

TRANSNET SOC LTD

**REQUEST FOR INFORMATION IN RESPECT OF THE
INTRODUCTION OF PRIVATE SECTOR PARTICIPATION
IN DURBAN CONTAINER TERMINAL PIER 2**

RFI: GSM/21/08/2145

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Table of Contents

1.	Disclaimer	1
2.	Definitions and Interpretation	2
3.	Background	4
4.	Request For Information	8
5.	Information to be provided by the Respondent in its RFI Response.....	9
6.	Format and Submission of RFI Responses	11
7.	Contact with the Project Officer	13
8.	Request and clarifications	14

1. Disclaimer

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Each person that accesses this Document must make its own independent assessment of the information provided, taking such advice (whether professional or otherwise) as it deems necessary.

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2. Definitions and Interpretation

In this Document, except as otherwise defined herein, the following terms shall have the following meanings:

- 2.1 "Bidder" - any entity or consortium that submits a Bid Response;
- 2.2 "Bid Response" - any bid submitted by a Bidder in response to an invitation contained in the RFP;
- 2.3 "Commercial Close" - the date on which the agreements giving effect to the transactions for the Private Sector Participation are duly executed by the Preferred Bidder and Transnet;
- 2.4 "Document" - this explanation and request for information document to solicit information from the market relating to the planned Project in relation to Durban Container Terminal Pier 2;
- 2.5 "Gross Crane Hour" - measurement of crane efficiency as the average number of containers moved per cranes per hour, determined by the aggregated total working time for all cranes deployed to a vessel call without any deductions;
- 2.6 "Preferred Bidder" - any Bidder that is selected by Transnet as the preferred bidder, pursuant to the RFP following qualification and evaluation of the Bid Responses submitted by the Bidders;
- 2.7 "Private Sector Participation" or "PSP" – the introduction of the private sector to participate in the equity of the Special Purpose Vehicle;
- 2.8 "Project" –the project to procure Private Sector Participation to assist Transnet with access to market, capital and operational expertise to improve terminal performance, improve technology and drive increased efficiency at the Durban Container Terminal;
- 2.9 "Project Officer" - the person appointed by Transnet as the project officer for the purpose of the administration of the process contemplated in this Document;
- 2.10 "PSP Shares" – the shares in the Special Purpose Vehicle to be acquired by the Preferred Bidder as part of the Project;
- 2.11 "Respondent" - any entity or consortium that submits an RFI Response in response to this Document;
- 2.12 "RFI Response" - the submission made by an entity or organization in response to this Document, together with all necessary supporting documentation and the letter referred to in paragraph 6;
- 2.13 "RFP" - the request for qualification and proposals contemplated to be issued in respect of the Private Sector Participation in Durban Container Terminal Pier 2 in due course;

- 2.14 "Ship Working Hours" - the measurement of crane efficiency across the entire vessel, determined with reference to the average number of moves per hour on the vessel by all cranes deployed on such vessel. It includes deductions for delays resulting from weather and force majeure and customer requests.
- 2.15 "Special Purpose Vehicle" - the company to be established by Transnet as a special purpose vehicle to allow PSP in Durban Container Terminal Pier 2;
- 2.16 "Transaction Advisors" - the firms advising Transnet in respect of the RFP and the Private Sector Participation in Durban Container Terminal Pier 2;
- 2.17 "TPT" - Transnet Port Terminals, being one of the operating business divisions of Transnet; and
- 2.18 "Transnet" – Transnet SOC Ltd, registration number 1990/000900/30.

3. Background

3.1 Transnet Port Terminals

3.1.1 TPT is one of the operating divisions of Transnet. TPT is responsible for commercial handling services of sea-route freight across imports, exports and transshipments in containers, bulk, break-bulk and automotive. TPT operates terminals in eight South African commercial ports namely Richards Bay, Durban, East London, Gqeberha, Ngqura, Mossel Bay, Cape Town and Saldanha.

3.1.2 Transnet has decided to introduce private sector participation as part of its corporate strategy, for its terminals.

3.2 Transnet's key initiatives to drive enhanced maritime connectivity

3.2.1 Transnet has in its Corporate Plan 2021/22 set out its initiatives to drive maritime connectivity through a supply side analysis of infrastructure expansion as follows:

3.2.1.1 Establishing the port of Durban as a modern, deep-water container hub port, with long-term capacity (30 years) of approximately 10 million twenty-foot equivalent units (TEUs). The first steps to be undertaken to this end are:

3.2.1.1.1 Transnet infrastructure plans include a dedicated container terminal at the Point Precinct in Durban with capacity of circa 1,7 million TEUs. Private sector participation will be utilised to create this capacity. The timing for this initiative is September 2021.

3.2.1.1.2 Transnet plans to enhance port container terminal positioning by partnering with an international terminal operator (ITO) for Durban Container Terminal Pier 2. The introduction of a minority ITO partner in the business of the terminal is intended to bring tools and ways of working to the terminal in addition to incorporating the terminal into the partner network of the ITO to drive capacity through efficiencies and volumes.

3.2.1.1.3 The current plan for Durban Container Terminal Pier 1 is that the terminal operator will continue to be Transnet Port Terminals.

3.2.1.2 Positioning the Ngqura Container Terminal as a transshipment hub by partnering with an ITO or shipping line or shipping line/ITO consortium to attract transshipment cargo to the port of Ngqura and building the port's regional and global container shipping connectivity.

3.2.1.2.1 The intention is to increase the installed capacity of the transshipment hub to approximately 2 million TEUs.

3.2.1.2.2 A key expectation from the partnership will be the ability to include the port of Ngqura into a global network of ports and terminals and increase maritime connectivity, particularly regional maritime connectivity, as well as assisting in developing and operating associated industrial development zone-based value-added services.

3.2.2 This Document relates to the introduction of private sector participation in Durban Container Terminal Pier 2. A Request For Information is also being issued and conducted for the Ngqura Container Terminal. The Request For Information processes for Ngqura Container Terminal and Durban Container Terminal 2 will run concurrently.

3.3 Durban Container Terminal Pier 2

3.3.1 The Port of Durban is located on the east coast of South Africa and is a gateway port. The largest and most dominant of the terminals is Durban Container Terminal, which handles 60% of South Africa's container volumes.

3.3.2 Durban Container Terminal is a specialised maritime facility with dedicated infrastructure and equipment for the handling of containerised cargo. It operates as two terminals, namely Pier 1 and Pier 2. Pier 1's annual volumes amount to approximately 700 thousand TEUs and Pier 2's annual volumes amount to approximately 2 million TEUs.

3.3.3 Durban Container Terminal Pier 2 has three cluster of berths with a capacity of 2.4 million TEUs, modern terminal infrastructure and equipment, and is a medium depth-water port (12,2m) with sufficient space for Panamax-type Vessels (circa 4000+ TEU vessels).

3.3.4 The infrastructure plans for this terminal include a berth deepening project, planned to commence in March 2024 and end in April 2029, to increase the depth to 16.5m. The terminal capacity will be limited to 2 million TEUs in these 5 years. However, on completion of the berth deepening project the terminal capacity will be increased to 2.9 million TEUs.

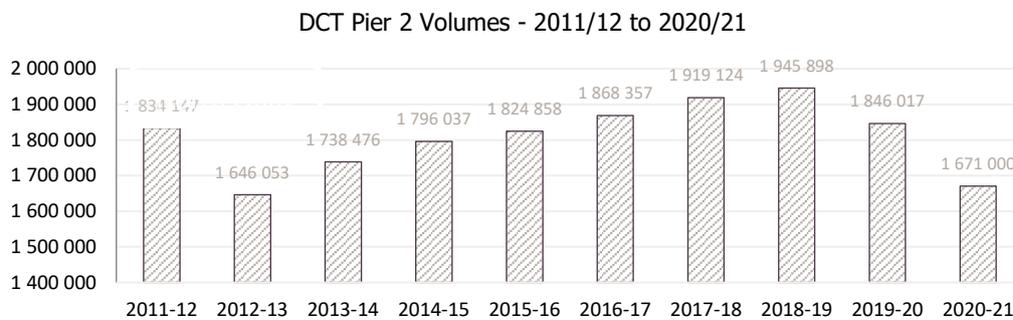
3.3.5 The Durban Container Terminal Pier 2 terminal has a unique "Z" shape formed by its three (3) main quays, namely the North Quay, East Quay and South Quay (Figure 1). The total quay length in the terminal measures 2,128m, while the container stacking yard has over 13 000 ground slots and 1 290 reefer points. Additional facilities include three (3) workshops each dedicated to the maintenance of the key container handling equipment.

Figure 1: Durban Container Terminal Pier 2 layout



3.3.6 Figure 2 shows the terminal throughput over the past 10 years. The 2020/21 throughput was affected by country lockdowns as a result of the COVID pandemic.

Figure 2: Durban Container Terminal Pier 2 throughput



3.3.7 Durban Container Terminal Pier 2 underperforms on critical key performance indicators such as Gross Crane Hour and Ship Working Hour, and its performance against container terminal operating contracts with shipping lines, has been erratic.

3.3.8 The capital equipment available at Durban Container Terminal Pier 2 is presented in Figure 3. Key equipment used in the direct straddle operations at the North and South Quays are Straddle Carriers and the Ship To Shore Cranes. At the East Quay, equipment includes the Ship To Shore Cranes and Haulers. The Rail Mounted Gantries at Pier 2 are used at the rail terminal, while the Empty Container Handlers and Reach Stackers are used within the

container yards. This complement of equipment is aligned with the terminal capacity of 2.4 million TEUs.

Figure 3: Durban Container Terminal Pier 2 Capital Equipment

Equipment	Fleet Size	Breakdown by make
Straddle Carriers	114	<ul style="list-style-type: none"> • 17 x Kalmar (Diesel Hydraulic; single lift) • 52 x Kalmar (Diesel Electric; single and twin lift) • 43 x Terex (Diesel Electric; single and twin lift) • 22 x ZPMC (Diesel Electric; Single lift)
Ship to Shore Cranes	16	<ul style="list-style-type: none"> • 7 x ZPMC (twin lift) • 9 x Liebherr (twin lift)
Rail Mounted Gantries	2	<ul style="list-style-type: none"> • 2 x Terex (single lift)
Haulers	77	<ul style="list-style-type: none"> • 29 x Sino Truck, 38 x MAFI, 15 x Tafelberg, 10 x Ferrari
Empty Container Handlers	13	<ul style="list-style-type: none"> • 17 x Kalmar, 6 x Sanny
Reach Stackers	3	<ul style="list-style-type: none"> • 2 x Ferrari, 1 x Liebherr

3.4 DCT Business Unit and PSP Transaction

- 3.4.1 Durban Container Terminal Pier 2 is a ring-fenced business unit which operates within TPT.
- 3.4.2 It currently has approximately 2000 employees all of whom are employed at the Durban Container Terminal Pier 2. The terminal has a 3 shift system. Each shift is 8 hours long during the week, while 12 hour shifts are worked over the weekend and public holidays.
- 3.4.3 In order to facilitate PSP in the Durban Container Terminal Pier 2, Transnet may establish one or more Special Purpose Vehicles to house the operations and/or assets of the business.
- 3.4.4 Transnet's intention is for the PSP to be transacted through a sale and transfer of shares (or share subscription) agreement. As part of the transaction strategy, Transnet may seek to include Black Economic Empowerment equity participation and Employee Equity participation in the Special Purpose Vehicle.
- 3.4.5 The relationship between the shareholders in the Special Purpose Vehicle and the Special Purpose Vehicle itself will be regulated through a shareholders' agreement.

4. Request For Information

- 4.1 Transnet requests any and all entities or organisations that may wish to submit a Bid Response in the future for Private Sector Participation in Durban Container Terminal Pier 2 to submit an RFI Response to Transnet pursuant to this Document. The submission of an RFI Response is, however, not a compulsory requirement for responding to the RFP.
- 4.2 Transnet intends through this Document to:
 - 4.2.1 gain a better understanding of the container market;
 - 4.2.2 gauge market appetite for a commercial offering for a PSP for the Durban Container Terminal Pier 2; and
 - 4.2.3 refine the commercial assumptions for the Project and design an appropriate procurement framework for the Project
- 4.3 This Document is intended to support research conducted by Transnet regarding the opportunities available in the market for Durban Container Terminal Pier 2 to increase its volume throughput.
- 4.4 Transnet wishes to assess the container volumes that may be available to Durban Container Terminal Pier 2. Transnet encourages Respondents to provide market demand information and container volume forecasts for the Durban Container Terminal.
- 4.5 The Durban Container Terminal Pier 2 has operational challenges and Transnet is seeking a Preferred Bidder with operational expertise to improve terminal performance, improve technology and drive increased efficiency. Transnet therefore encourages Respondents to present their operational capability in terminal operations and advise any improvements that they could recommend specifically for Durban Container Terminal Pier 2.
- 4.6 Transnet, in its sole discretion, anticipates engaging with Respondents to discuss their RFI Responses with a view to seeking clarity in relation to information contained in the RFI Response.

5. Information to be provided by the Respondent in its RFI Response

- 5.1 Respondents should provide:
 - 5.1.1 The name of the Respondent, and its registration details.
 - 5.1.2 The name and contact details of the person appointed by the Respondent as its representative in the event that the Project Officer wishes to engage with the Respondent on any aspect of the Document or the RFI Response.
- 5.2 The RFI Response submitted should be as comprehensive as possible and include the information requested below and any supporting documentation in respect thereof.
- 5.3 Respondents are requested to provide as much detail as possible in their responses to the following questions.
- 5.4 Information on Durban Container Terminal Pier 2
 - 5.4.1 Durban Container Terminal Pier 2 has a theoretical capacity of 2.4 million TEUs, with current operational capacity of 2 million TEUs. Subsequent to a berth deepening project, Transnet would like to achieve a volume throughput of at least 2.9 million TEUs.
 - 5.4.1.1 Is an increase of future volumes to 2.9 million TEUs achievable, based on market demand, and on what basis?
 - 5.4.1.2 What would the timing be for achieving future volumes up to 2.9 million TEUs?
 - 5.4.1.3 What would be the mix of container traffic that Durban Container Terminal Pier 2 could attract: imports, exports, transshipment?
 - 5.4.1.4 Do you see opportunities for short-sea shipping at Durban Container Terminal Pier 2?
 - 5.4.2 What are your views on the South African and regional container market (gateway/ transshipment) in relation to the potential of Durban Container Terminal as a container hub port?
 - 5.4.3 DCT is currently operating at 18 GCH and the targeted performance is 32 GCH for a capacity of 2.4 million TEUs.
 - 5.4.3.1 What operational targets would you set for the terminal?
 - 5.4.3.2 What would do you recommend should be done to achieve these operational targets?
 - 5.4.3.3 Do you have any opinion on the layout of the terminal and any recommendations for improvement?
 - 5.4.3.4 What level of automation would you anticipate for this terminal?

5.5 Information on back of port activities

5.5.1 What opportunities could you provide for increased back of port and hinterland activity?

5.6 Information on Transaction Structure

5.6.1 Transnet's intention is to remain a majority State Owned equity partner in this transaction.

5.6.2 What percentage shareholding would you propose for private sector participants?

5.6.3 What opportunities would you foresee to include Black Economic Empowerment in the shareholding structure?

5.6.4 What opportunities would you foresee to include Durban Container Terminal Pier 2 employees in the shareholding structure?

5.6.5 What is your expected return on equity for investments, for a PSP in the Project?

5.7 Terminal Management Experience

5.7.1 What is your capability and experience with container terminal management, including container terminal equipment maintenance?

5.7.2 Do you have examples of comparable experiences of being involved in improving terminal performance? If so please provide details thereof.

5.7.3 Do you have examples of similar terminals where you have formed an equity partnership with a terminal operator? If so please provide details thereof.

5.7.4 Provide high-level indicators of the size and location of your terminal operations and financial performance over the past 3 years.

5.7.5 Provide high-level details relating to examples of your experience of being involved in improving terminal performance, improving technology and driving increased efficiencies.

5.8 Information Relevant to timing of the Project

5.8.1 How much time, in your consideration, will a Bidder require:

5.8.1.1 to prepare a Bid Response, taking into account any due diligence that a Bidder might need to carry out; and

5.8.1.2 to finalise the Preferred Bidder's requirements to conclude the transaction agreements required to achieve Commercial Close.

6. Format and Submission of RFI Responses

6.1 Submission of RFI Responses

The RFI Response, must be submitted to Transnet by no later than **14 September 2021**.

6.1.1 RFI Responses reaching Transnet later than the date specified above may, in Transnet's sole discretion, not be taken into account by Transnet.

6.1.2 RFI Responses may be submitted prior to the date specified above.

6.1.3 All costs incurred by a Respondent in connection with this Document and the preparation of its RFI Responses shall be borne by the Respondent.

6.1.4 The Respondent will not have to pay any monies in order to submit a RFI Response in accordance with this Document.

6.1.5 The Respondent is encouraged to submit any additional information that it is of the view that would assist Transnet in further development of the Project and the introduction of Private Sector Participation in Durban Container Terminal Pier 2.

6.1.6 Copies of the RFI Response

6.1.6.1 Each RFI Response is required to be delivered to Transnet by way of 1 (one) soft copy of the entire RFI Response, and the documents contained therein must be:

6.1.6.1.1 emailed to: TCCQuotes@transnet.net

6.1.6.1.2 in Microsoft Word format, version 2007 or later, save where the document cannot be accessed by Microsoft Word, in which event the document must be provided in a PDF format, or in Microsoft Excel format, version 2007 or later; and

6.1.6.1.3 properly indexed, readable and capable of being opened.

6.1.7 Format of RFI Responses

6.1.7.1 The Respondent is requested to complete the RFI Response and provide all the information required in terms of this Document and to address every item in paragraph 5 (Information to be provided by Respondents in their RFI Responses) of this Document.

6.1.7.2 All pages should be numbered consecutively from beginning to end and there should be a detailed index to the entire RFI Response.

6.1.7.3 The RFI Response can be contained in more than one document and with annexures as the Respondent may consider appropriate to provide the information requested in this Document. All of the documents comprising the RFI Response must be visible from the index to the RFI

6.1.8 Language of the RFI Response

6.1.8.1 The RFI Response and all documents forming part of it shall be in English.

6.1.8.2 Any printed literature submitted with a RFI Response may be in another language so long as it is accompanied by an English translation (made by an accredited translator) of the entire document.

6.1.8.3 For the purpose of interpretation of the RFI Response, Transnet will rely on the English translation provided.

6.1.8.4 All correspondence and any other documentation and oral communication exchanged between the Respondent and Transnet shall be in English.

6.1.9 Signing of the RFI Response

6.1.9.1 The Respondent is requested to provide a signed letter with its RFI Response.

6.1.10 Further Information

6.1.10.1 Transnet reserves the right to seek additional information from the Respondent regarding its RFI Response, as it may, in its sole discretion, determine, whether such information has been requested under this Document or otherwise, and may request the Respondent to present supplementary information, in respect of its RFI Response.

6.1.10.2 The Respondent may, following the submission of an RFI Response, be requested to engage with Transnet and / or other relevant government stakeholders to discuss matters relevant to its RFI Response. Any meetings may take place electronically or at the Transnet office, which is at the following address:

Transnet SOC Ltd
138 Eloff Street
Johannesburg
2000

7. Contact with the Project Officer

- 7.1.1 The Respondent must give the name and contact details of the person whom it appoints to undertake all contact with the Project Officer in its RFI Response, as provided for in paragraph 6 (Information to be provided by Respondents in their RFI Responses) above.
- 7.1.2 After the submission of its RFI Response, the Respondent may only communicate with Transnet through such person and Transnet shall be entitled, at its sole discretion, to disregard any communication from the Respondent, that does not come from such contact person, and that does not go directly to the Project Officer. Once the Respondent has been issued with a unique identification number this is to be used in all communications with Transnet.
- 7.1.3 Where engagement is required with the Respondent in terms of paragraph 4.6 above, other representatives of Transnet and the Respondent will be requested to be available for such engagement.

8. Request and clarifications

- 8.1.1 The Respondent may request clarification on any item contained in this Document by not later than 7 (seven) days before the cut-off date for the submission of RFI Responses specified in paragraph 5 above.
- 8.1.2 All queries and requests for clarification in respect of this Document must be addressed to the Project Officer and emailed to: sisi.ntombela@transnet.net. E-mailed or oral requests and queries addressed to persons other than the Project Officer, at the aforementioned address, may not be entertained and may not receive a response.
- 8.1.3 Transnet and its Transaction Advisors will endeavour in good faith to respond to all reasonable written queries and requests for clarification raised by the Respondent.