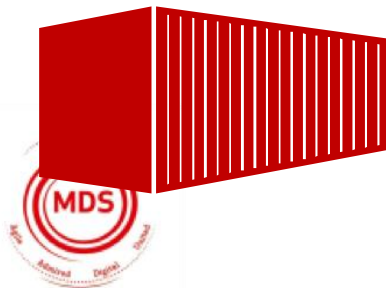
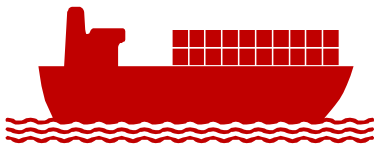
DURBAN DIG-OUT PORT - CURRENT



DURBAN DIG-OUT PORT - CURRENT



DURBAN DIG-OUT PORT - ARTIST'S IMPRESSION



HIGH LEVEL STATUS

- FEL2 is being completed. Expected completion August 2016
- Environmental and sustainability work has started well ahead of standard PLP guidelines to mitigate the delays expected on EA.
- Critical: -
 - ✓ The SBM relocation or other alternatives
 - ✓ Land acquisition
 - ✓ Port promulgation
 - ✓ Stakeholder engagement and buy-in
- Capacity 2.4m TEU
- Program Business Case (November 2015)

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Market Demand
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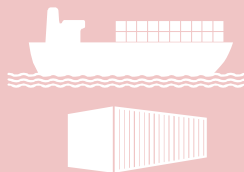
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POWER PROJECT INTERPRETATIONS AND PROJECT DEFINITION

To achieve the objectives of the RFI the following “Projects” have been identified:

Short-term Project: - Primary objective is to alleviate the short-term power constraints

Medium-term Project: - Primary objective is to procure long-term power supply and to support the development of South Africa’s gas economy in line with the GUMP

Short Term Project

- Secure short-term power on a **12 month** project horizon
- Target generation capacity **1000MW**
- Ports: **Saldanha, Ngqura, Richards Bay**
- **Self contained** power generation resource
- Special purpose marine vessels
- **Temporary position** within ports
- Fast delivery!
- Turn-key (plug-and-play)
- **Limited marine infrastructure** requirements
- Minimal use of land space
- Floating power generation technology



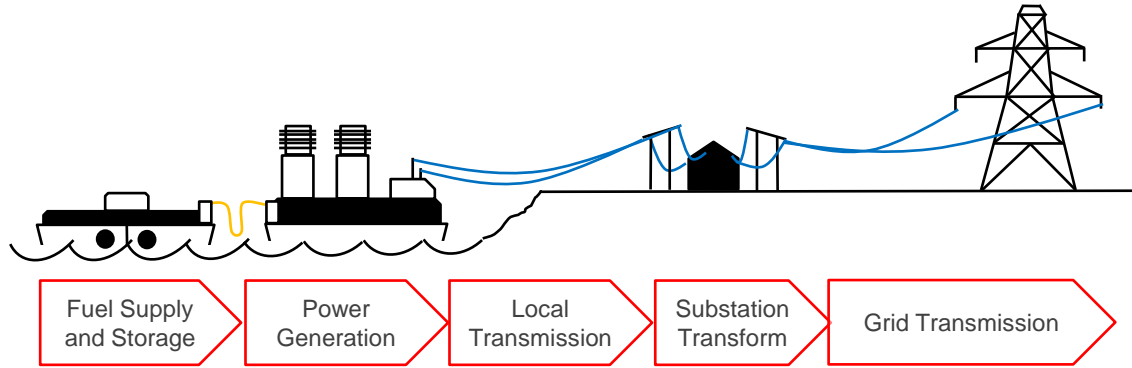
Medium Term Project

- Secure long term Gas IPP power solution on a **3-5year** project horizon
- Target generation capacity **3000MW**
- Ports: **Saldanha, Ngqura, Richards Bay, Mossel Bay**
- Special purpose **LNG import facilities**
- **Long term position** within ports
- Regas through **FSRU or land based facility**
- Power generation resource is land based and separate from the import facility
- **Significant infrastructure** requirements
 - ✓ Marine import terminal
 - ✓ Land based power plant

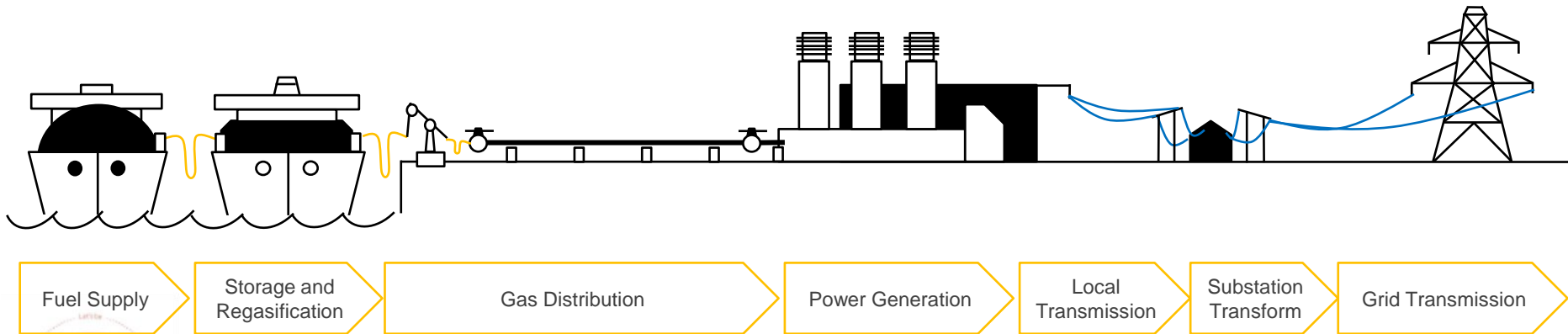


PROJECT ACTIVITY REQUIREMENTS

Short Term Project



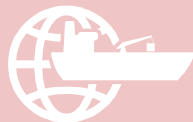
Medium Term Project



Contents



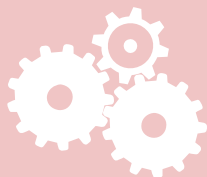
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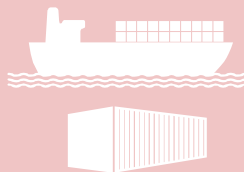
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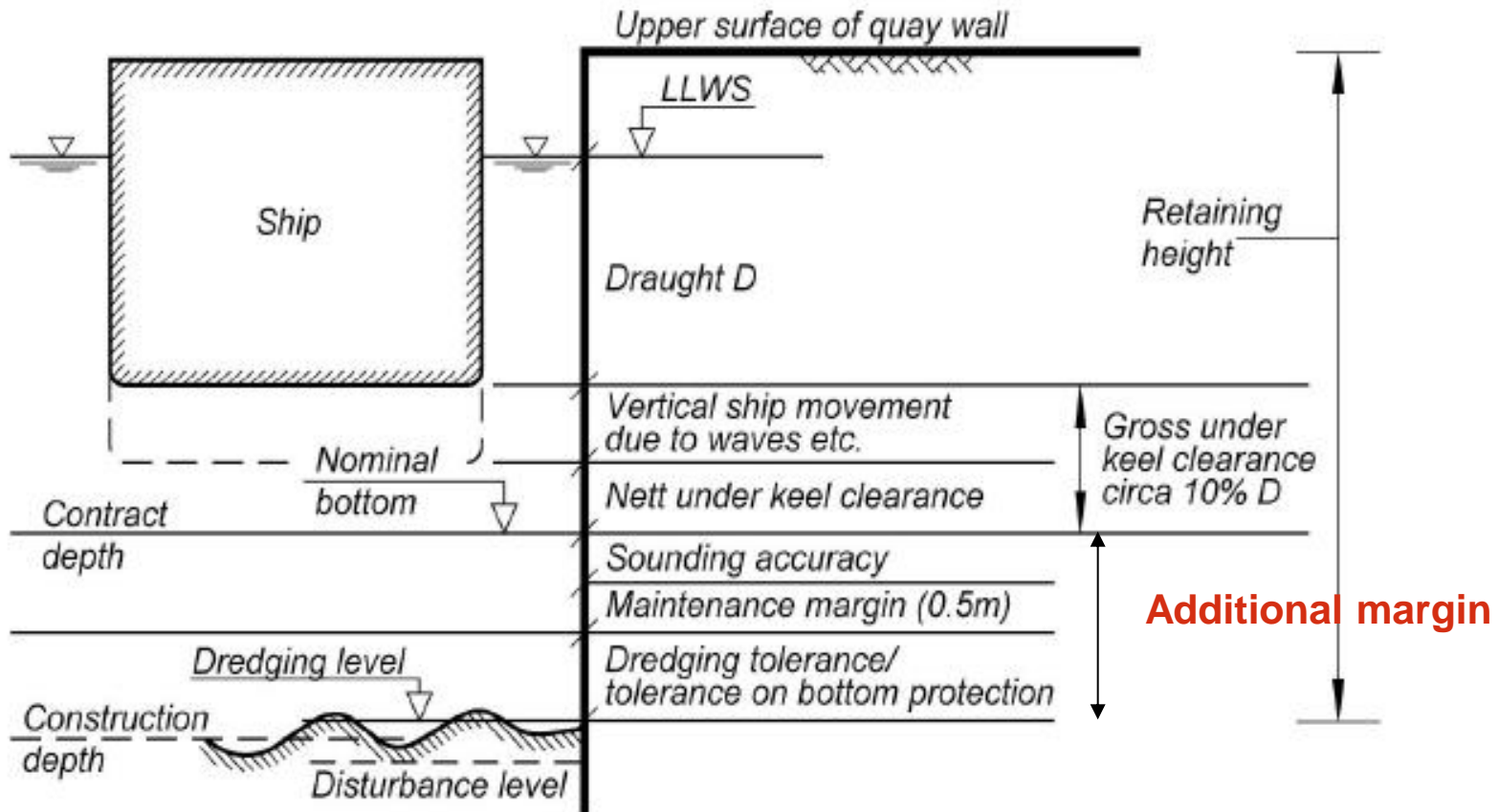
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IDEAL SITUATION



DREDGING SERVICES CHALLENGES AND INTERVENTIONS

delivering freight reliably



SCARCITY OF MARINE CREW



- Development and approval of a dredging services remuneration model.
- Crewing for the unforeseen Grab hopper dredger. 40 new posts.
- Cadet intake (Deck/Eng) every year to create a pool to feed the crewing requirement.

PROCUREMENT (INEFFECTIVE AND LONG)



- Long term contracts (including 5 year contract for OEM spares; currently sent for review to Group)
- Additional Resources. Exercise to be undertaken by Strategic workforce planning
- Strong focus on training and capacity development
- Seek special DOA for spares and equipment

DCT ISSUES



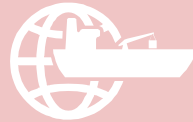
- Dedicated dredging tool for Port of Durban. To be delivered Dec 2016.
- POD to have a leased dredger in place by 01 Oct 15 until Dec 2016.
- POD to utilise plough tug, Italeni and utilize external contractor (Subtech) until 01 Oct 15
- Two main issues required to solve the problem;
- Use of vessels propulsion results in high spots after every vessel. Current 2 tug operation is insufficient. More tugs to be used to reduce the effect of vessel propulsion/bowthruster .
- Port infrastructure outdated to handle large container vessels calling (insufficient underkeel clearance). Solution to address the problem is to deepen the berths.



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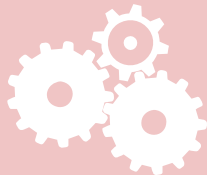
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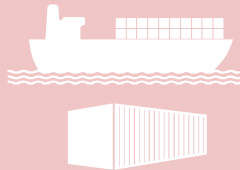
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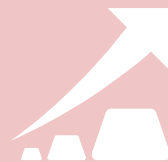
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HUMAN RESOURCE PLAN – ORGANISATIONAL STRUCTURE

CAPEX For Next ten (10) Years	Total No. of Total 2015/16 Projects	2015/16 Managed By TCP	2015/16 Managed By TNPA	
R 85.638b	217 projects	38 projects	179 projects	
	R2.98b	R1.08b	R1.9b	

PMO Human Capital	Number as per Old Structure (Sep 2014)	Number as per latest Approved Structure (Feb 2015)	Proposed New Structure	Filled Position
Senior Secretary	1	1	1	1
Principal PM	3	3	3	
Programme Manager	9	9	8	7
Project Admin	5	4	9	3
Snr. Project Manager	11	9	12	8
Project Manager	27	21	22	13
Construction Manager	14	14	15	2
Head of Project Support	1	1	1	1
Proj. Controls Manager	3	4	5	2
Lead Planner & Lead CE	10	10	12	3
Proj Planner & Cost Eng	29	29	26	12
Contract Management	35	27	23	2
Doc Control	21	18	18	1
Construction SHEQ	38	34	22	2
Other PSS	18	14	15	12
Project Engineering	3	3	3	
Manager: Project Office	2	1	2	2
Head of Projects	1	1	1	1
Grand Total	231	203	198	72



MDS FOCUS

MDS Key Initiatives	Capacitation of Project Management Office (PMO) with experienced and skilled resources	
Performance Indicators	Fully resourced PMO for capex delivery	
Deliverable for 2015/16	Fully resourced PMO office as per the 2015/16 Target	
Target for 2015/16	142 PMO resources	
	<u>Target</u>	<u>Actual</u>
Q1 Target	10 positions (72 cumulative)	7 positions (69 cumulative)
April-15	2 positions (64 cumulative)	3 positions (69 cumulative)
May-15	4 positions (68 cumulative)	4 positions (73 cumulative)
June-15	4 positions (72 cumulative)	
Q2 Target	40 positions (112 cumulative)	
July-15	15 positions (87 cumulative)	
August-15	10 positions (97 cumulative)	
September-15	15 positions (112 cumulative)	
Q3 Target	20 positions (132 cumulative)	
October-15	5 positions (117 cumulative)	
November-15	10 positions (127 cumulative)	
December-15	5 positions (132 cumulative)	
Q4 Target	10 positions (142 cumulative)	
January-16	2 positions (134 cumulative)	
February-16	4 positions (138 cumulative)	
March-16	4 positions (142 cumulative)	





HUMAN CAPITAL SOURCING STRATEGY

• Critical Skills

- Principal Project Managers
- Programme Managers
- Project Managers
- Project Schedulers
- Document Controllers
- Project Risk Managers
- EVM Managers
- Project Accountants
- Construction Managers
- Cost Engineers
- Systems Analyst (P6)
- Project Controls Managers
- Contract Managers
- Construction SHERQ Managers
- Project Engineers

• Sourcing Challenges

- Experienced skills are generally scarce
- Salary package requirements far above TNPA's Pay Grade
- Hard to find experienced personnel to meet EE requirements
- Recruitment resource constraints limits the timeous filling of positions
- Employees who are externally recruited take longer to acclimatize to TNPA's systems and processes

• Acquisition Strategy

- Appoint at least one “Grey Beards” in each of the key critical positions
- Pair the junior employees with the “Grey Beards” for the transfer of skills purposes
- Head hunt experienced personnel (Grey Beards) and pay them market related salaries beyond TNPA Pay Grades
- Identify positions where employees within the organisation can be promoted into
- Advance a practical & structured Skills Development & Transfer Programme
- Appoint a experienced skills development Service Providers to implement skills development

• Retain Strategy

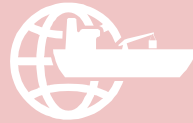
- SPO's to be aligned to practical deliverables
- Advance continuous improvement opportunities (Training & Development budget to be improved)
- Revise DOA's to empower employees in decision making



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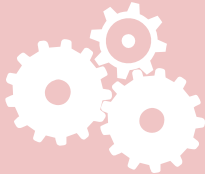
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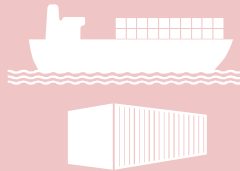
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SUPPLIER DEVELOPMENT

Project Name	TNPA/TCP Managed	Construction Contractor	Contract Award Value	B-BBEE Status	SD Commitment Value
Truck Staging- RCB	TNPA	Scribante Construction (Pty) Ltd	R130 049 956.73	Level 4	R 115 663 816.00
Truck Staging in Bayhead	TCP	Tender on hold			
School of Excellence in DBN	TNPA	The transaction is under evaluation, contract not yet awarded			Minimum of 20% out of the contract value will be based under SD.
Berth 12 in MWH	TCP	This project was executed before the implementation of supplier development in TCP			
Berth 5 in Island View	TCP	Guerrini Marine Construction CC	R 22 854 000	Level 2	R 7 816 068
Reconstruction of the Sheetpiles in MWH	TCP	Stefanutti Stocks Civils (KZN)	R 81 256 163.37	Level 2	R 20 314 040.84
Rehabilitation of outer Caisson gate	TNPA	Channel Construction (Pty) Ltd	R29 859 300.00	Level 3	R5 971 860.00



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