



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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Mr. Andrew Matseke
Chief Executive Officer
Broadband Infraco SOC LTD
Private Bag X 26
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Dear Mr. Andrew Matseke

DEVIATION FROM THE NORMAL COMPETITIVE BIDDING PROCESS: APPOINTMENT OF TRANSNET FREIGHT RAIL

1. National Treasury acknowledges receipt of your letter dated 11 July 2021 and additional information received on 22 July 2021.
2. Your Entity is requesting to deviate from normal competitive bidding process and appoint Transnet Freight Rail (TRF) for the leasing of telecommunication infrastructure (Schedules A, B and C) for a period of nineteen (19) months (01 September 2021 to 31 March 2023), in the amount of R45 599 091.09.
3. The request to deviate was recommended by the Chief Financial Officer on 11 July 2021.
4. The reasons provided for deviation are that the TFR railway network reaches remote underserved and underdeveloped areas where limited electronic communications network capacity is available. The request to enter into the contract with TFR is to ensure continuation of the services rendered by Broadband Infraco to customers, by retaining access to the fibre currently being leased from TFR. This meshed fibre network of TFR is a critical part of the overall BBI network and makes up almost 37% of the total fibre BBI currently manages. It will therefore be impractical to invite proposals from other potential service providers, as TFR will only allow their own certified technicians to work on the TFR servitudes. Should TFR discontinue the leasing of their infrastructure, it could result in catastrophic service disruption to customers and ultimately in legal action. Broadband Infraco therefore do not have any other option but to renew the infrastructure lease agreement with TFR.

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5. Broadband Infraco do however bench mark the costs being charged by TFR with the rates charged by other SOC's and private operators to ensure that Broadband Infraco continue to get value for money. SOC1 (ESKOM) - R139.71 Rate/Fibre Pair/KM/Month and R0.14 Rate/Fibre Pair/m/Month) is not an option since it does not have any strategically placed optical fibre presence in the areas of the already established BBI Points of Presence (PoPs) connected via the TRF infrastructure. Private Entity 1- R1 019 Rate/Fibre Pair/KM/Month and R1.02 Rate/Fibre Pair/m/Month. Private Entity 2- R2 200.00 Rate/Fibre Pair/KM/Month and R2.20 Rate/Fibre Pair/m/Month. Whereas RTF charges R216.00 Rate/Fibre Pair/KM/Month and R0.22 Rate/Fibre Pair/m/Month. Further to the above, it is clear that the rates charged by SOC's are less than the private sector. TFR's rates are slightly higher than SOC 1 but still very competitive. Management believes that value for money will be attained in this instance.
6. The reasons provided for this deviation are justifiable.
7. National Treasury supports the deviation to appoint TRF for a period of 19 months from 01 September 2021 to 31 March 2023.
8. National Treasury has noted the additional information submitted through an email received on 16 July 2021 indicating that the Institution has extended the leases on two occasions without prior approval from National Treasury. BBI is advised to disclose the irregular expenditure and request condonation of irregular expenditure incurred prior extension of contract in the above indicated occasions.
9. The report of the study that was done to conclude that Transnet Freight Rail (TRF) is the only organisation that can provide the required services as per this request must be submitted to National Treasury for recording.
10. The institution has an obligation to ensure that any contract for goods and services is in accordance with a system of procurement which is fair, equitable, transparent, competitive and cost effective.
11. Please be advised that this award must be published on the e-tender portal.

Kind regards,

MR MOLEFE-ISAAC FANI
ACTING CHIEF PROCUREMENT OFFICER
DATE: