



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
SUNNINGHILL
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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 maintenance of certain long-distance optical fibre cables (Schedules A and B) for a period of nineteen (19) months (01 September 2021 to 31 March 2023), in the amount of R75 819 801.48.
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 deviate and enter into the contract with TFR is to ensure continuation of the services rendered to Broadband Infraco. The optical fibre cable network runs on a TFR servitude, which is a highly specialized environment, and only trained and qualified persons with specialized tools are permitted to work on this infrastructure. TFR is well equipped with these tools, personnel, and certification to carry out maintenance on the optical fibre optic network running on the TFR servitude. TFR will also not allow any other service provider to work on their servitude. 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 maintaining the fibre network, this could result in catastrophic service disruption to customers and ultimately in legal action.

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It is therefore imperative for BBI to enter into a new agreement with TFR to maintain the fibre network as defined.

5. Broadband Infraco do monitor the costs being charged by TFR with the rates charged by other SOCs and private operators to ensure that Broadband Infraco continue to get value for money. SOC1 (ESKOM) – R564.77 Rate/Fibre Pair/KM/Month and R0.56 Rate/Fibre Pair/m/Month) for distance of 5 508 km. Transnet Freight Rail– R374.10 Rate/Fibre Pair/KM/Month and R0.37 Rate/Fibre Pair/m/Month) for distance of 7 197 km. It is clear from these rates charged that the rates charged by SOCs are very much aligned. TFR's rates are slightly less than SOC 1 because more fibre being maintained by TFR than by SOC 1. 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 maintenance contracts on two occasions without prior approval from National Treasury. BBI is advised to also disclose 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 organization 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.

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Kind regards,

**MOLEFE-ISAAC FANI
ACTING CHIEF PROCUREMENT OFFICER
DATE:**