

TRANSNET NATIONAL PORTS AUTHORITY

OPERATION PHAKISA – INITIATIVES 2, 7 AND 8

**EOI: REQUEST FOR INFORMATION AND EXPRESSIONS OF INTEREST FOR
SHIP REPAIR AND RIG REPAIR IN THE PORT OF SALDANHA
BOAT BUILDING AND SHIP REPAIR IN THE PORT OF EAST LONDON; AND
SHIP REPAIR IN THE PORT OF RICHARDS BAY**

Under this Expression of Interest (EOI), respondents are requested to express their interest and provide information to inform a procurement programme in respect of ship repair and rig repair activities in the Port of Saldanha, boat building and ship repair activities in the Port of East London and ship repair activities in the Port of Richards Bay within the context of Initiatives 2, 7 and 8 of Operation Phakisa.

EOI NUMBER: 2016/06/016/CM
ISSUE DATE: 1st June 2016
CLOSING DATE: 2nd August 2016
CLOSING TIME: 10:00 am

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Section 1: DEFINITIONS

In this EOI, except as otherwise defined herein, and except where the context requires otherwise, the following terms shall bear the following meanings:

| No. | Term | Description |
|------------|--------------------------------|--|
| 1. | "DBFMO" | design, build, finance, maintain and operate; |
| 2. | "EOI" | this request for information and expressions of interest; |
| 3. | "Facilities" | the facilities envisaged in respect of each of the Projects as described in further detail in section 4; |
| 4. | "National Ports Act" | the National Ports Act No. 12 of 2005; |
| 5. | "Persons" | a natural person, partnership, firm, corporation, joint stock company, trust, unincorporated association, joint venture, limited liability company, close corporation, or any other legal entity which is considered a legal entity under the laws of South Africa or the country in which such an entity has been formed; |
| 6. | "Projects" | the projects described in section 4; |
| 7. | "Procurement Programme" | the procurement programme being undertaken by TNPA in respect of the Projects; |
| 8. | "Ports" | the Port of Saldanha, the Port of Richards Bay and the Port of East London; |
| 9. | "Questionnaire" | the questionnaire contained in section 7; |
| 10. | "Returnable Documents" | the documents described in section 6 as the "RETURNABLE DOCUMENTS"; |
| 11. | "Respondent" | a respondent to this EOI; |
| 12. | "Response" | a response submitted by a Respondent in response to this EOI; |
| 13. | "RFP" | a request for proposal; |
| 14. | "TNPA" | Transnet National Ports Authority, an operating division of Transnet; |
| 15. | "Transnet" | Transnet SOC Ltd. |

Respondent's Signature

Date and Company Stamp

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Section 2: NOTICE TO RESPONDENTS

1. INFORMATION REQUEST

- 1.1. Interested Persons or consortiums comprising two or more Persons are requested to supply the information requested in this EOI and to express their interest to participate in one or more of the Projects.

| | |
|--|--|
| DESCRIPTION | EOI for ship repair, rig repair and boat building Facilities, as applicable, at the Port of Saldanha, the Port of Richards Bay and the Port of East London. |
| BID FEE AND BANKING DETAILS | This EOI is issued free of charge. |
| INSPECT / COLLECT DOCUMENTS FROM | Transnet National Ports Authority Acquisition Council Tender Box, Office Block Foyer 30 Wellington Road Parktown, Johannesburg, South Africa |
| ISSUE DATE AND COLLECTION DATE DEADLINE | FA from 1st June 2016 until 28th July 2016 |
| CLOSING DATE | 10:00 am on 2 August 2016 Respondents must ensure that Responses are delivered timeously to the correct address specified above. As a general rule, if a Response is late or delivered to the incorrect address, it will not be accepted for consideration. |

- 1.2. Any additional information or clarifications will be faxed or e-mailed to all Respondents, if necessary.

2. FORMAL BRIEFING SESSION

A formal briefing session will be held as follows:

Saldanha, South Africa, on 30 June 2016 at 11:00 until 16:00
Richards Bay, South Africa on 4 July 2016 at 11:00 until 16:00
East London, South Africa on 5 July 2016 at 11:00 until 16:00

Respondent's Signature

Date and Company Stamp

3. **RESPONSE SUBMISSION**

3.1. Responses must be submitted in a sealed envelope addressed as follows:

The Secretariat,

Transnet National Ports Authority Acquisition Council

EOI No: 2016/06/016/CM

Description Expressions of Interest and request for information for ship repair, rig repair and boat building Facilities, as applicable, at the Port of Saldanha, the Port of Richards Bay and the Port of East London.

Closing date and time: 10:00 am on 2nd August 2016

Address for submission: See paragraphs 4.1.1 and 4.2.1 below

3.2. All envelopes must reflect the return address *of* the Respondent on the reverse side.

4. **DELIVERY INSTRUCTIONS FOR RESPONSES**

4.1. Delivery by hand

4.1.1. If delivered by hand, the envelope must be deposited in the TNPA tender box which is located at the main entrance of the Office Block, 30 Wellington Road, Parktown, and must be addressed as follows:

THE SECRETARY

TRANSNET NATIONAL PORTS AUTHORITY ACQUISITION COUNCIL

TENDER BOX, OFFICE BLOCK FOYER

30 WELLINGTON ROAD

PARKTOWN, JOHANNESBURG, SOUTH AFRICA

FOR THE ATTENTION OF: MR BHATISANI WIDZANI

4.1.2. The measurements of the "tender slot" are 400mm wide x 100mm high, and Respondents must please ensure that response documents or files are no larger than the above dimensions. Responses which are too bulky [i.e. more than 100mm thick] must be split into two or more files, and placed in separate envelopes, each such envelope to be addressed as required in paragraph 3 above.

4.1.3. It should also be noted that the above tender box is located at the main entrance of the Office Block, 30 Wellington Road, Parktown and is accessible to the public 24 hours a day, 7 days a week.

4.2. Dispatch by courier

- 4.2.1. If dispatched by courier, the envelope must be addressed as follows and delivered to the Office of The Secretary, Transnet National Ports Authority Acquisition Council and a signature obtained from that Office:

THE SECRETARY

TRANSNET NATIONAL PORTS AUTHORITY ACQUISITION COUNCIL

ROOM 207

30 WELLINGTON ROAD

PARKTOWN, JOHANNESBURG, SOUTH AFRICA

FOR THE ATTENTION OF: MR BHATISANI WIDZANI

- 4.2.2. If Responses are not delivered as stipulated herein, such Responses will not be considered.
- 4.2.3. No e-mail or faxed Responses will be considered, unless otherwise stated herein.
- 4.2.4. The Responses to this EOI will be opened as soon as possible after the closing date and time.
- 4.2.5. TNPA shall not, at the opening of Responses, disclose to any other Person any confidential details pertaining to the Responses / information received.
- 4.2.6. Envelopes must not contain documents relating to any EOI other than that shown on the envelope.

5. **COMMUNICATION**

Any queries regarding this EOI should be e-mailed to Deon Tobias at deon.tobias@transnet.net by no later than 13th July 2016.

6. **INSTRUCTIONS FOR COMPLETION OF A RESPONSE**

- 6.1. Responses must be submitted in electronic format (1 CD / DVD) and duplicate bound hard copies [1 original and 1 copy] to be hand-delivered or couriered.
- 6.2. All Returnable Documents must be returned with each Response.
- 6.3. The person or persons signing the Response must be legally authorised by the Respondent to do so.

7. **KEY OBJECTIVES OF THE EOI**

- 7.1. This EOI is being undertaken by TNPA in an effort to refine the procurement of the Projects within the context of Initiatives 2, 7 and 8 of Operation Phakisa.
- 7.2. The main purpose of this EOI is to complement the market analysis undertaken by TNPA to date in respect of the Projects as set out in further detail in Annexures 1 and 2.
- 7.3. The EOI aims at obtaining feedback from the Respondents on the commercial potential at each of the Ports and in respect of each of the Projects, the proposed structure of the Projects, as well as the most suitable technical solutions, as detailed further in the Questionnaire in section 7 of the EOI.

- 7.4. Key requirements and conditions relating to the EOI are detailed in paragraphs 8, 9 and section 6 below.

8. COMPULSORY STATUS OF THIS EOI AND SUBSEQUENT PROCESS

- 8.1. **Informing the procurement process in respect of the Projects:** depending on the Responses to the EOI and should there be sufficient interest, TNPA may issue an RFP in respect of one or more of the Projects, as applicable, taking into account the feedback from Respondents in response to this EOI.
- 8.2. **Timeline:** subject to the foregoing, it is envisaged that an RFP will be released in respect of each of the Projects during the third quarter of 2016 with the aim of procuring the Projects by the end of 2019.
- 8.3. **Compulsory EOI:** interested parties **must** respond to this EOI in order to qualify to participate further in the Procurement Programme. As this is a request for information and expression of interest only, no award will be made pursuant to the receipt of Responses. However, as noted above responding to this EOI **is compulsory** for any Respondent's further participation in the Procurement Programme.
- 8.4. **Not qualifying EOI:** The EOI does not aim to pre-qualify or short-list the Respondents. On the other hand as per paragraph 8.3, the RFPs in respect of the Projects will only be made available to Respondents.
- 8.5. **Not an offer to contract:** The EOI is not an offer to contract and TNPA is under no obligation to accept any proposals in this process and/or make any inclusions into any subsequent RFP related to the Projects which may be issued hereafter.
- 8.6. **Questions:** Respondents are entitled to ask questions and seek clarification as per paragraph 5.
- 8.7. **Clarifications:** Respondents may be invited to attend clarification and discussion meetings with TNPA within the next 2 months following the closing date for the submission of Responses.

9. DISCLAIMER

- 9.1. Respondents are hereby advised that TNPA is not obliged to continue with or to pursue the whole or any part of the Procurement Programme irrespective of whether or not Responses are received in response to this EOI. In particular, please note that TNPA reserves the right, in its sole and full discretion, to:
- 9.1.1. utilise any information provided to it in any Response including but not limited to using such information for purposes of preparing any RFP and/or other documents forming part of or used in the Procurement Programme including scoping the technical, financial, legal and/or other requirements for inclusion in an RFP;
 - 9.1.2. take no further action whatsoever, if it so decides;
 - 9.1.3. withdraw or cancel this EOI and/or any related or subsequent portion or aspect of the Procurement Programme at any time;
 - 9.1.4. change the dates set out in this EOI by extending any such dates; and/or
 - 9.1.5. increase, decrease or vary the scope of each Project as indicated in the EOI.

- 9.2. TNPA shall not reimburse any Respondent for any costs and/or expenses incurred by a Response in connection with the preparation and submission of a Response.

Respondent's Signature

Date and Company Stamp

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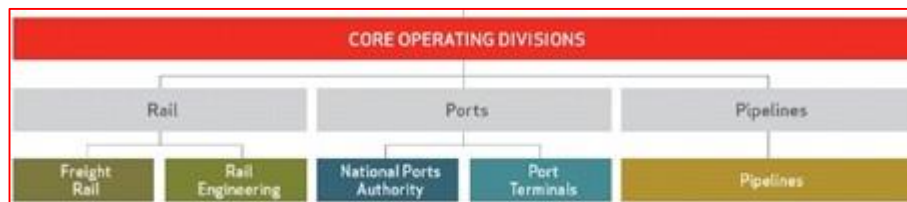
Section 3: PRESENTATION OF PHAKISA INITIATIVES 2, 7 and 8

10. TRANSNET AND TNPA

10.1. Transnet is a company that is wholly owned by the South African Government and consists of five main operating divisions:

- 10.1.1. Transnet Freight Rail;
- 10.1.2. Transnet Rail Engineering;
- 10.1.3. **Transnet National Ports Authority;**
- 10.1.4. Transnet Port Terminals; and
- 10.1.5. Transnet Pipelines.

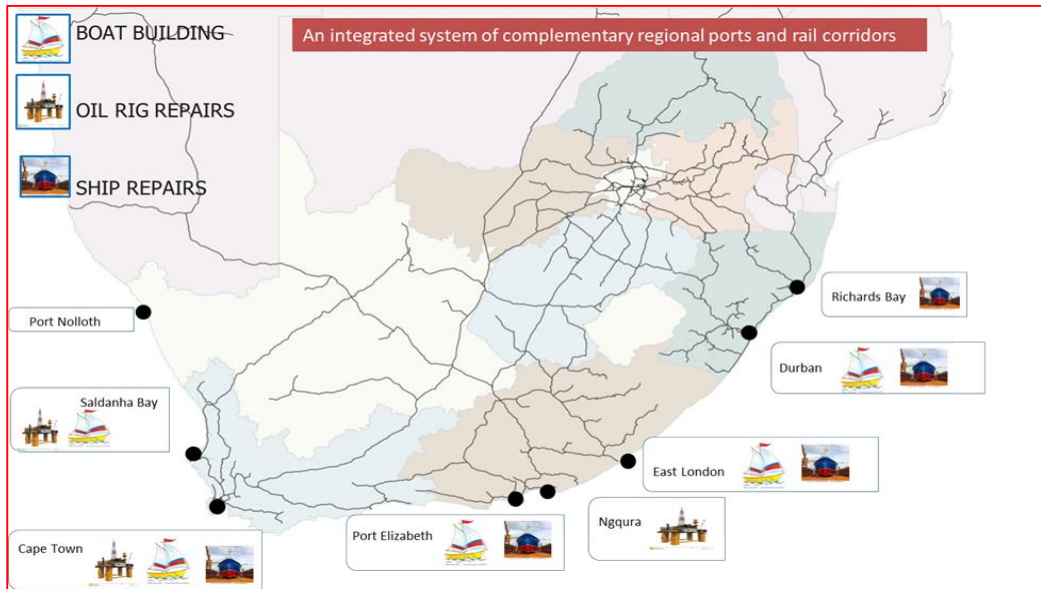
Figure 10.1 - Transnet divisions



10.2. As the National Port Authority in terms of the National Ports Act, TNPA, is statutorily mandated and empowered to undertake, *inter alia*, the management and administration of the ports below within the Republic of South Africa:

- 10.2.1. Port Nolloth;
- 10.2.2. Saldanha Bay;
- 10.2.3. Cape Town;
- 10.2.4. Mossel Bay;
- 10.2.5. Port Elizabeth;
- 10.2.6. Ngqura;
- 10.2.7. East London;
- 10.2.8. Durban; and
- 10.2.9. Richards Bay.

Figure 10.2 - South African Ports under TNPA supervision



- 10.3. As the National Ports Authority, TNPA exercises authority over all South African ports. In this regard TNPA’s primary function is to own, manage, control, and administer all ports and to ensure their efficient and economic functioning as well as the provision of adequate, affordable and efficient port services, *inter alia*, by exercising licensing and control functions in respect of port services and port facilities.
- 10.4. In addition to the aforementioned, TNPA also fulfils the following functions in respect of South African ports:

Table 10.4 – TNPA role at the South African ports

| Role | Objective(s) |
|---|--|
| Landlord | <ul style="list-style-type: none"> • Promote the use, improvement and development of ports, and control land use within the ports, having the power to lease port land under conditions it determines. |
| Master Planner | <ul style="list-style-type: none"> • Plan, improve, develop and maintain port infrastructure. |
| Controller of Ports Navigation | <ul style="list-style-type: none"> • Make and apply rules to control navigation within port limits and approaches, ensure protection of the environment and ensure safety and security within port limits. |
| Controller of Ports Services & Facilities | <ul style="list-style-type: none"> • Ensure that port services and facilities are provided, and may enter into agreements or licence other parties to provide these. |
| Market & Administrator | <ul style="list-style-type: none"> • Ensure that adequate, affordable, equitable and efficient port services and facilities are provided for port users. |
| Change Agent | <ul style="list-style-type: none"> • Ensure non-discriminatory, fair, transparent access to port services and facilities; advancement of previously disadvantaged people; promotion of representivity and participation in terminal operations; enhanced transparency in port management. |
| Coordinator with other State Agencies | <ul style="list-style-type: none"> • Advise on all matters relating to the port sector, and liaise with all stakeholders. |

11. OPERATION PHAKISA

- 11.1. Operation Phakisa is an initiative of the South African Government which was launched in October 2014 and is designed to fast track the implementation of solutions on critical development issues. One of the key components of Operation Phakisa is an oceans economy (www.operationphakisa.gov.za/Pages/Home.aspx).
- 11.2. A few initiatives within the marine transport & manufacturing Phakisa laboratory are owned by TNPA, in particular:
- 11.2.1. Initiative 2 – Port of Saldanha envisages the following projects:
 - 11.2.1.1. the establishment of a rig repair facility;
 - 11.2.1.2. the establishment of a ship repair facility; and
 - 11.2.1.3. the establishment of a supply base facility¹ which does not fall within the scope of this EOI or the Project
 - 11.2.2. Initiative 7 – Port of Richards Bay, envisages strategic projects focused on ship repair activity; and
 - 11.2.3. Initiative 8 – Port of East London, envisages strategic projects focused on boat/ship building activity.

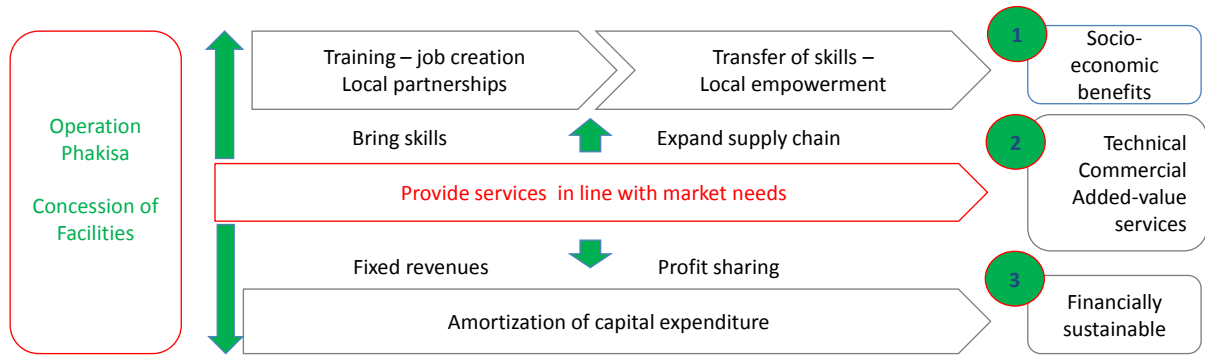
Figure 11.2.3 – Ports for Initiatives 2, 7 and 8



- 11.3. The objectives of the Operation Phakisa are set out below and are also core principles of the Projects, as illustrated in Figure 11.3:
- 11.3.1. optimise affordability and commercial attractiveness to market players in order to support first class services for the oil and gas industry;
 - 11.3.2. contribute to economic growth and local empowerment through job creation and stimulation of a wider local supply chain; and
 - 11.3.3. optimise financial sustainability to Transnet.

¹ An RFP (TNPA 2016/04/013/CM) was published on the 29th of April 2016 on the South African National Treasury's website.

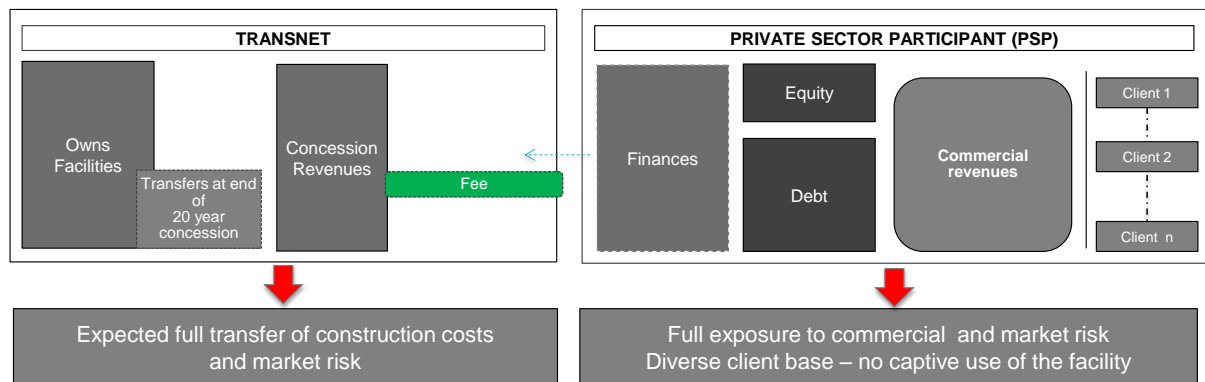
Figure 11.3 – Key considerations for the structuring of the Projects



12. APPROACH TO DATE FOR OPERATION PHAKISA

- 12.1. In 2015, Transnet engaged a consortium of advisors to support the delivery of the Phakisa Initiatives 2, 7 and 8. The Transaction Advisory Team (TA) is led by EY and consists of the following:
 - 12.1.1. Africa Rising Capital (ARC) and EY as financial and structuring advisors;
 - 12.1.2. ENSafrica as legal advisor;
 - 12.1.3. MTBS as commercial and port advisor; and
 - 12.1.4. PRDW has also contributed to the technical aspects of the EOI.
- 12.2. A feasibility and deliverability analysis has been undertaken on the basis of implementing the Projects under a combined procurement in terms of section 56 and section 68 (to the extent applicable) of the National Ports Act to construct, maintain and operate the Facilities in the Ports as illustrated below:

Figure 12.2 – Illustration of generic envisaged PSP structure



- 12.3. The risk allocation matrix of the envisaged structure can be illustrated as per the table 12.3 below:

Table 12.3 – Indicative envisaged risk allocation

| Risk | Responsibility | Rationale and Mitigants |
|---|-----------------------|--|
| Land availability | TNPA | <ul style="list-style-type: none"> ▪ TNPA to grants rights in respect of the project sites for the Projects to the PSP for the full concession period ▪ Site information to form part of the RFP |
| Land suitability | PSP | <ul style="list-style-type: none"> ▪ Land suitability for envisaged Projects to form part of PSP due diligence ▪ Bidding process to accommodate access to the Project sites and questions/clarifications |
| Environmental, permits and other authorisations | PSP | <ul style="list-style-type: none"> ▪ PSP is expected to obtain all necessary consents, permits and authorisations required for all construction and operation activities in respect of each Project including undertaking an EIA and obtaining all environmental authorisations, as required ▪ TNPA to provide PSP with all relevant existing EIA and environmental authorisations obtained beforehand and provide reasonable assistance to the extent reasonably possible in respect of the EIA process |
| Construction | PSP | <ul style="list-style-type: none"> ▪ PSP construction arrangements will form part of the evaluation process; including: <ul style="list-style-type: none"> ○ Robustness of contractual arrangements around suitability of facilities and equipment (proven technology procurement strategy), provisions for cost overruns, delay and experience and strength of selected contractors to form part of the evaluation ○ Appropriate relief events will form part of the concession contractual arrangements |
| Operation | PSP | <ul style="list-style-type: none"> ▪ PSP to put in place technical solutions and operating procedures that are best suited for the Project(s) ▪ PSP to comply with TNPA operating procedures and other Port policies, manuals, rules, laws and regulations ▪ Experience of the PSP and its contractors will be part of the qualification and evaluation process |
| Commercial risk | PSP | <ul style="list-style-type: none"> ▪ PSP is expected to serve as the commercial interface with its clients ▪ PSP to have full commercial and tariff flexibility (subject to notification requirements in terms of the National Ports Act) ▪ PSP to serve clients on an open-access and non-discriminatory basis in order to comply with common user principle |
| Revenue Risk | TNPA / PSP | <ul style="list-style-type: none"> ▪ A combination of a fixed and a variable fee from the PSP to TNPA is envisaged (which together constitutes the concession fee) ▪ Financial evaluation of bids would be based on an NPV of the concession fee payable by the PSP with no minimum prescribed ▪ PSP's would provide a ramp-up on the fixed portion of the concession fee over a period of at least [10]-years in order to accommodate for the necessity to build up a commercial offer and client base over time commercial fluctuations and ▪ TNPA to share in upside through a variable fee |
| Financing risk | PSP | <ul style="list-style-type: none"> ▪ PSP is expected to raise finance for the Project ▪ Termination events and appropriate compensation to be determined ▪ Robustness of the financing plan will be part of the evaluation process |
| Force Majeure | TNPA / PSP | <ul style="list-style-type: none"> ▪ Relief events and force majeure events to be determined |

Respondent's Signature

Date and Company Stamp

- 12.4. A market sounding exercise has been undertaken by the Transaction Advisory Team. Local and international players in the maritime services as well as the financial industry were approached to assess their appetite for the following:
- 12.4.1. the ports as a location for the envisaged Projects and associated services;
 - 12.4.2. a concession type of arrangement where the facilities would be built, financed and operated on a commercial basis by a private operator as per figure 12.2 above.
- 12.5. Key outcomes of the market analysis and market sounding generally indicate that procuring the facilities as envisaged in respect of the Projects using alternative designs, potentially less capital intensive and/or involving alternative sites to those initially envisaged would improve commercial potential for the market. In addition, the following is noted:
- 12.5.1. there appears generally to be limited commercial capacity for investment in capital intensive facilities;
 - 12.5.2. some market appetite has been confirmed for ship repair and rig repair facilities respectively, particularly in Saldanha due to its suitable location, wide catchment area for oil and gas services and the deep draft at the Port of Saldanha;
 - 12.5.3. an alternative location and alternative technical solutions for Richards Bay are currently being explored as detailed further in paragraph 13.2;
 - 12.5.4. available sites and facilities where boat building and other activities could be envisaged have been identified at East London as detailed further in paragraph 13.3.
- 12.6. It has therefore been decided to explore the procurement of the Facilities on a DBFMO basis so as to align, to the extent possible, the technical design, affordability considerations and perceived commercial potential of each of the Projects.
- 12.7. The Projects are further detailed in section 4 of the EOI.
- 12.8. Please refer to Annexures 1 and 2 of the EOI for a more detailed summary of the market analysis and market sounding.

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Section 4: THE PROJECTS

13. THE PROJECTS

13.1. The three initiatives identified by the “marine transport & manufacturing” Phakisa laboratory that are owned by TNPA and are the subject of this EOI, are as follows:

13.1.1. **Initiative 2** – Port of Saldanha:

- Establish a rig repair facility at the proposed Berth 205.
- Establish a ship repair facility at the Moss gas quay area.

13.1.2. **Initiative 7** – Port of Richards Bay: Establish new ship repair facilities.

13.1.3. **Initiative 8** – Port of East London: Upgrade the existing boat building facilities.

The following sub-sections describe the proposed Projects in further detail. Initial market sounding has shown that the [marine] industry requires flexibility with regards to the scope of the Project.

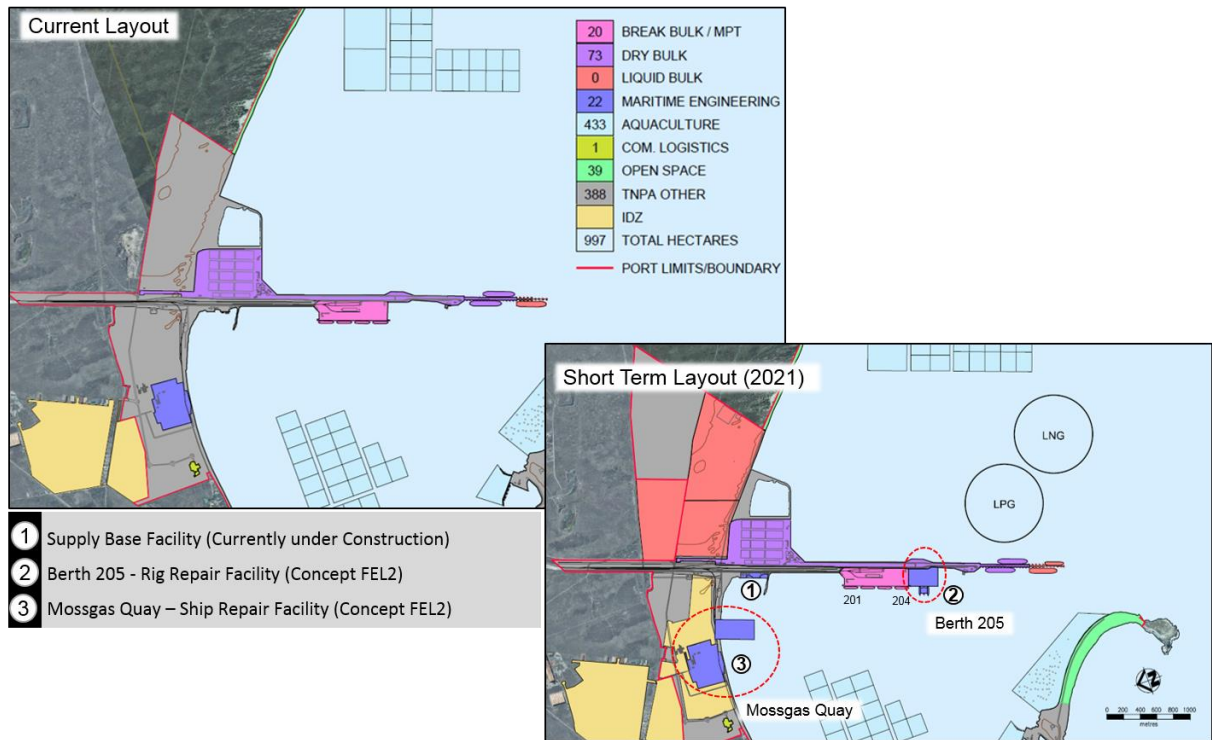
Therefore the Respondents are kindly expected to use the available information to formulate project definitions (technical solutions, services) that they would be interested in developing. Information gained from the Responses to this EOI will be used to inform the way forward, including, as the case may be, the possible re-scoping of the Projects for the release of the RFP to the market.

13.2. Initiative 2 – The Port of Saldanha

13.2.1. Initiative 2 aims at forming a cluster of services to support the oil and gas industry off the coast of South Africa and the West Coast of Africa, where existing production is underway and new production is expected to take place in the future. As such, the intention is to make the Port of Saldanha a primary location for an oil and gas services cluster.

13.2.2. The Port of Saldanha is South Africa’s deepest port (21.5m CD) and is situated on the West Coast. It is a premier iron ore export port that exports in excess of 50 mtpa of iron ore. The iron ore export jetty provides berthing capacity for large dry bulk and liquid bulk vessels. The Port of Saldanha also has a multi-purpose terminal, limited rig repair facilities and has the potential for expansion to support activities at the adjacent industrial development zone. Figure 13.2.2 below illustrates the current layout at the Port of Saldanha and the proposed short term (present to 2021) development plan.

Figure 13.2.2 – Current and Short Term Saldanha Bay Port Layouts



- 13.2.3. Ship and rig repair activities are currently being undertaken in the Port of Saldanha at the existing multi-purpose quay (berths 203/204, which is referred to as the MPT in figure 13.2.2 above) and alongside the Mossgas Quay (as depicted in in figure 13.2.2 above), which is an old offshore fabrication yard. However, these existing facilities are not sufficient to accommodate the potential ship and rig repair demand.
- 13.2.4. The current operations and facilities within the Port of Saldanha demonstrate that there are existing skills and a client base from which ship and rig repair services can be developed within the region.
- 13.2.5. The quay for a generalist and specialist services facility is currently under construction and due to be complete by the third quarter of 2016. A RFP was issued by TNPA on the 29th of April 2016 for the design, financing, operation and maintenance of a facility providing generalist and specialist services to vessels, rigs and offshore platforms traversing and/or operating off the coast of Africa (TNPA 2016/04/013/CM). This project does not form part of this EOI.
- 13.2.6. The Projects that are being considered under Initiative 2 together with a high level costing estimate are shown in Table 13.2.6.

| Table 13.2.6 - initially envisaged Facilities at Saldanha | Capex | Berth Length | Draft |
|--|------------------|---------------------|--------------|
| Berth 205/Rig Repair | ZAR 3.5 billion* | 380 metres | -21.0m CD |
| Ship repair | ZAR 2.3 billion* | 1,000 metres | -8.0m CD |
| Superstructure and Related Investments (Operation Phakisa Estimate) | ZAR 7.4 billion | | |

**Nominal 2017 amounts (FEL 2)*

13.2.7. Berth 205 - Rig Repair

Currently, rigs are being repaired at berth 204 as shown in figure 13.2.7.1 below. The proposed berth 205 envisages the construction of a 380m long quay wall together with reclamation works to create a storage yard area. The seabed levels in this area are currently at approximately -14.9m CD and dredging will be required in order for berth 205 to have a depth of -21m CD. It is intended that berth 205 will operate as a dedicated rig repair facility that will be able to accommodate ultra-deepwater rigs and semi-sub, which currently cannot be accommodated at the Port of Saldanha or at the Port of Cape Town. Figure 13.2.7.3 shows an artist’s impression of the area before and after the construction of berth 205.

Figure 13.2.7.1 – Berth 205 location

Figure 13.2.7.2 – Proposed new rig repair facility - Berth 205



Figure 13.2.7.3 - An artist's impression of the area before and after construction of berth 205



13.2.8. Mossgas Quay - Ship Repair

This Project is intended to create a dedicated ship repair facility that is able to accommodate offshore supply vessels that are deployed to the West-African offshore oil & gas fields. This Project envisages the construction of new quay walls and a finger jetty with a total quay length of 1000m. The area will need to be dredged to -8m CD. The area identified for this Project includes back-of-quay land that is available to build additional landside facilities to complement the ship and rig repair operations.

Figure 13.2.8.1- Current Mossgas Quay and yard

Figure 13.2.8.2 - Proposed New Ship Repair Facility



Figure 13.2.8.3 - An artist's impression of the area before and after the development of a ship repair facility in the Port of Saldanha

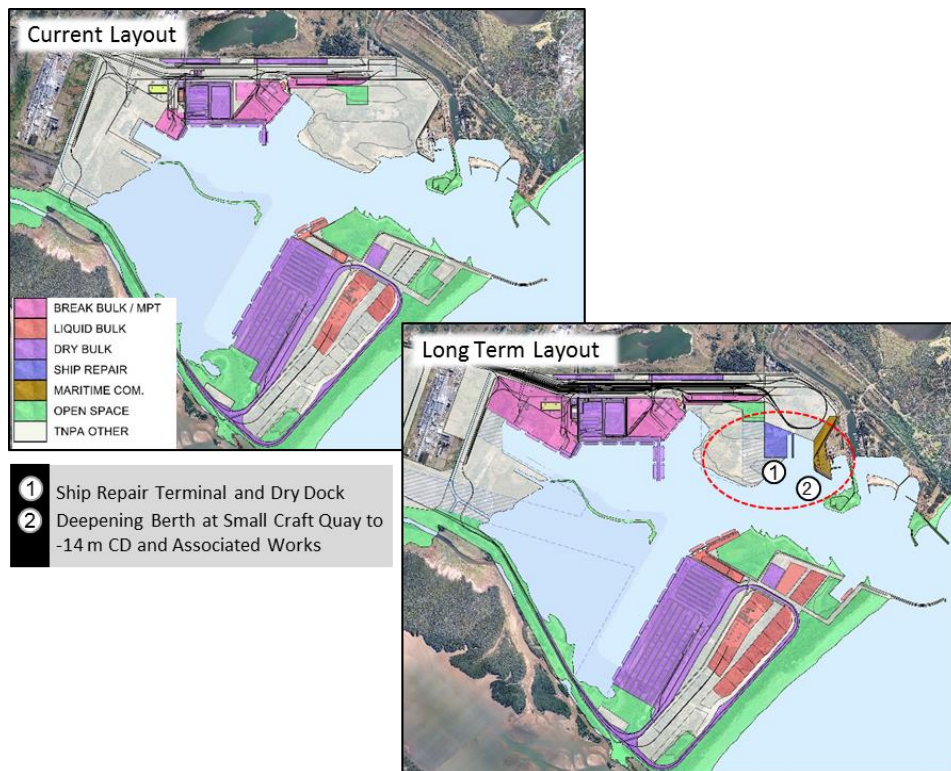


Please refer to Annex [3.3] for more detailed information on the Port of Saldanha.

13.3. Initiative 7 – The Port of Richards Bay: Ship Repair Facilities

- 13.3.1. The Port of Richards Bay was established in 1976 and is the main coal export port in South Africa. Currently the Port of Richard's Bay handles in excess of 90 mtpa of coal making it South Africa's leading port in terms of volumes handled. The Port of Richard's Bay receives an average of 1,800 vessels per year. It has 22 berths ranging from 14.5m to 19m in depth. Figure 13.3.1 below, shows the current port layout and the proposed long term port development framework plan.

Figure 13.3.1 – Current and long term layouts for the Port of Richards Bay



- 13.3.2. The long-term port development plans include the development of new coal terminal berths, break bulk berths, dry bulk berths, a liquid bulk berth, a LNG berth and ship repair facilities.
- 13.3.3. Initiative 7 envisages the development of a ship repair facility that would provide a solution for the following niche markets:
- cargo vessels calling at Richards Bay;
 - cargo vessels calling at Durban (excess demand);
 - offshore supply vessels deployed on East-African offshore oil and gas fields.
- 13.3.4. Figure 13.3.6.1 below indicates the area that is being considered for the development of the ship repair facilities within the Port of Richards Bay. A site in the Causarina Bay area (outlined in orange in figure 13.3.6.1) was previously identified as the site for the development of the ship repair facilities however, such site has proved a challenging site due to environmental sensitivities as well as poor founding conditions. A procurement process to develop this site was undertaken by TNPA in 2014, however this process was unsuccessful.
- 13.3.5. An alternative site for this Project has therefore been identified at the existing repair quay (Figure 13.3.6.1). The quay length is 300m and it has a depth of -8m CD.
- 13.3.6. A floating dock operation may be accessed from the repair quay, however the deepening of the berth may be required to accommodate a floating dry dock.

Figure 13.3.6.1 – Potential Ship Repair Site in the Port of Richards Bay

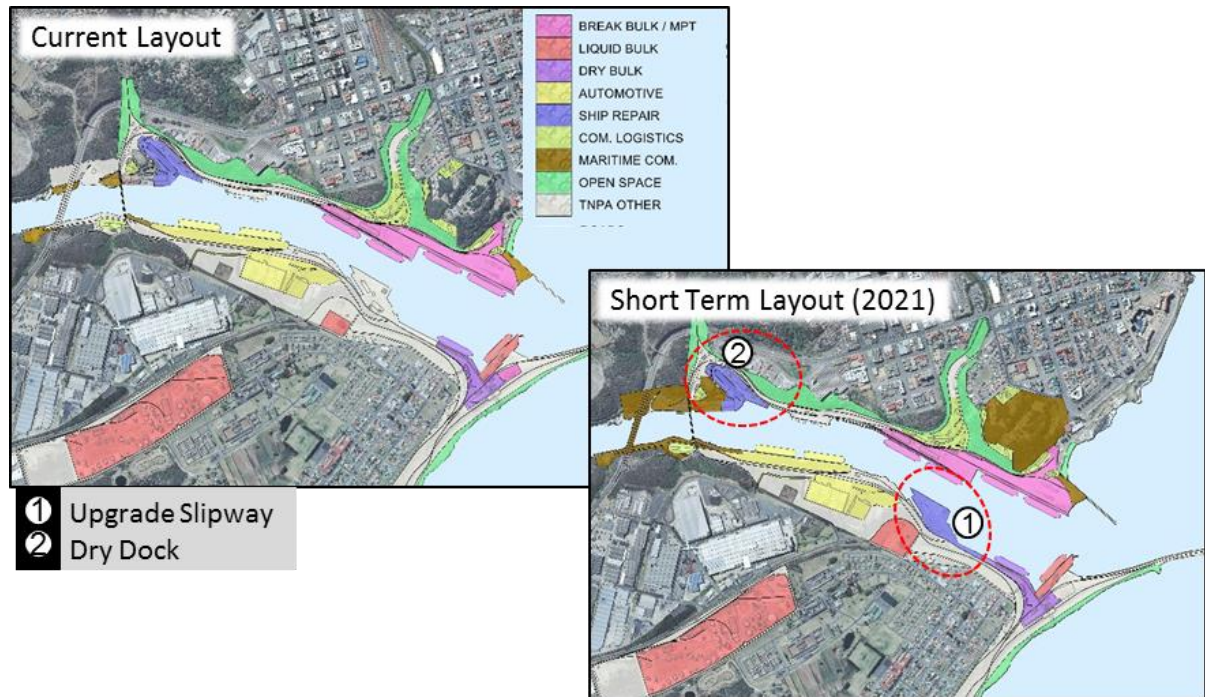


Please refer to Annex [3.1] for more detailed information on the Port of Richards Bay.

13.4. Initiative 8 – The Port of East London

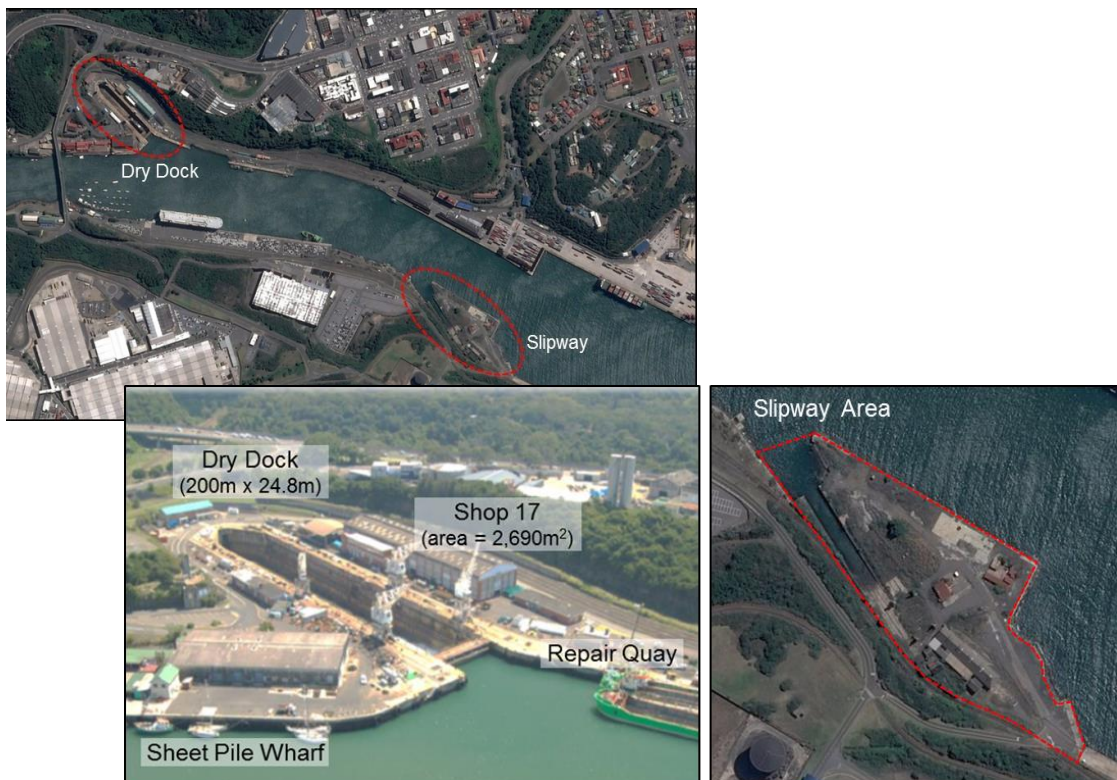
13.4.1. East London is the only river port in South Africa and is situated on the Buffalo River on the Eastern Cape coast. It is a diversified port and the main commodities being handled at the Port of East London include liquid bulk (33% of total cargo), containers (32% of total cargo) and car terminal (26% of total cargo). In total, the port handles approximately 2.6 mtpa. Future expansion of the port is restricted by the narrow and shallow river basin. The berth depths range from -9m CD to -11m CD. Figure 13.4.1 below illustrates the current port layout and the proposed short term (present to 2021) port development framework plan.

Figure 13.4.1 – Current and Short Term East London Port Layouts



13.4.2. Initiative 8 envisages the development of boat/ship building facilities within the Port of East London with a focus on potential niche markets of tug boats and navy vessels. The two available facilities include the existing drydock and slipway. These existing facilities are indicated in figure 13.4.2 below:

Figure 13.4.2 – Envisaged boat building sites



- 13.4.3. The slipway is on the south bank of the river, adjacent to the main car terminal. The dry dock area includes a covered warehouse, repair quay and sheet pile wharf.
- 13.4.4. TNPA is currently undertaking repair work within the Port of East London under Phakisa Initiative 5, as indicated below:
- 13.4.4.1. upgrade electrical works
- 13.4.4.2. upgrade & refurbishment of infrastructure and equipment:
- refurbishment of graving dock which investment amounts to R32.5m over next 3 years;
 - refurbishment of dry-dock cranes;
 - replacement of crane rails;
 - refurbishment of dry-dock gate;
 - replacement of switchgear;
 - refurbishment of pumps; and
 - refurbishment of Slipway area.

Please refer to Annex [3.2] for more detailed information on the Port of East London.

14. PROCUREMENT PROGRAMME TIMELINE

An indicative timeline of the envisaged Procurement Programme is set out in figure 16 below.

Figure 14 – Phakisa Initiatives 2, 7 and 8 indicative timeline

| EOI timeline | Start | Finish | Jan-16 | Feb-16 | Mar-16 | Apr-16 | May-16 | Jun-16 | Jul-16 | Aug-16 | Sep-16 | Oct-16 | Jan-17 | Apr-17 | Jul-17 | Oct-17 | Jan-18 | Apr-18 | Jul-18 | Oct-18 | Jan-19 | Apr-19 | Jul-19 | Oct-19 | Jan-20 |
|--------------------------------------|-----------|-----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | | | Jan-16 | Feb-16 | Mar-16 | Apr-16 | May-16 | Jun-16 | Jul-16 | Aug-16 | Sep-16 | Dec-16 | Mar-17 | Jun-17 | Sep-17 | Dec-17 | Mar-18 | Jun-18 | Sep-18 | Dec-18 | Mar-19 | Jun-19 | Sep-19 | Dec-19 | Mar-20 |
| Issue of Eoi | 09-May-16 | 01-Jun-16 | | | | | █ | █ | | | | | | | | | | | | | | | | | |
| Response period | 01-Jun-16 | 02-Aug-16 | | | | | █ | █ | █ | █ | | | | | | | | | | | | | | | |
| Submission of Eoi | 02-Aug-16 | 02-Aug-16 | | | | | | | █ | | | | | | | | | | | | | | | | |
| Review of responses to Eoi | 03-Aug-16 | 15-Sep-16 | | | | | | | █ | █ | | | | | | | | | | | | | | | |
| Analysis, structuring and scoping | 16-Sep-16 | 30-Sep-16 | | | | | | | | █ | | | | | | | | | | | | | | | |
| Issue of RfP | 16-Sep-16 | 31-Dec-16 | | | | | | | | | █ | █ | | | | | | | | | | | | | |
| RFP - bidding period (5 to 6 months) | 15-Jan-17 | 30-Jun-17 | | | | | | | | | | | █ | █ | | | | | | | | | | | |
| Window for clarification of RfP | 15-Jan-17 | 31-Mar-17 | | | | | | | | | | | █ | | | | | | | | | | | | |
| Answers from TNPA to clarifications | 14-Feb-17 | 30-Apr-17 | | | | | | | | | | | █ | █ | | | | | | | | | | | |
| Submission of bids | 30-Jun-17 | 30-Jun-17 | | | | | | | | | | | | █ | | | | | | | | | | | |
| Bid Evaluation | 01-Jul-17 | 31-Aug-17 | | | | | | | | | | | | | █ | | | | | | | | | | |
| Clarification of Bid | 01-Jul-17 | 31-Aug-17 | | | | | | | | | | | | | █ | | | | | | | | | | |
| Recommendation for Preferred Bidder | 01-Sep-17 | 30-Sep-17 | | | | | | | | | | | | | | █ | | | | | | | | | |
| End of negotiation for PB | 01-Sep-17 | 31-Dec-17 | | | | | | | | | | | | | | █ | █ | | | | | | | | |
| Construction period | 01-Jan-18 | 29-Feb-20 | | | | | | | | | | | | | | | █ | █ | █ | █ | █ | █ | █ | █ | █ |

Respondent's Signature

Date and Company Stamp

OPERATION PHAKISA – INITIATIVES 2, 7 AND 8
EOI: REQUEST FOR INFORMATION AND EXPRESSIONS OF INTEREST FOR
SHIP REPAIR AND RIG REPAIR IN THE PORT OF SALDANHA;
BOAT BUILDING AND SHIP REPAIR IN THE PORT OF EAST LONDON; AND
SHIP REPAIR IN THE PORT OF RICHARDS BAY

SECTION 5: RESPONDENT’S INFORMATION

15. **Respondents are required to complete this section:**

| |
|---|
| Name Of Respondent |
| Physical Address |
| |
| Form Of Respondent (Company/CC/Partnership/Business Trust/etc.) |
| |
| Registration Number (if applicable) |
| |

| | |
|-------------------------------------|-------|
| Respondent’s contact person: | |
| Name..... | ..... |
| Designation..... | ..... |
| Telephone..... | ..... |
| Cell Phone..... | ..... |
| Facsimile..... | ..... |
| E-mail..... | ..... |
| Website..... | ..... |

| | |
|--|-------|
| Respondent’s alternate contact person | |
| Name..... | ..... |
| Designation..... | ..... |
| Telephone..... | ..... |
| Cell Phone..... | ..... |
| Facsimile..... | ..... |
| E-mail..... | ..... |
| Website..... | ..... |

Respondent’s Signature

Date and Company Stamp

15.1. Respondent’s Information

- 15.1.1. Respondents are required to provide the information set out in this section 5. As noted earlier the information requested is for information purposes only and Respondents will not be evaluated or scored based on information provided.
- 15.1.2. If any of the information requested in this EOI is not provided, TNPA requests that the Respondent provide reasons for not including such information in its Response. Respondents are however advised that Responses which are substantial or materially unresponsive or incomplete will be not be regarded as valid Responses for purposes of this EOI and the subsequent stages or phases of the Procurement Programme and may thus be disregarded by TNPA.

15.2. Respondent’s experience and current operations

- 15.2.1. The Respondent is required to provide details of its experience in relation to the activities, goods and/or services sought be undertaken or provided in respect of each Project as well as its relevant current operations locally and internationally, if applicable, including information in respect of its service offering, operations and markets, as per table 15.2.1 below:

| Table 15.2.1 | Years of Experience / Duration (start & end year) | Location | Type of Activities performed (incl. services provided and/or goods supplied) | Structure (e.g. DBFMO, Landlord) | Type of Clients Served |
|---------------------|---|----------|--|----------------------------------|------------------------|
| Project # 1 | | | | | |
| Project # 2 | | | | | |
| Project # 3 | | | | | |

15.3. Respondent’s Financial Statements

- 15.3.1. The Respondent is required to provide copies of its audited financial statements for the past three years.

15.4. Broad-Based Black Economic Empowerment and Socio-Economic Obligations

- 15.4.1. B-BBEE
 - 15.4.1.1. TNPA fully endorses and supports the Government’s objective of Broad-Based Black Economic Empowerment and it is strongly of the opinion that all South African business enterprises have an equal obligation to redress the imbalances of the past.
 - 15.4.1.2. TNPA would therefore prefer to do business with enterprises who share these same values and who are prepared to contribute to meaningful B-BBEE initiatives including, but not limited to subcontracting and joint ventures, as part of their tendered Responses. Respondents are thus advised to note that subsequent procurement activities forming part of the Procurement Programme will be evaluated accordingly.

Respondent’s Signature

Date and Company Stamp

15.4.1.3. It is thus envisaged that as part of the Procurement Programme which may follow the receipt of Responses to this EOI, Respondents may be required to submit proof of their B-BBEE status in the form of a valid and original B-BBEE certificate or a certified copy thereof.

15.4.2. Supplier Development Initiatives

15.4.2.1. Historically in South Africa there has been a lack of investment in infrastructure, skills and capability development and inequality in the income distribution and wealth of a significant portion of the population. In response a number of Government initiatives have been developed to address these challenges. In particular, the New Growth Path and New Development Plan align and build on previous policies to ensure the achievement of Government's development objectives for South Africa.

15.4.2.2. Transnet fully endorses and supports Government's economic policies through its facilitation of Supplier Development initiatives.

15.4.2.3. As an indication of the significance which TNPA places on economic development, it is envisaged that Supplier Development ("**SD**") will be incorporated as a key requirement of the Procurement Programme that may follow the receipt of Responses to this EOI and that Respondents may be required to provide a fact based SD plan setting out how they intend to contribute to SD over the life of the envisaged Project. Over and above a simple monetary value commitment, bidders will be expected to demonstrate an awareness of the maturity and sophistication of the existing supplier markets and the range of initiatives that can be initiated to promote the development of local suppliers.

OPERATION PHAKISA – INITIATIVES 2, 7 AND 8
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SHIP REPAIR IN THE PORT OF RICHARDS BAY

SECTION 6: GENERAL

16. GENERAL RESPONDENT OBLIGATIONS

- 16.1. Each Respondent shall be fully responsible to TNPA for the acts and omissions of Persons directly or indirectly employed or contracted by it.
- 16.2. The Respondent must comply with the requirements stated in this EOI.

17. CONFIDENTIALITY, COMPLIANCE AND NATURE OF INFORMATION CONTAINED IN THIS EOI

- 17.1. The information contained herein and provided in this EOI remains the property of TNPA and may not be reproduced, sold or otherwise disposed of. All recipients of this EOI (whether a Response is submitted or not) shall treat the information contained in this EOI as strictly private and confidential.
- 17.2. Information disclosed in this EOI is given in good faith and only for the purpose of providing background information to the Respondent to enable the Respondent to submit its Response.
- 17.3. TNPA does not warrant the accuracy, currency or completeness of any information contained in the EOI.

18. UNDERTAKINGS BY THE RESPONDENT

It will be accepted that the Respondent, on submitting the Response, has read, understood and accepted all the terms and conditions of this EOI. The submission of a Response by any Respondent shall thus presume complete acceptance of the terms and conditions set out in this EOI. All qualifications and or exceptions should be noted in the Response.

19. COSTS TO RESPOND TO THE EOI

- 19.1. TNPA will not be responsible for or pay any expenses, costs and/or losses which may be incurred by any Respondent in the preparation and submission of a Response and any subsequent expenses, costs and/or losses which a Respondent may incur during or in respect of the Procurement Programme and any such expenses, costs and/or losses shall be for each Respondent's own account.
- 19.2. TNPA reserves the right to invite Respondents to present or otherwise demonstrate the solutions proposed in their Responses, at the Respondents' own cost.

20. AUTHORITY OF SIGNATORY

- 20.1. If the Respondent is a company, a certified copy of the resolution of the Board of Directors (i.e. personally signed by the Chairman or Secretary of the Board) authorising the person who signs the Response to this EOI, to do so and any other documents and correspondence in connection with this EOI on behalf of the company, which must be submitted as part of such Response.
- 20.2. If the Respondent is a partnership, a certified copy of the resolution of the partners (personally signed by all the partners) authorising the person who signs the Response to this EOI to do so and any other

Respondent's Signature

Date and Company Stamp

documents and correspondence in connection with this EOI on behalf of the partnership, which must be submitted as part of such Response.

20.3. If the Respondent constitutes a sole proprietor, certified proof must be submitted that the person signing the Response and any other documents and correspondence in connection with this EOI is the sole proprietor.

20.4. Failure to comply with this paragraph 20 may result in the rejection of the Respondent’s Response.

21. OFFERING OF COMMISSION OR GRATUITY

If a Respondent, or any Person employed by him, is found to have either directly or indirectly offered, promised or given to any Person in the employ of TNPA, any commission, gratuity, gift or other consideration, TNPA shall have the right and without prejudice to any other legal remedy which it may have in regard to any loss or additional cost or expenses, to disqualify the Respondent from further participation in the Procurement Programme and to reject such Respondent’s Response . The Respondent will be responsible for all and any costs, expenses and/or loss that TNPA may suffer as a result thereof. In addition, TNPA reserves the right to exclude such Respondent from future business with Transnet and TNPA.

22. UNDERTAKING BY TNPA

22.1. In responding to this EOI, TNPA encourages all Respondents to put their best effort into the preparation and development of their Responses and in particular in responding to the Questionnaire (in section 7) in a conscientious and honest manner, as such Responses may inform the Procurement Programme.

Respondent’s Signature

Date and Company Stamp

OPERATION PHAKISA – INITIATIVES 2, 7 AND 8
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SHIP REPAIR IN THE PORT OF RICHARDS BAY

Section 7: QUESTIONNAIRE

23. Respondents are requested to complete the Questionnaire below.
- 23.1. Please respond to the questions for each of the Port and / or Project that is of interest for you indicating clearly which Port you are referring to.
- 23.2. Should one question not be relevant to you, please provide a short explanation why no response has been provided.
- 23.3. The Questionnaire comprises questions 1 to 15 below.

Respondent's Signature

Date and Company Stamp

1. Which Port/s is/are of interest to you?
2. Should you be interested in more than one Project, indicate whether you envisage undertaking each Project on a stand-alone basis and/or on a combined basis.
 - 2.1. Provide reasons for the chosen approach.
 - 2.2. If you are interested in one Project, provide reasons for not wishing to participate in the other Projects.
3. What facilities and/or locations are in your view best suited for the Project(s) you are envisaging participating in?
4. Elaborate as to why your solution is more suitable for the relevant Project, notably in terms of expected benefits related to:
 - 4.1.1. phasing;
 - 4.1.2. supporting the activity;
 - 4.1.3. expected costs efficiencies;
 - 4.1.4. timing for construction;
 - 4.1.5. opportunities for subcontractors;
 - 4.1.6. Others.
5. Describe your approach to the Project(s) including:
 - 5.1. Layout sketch of proposed facility
 - 5.2. Phasing of your proposed development
 - 5.3. Target market (type of vessels/rigs considered)
 - 5.4. Functional requirements
 - 5.5. Spatial requirements (e.g. back of quay and working areas)
 - 5.6. Berth requirements (including berth depth and length)
 - 5.7. Other marine structure requirements (e.g. dry docks, slipways, lifting equipment)
 - 5.8. Covered areas required
6. Provide a high level description of the operating procedures that you would envisage for the Facilities, or other facilities?
7. Would you consider undertaking the decommissioning of ships and rigs and scrapping activities?

8. Describe your geographical target markets in respect of each of the Facilities?
9. Indicate whether your existing customers would be interested in accessing the Facilities and if so, in respect of which type of service, and in which Port:
 - 9.1. Saldanha;
 - 9.2. East London;
 - 9.3. Richards Bay; or
 - 9.4. A combination of the above.
10. Would you be willing to undertake the Project(s) that are of interest to you on a DBFMO basis (as indicated in section 3 of the EOI). If not, please elaborate on your answer.
11. Indicate your proposed strategy to finance the Project(s) that are of interest to you, including external financing options and conditions required, if applicable.
12. Provide comments on the form of concession fee envisaged (fixed and variable fee) as indicated in paragraph 12, with particular reference to:
 - 12.1. the principle of bidding of the full concession fee structure;
 - 12.2. a potential [10]-year ramp-up period;
 - 12.3. your ability to commit to a fixed portion of revenues;
 - 12.4. provide comments/suggestions in respect of the envisaged approach.
13. What would you expect to be the minimum concession period? Would you expect the opportunity to extend the concession period and if so, for what period and on what basis?
14. Comment on the proposed risk allocation matrix envisaged in respect of the Projects as set out in Table 12.3 of the EOI.
15. Would you be prepared to commit to a supplier development programme of 25% (twenty five percent) of total spend in respect of the construction and on-going operation and maintenance activities for each Project. If so, do you envisage being able to meet this commitment at the project inception or over a period of time? If a ramp up is required, indicate applicable levels and periods.
 - 15.1. What initiative would you employ to provide support for local employment and empowerment?
 - 15.2. Do you envisage using local suppliers and/or procuring locally produced goods?

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SHIP REPAIR IN THE PORT OF RICHARDS BAY

Section 8: EXPRESSION OF INTEREST FORM

I/We _____

[name of company, close corporation or partnership]

of [full address]

carrying on business under style or title of [trading as]

represented by _____

in my capacity as _____

being duly authorised, hereby lodge an **Expression of Interest** in the provision of _____ over a period of _____

_____ as follows:

ADDRESS FOR NOTICES

Respondent to indicate its *domicilium citandi et executandi* hereunder:

Name of entity: _____

Facsimile: _____

Address: _____

NAME(s) AND ADDRESS / ADDRESSES OF DIRECTOR(s) OR MEMBER(s)

The Respondent must disclose hereunder the full name(s) and address(s) of the director(s) or members of the company or close corporation [C.C.] on whose behalf the EOI is submitted.

(i) Registration number of company / CC _____

(ii) Registered name of company / C.C. _____

(iii) Full name(s) of director/member(s): Address/Addresses: ID Number/s:

.....
.....
.....
.....

Respondent's Signature

Date and Company Stamp

.....

CONFIDENTIALITY

All information related to a subsequent contract, both during and after completion, is to be treated with strict confidence. Should the need however arise to divulge any information gleaned from provision of the Services, which is either directly or indirectly related to TNPA’s business, written approval to divulge such information must be obtained from TNPA.

RETURNABLE DOCUMENTS

Respondents must submit with their responses to this EOI, **as a minimum requirement**, all the returnable documents indicated below with a [√]. All Sections must be signed and dated by the Respondent.

| Returnable Documents | Submitted [√] |
|--|------------------|
| Expression of Interest Form | |
| Completed Questionnaire | |
| Signed Response | |
| Completed Experience and Current Operations schedule | |
| Past 3 years audited financial statements | |

Respondent’s Signature

Date and Company Stamp

By signing these EOI documents, the Respondent is deemed to acknowledge that he/she has made himself/herself thoroughly familiar with all the conditions governing this EOI, including those contained in any printed form stated to form part hereof and Transnet SOC Ltd will recognise no claim for relief based on an allegation that the Respondent overlooked any such condition.

SIGNED at _____ on this _____ day of _____ 20____.

SIGNATURE OF WITNESSES

ADDRESS OF WITNESSES

1 _____

Name _____

2 _____

Name _____

SIGNATURE OF RESPONDENT'S AUTHORISED REPRESENTATIVE:

NAME: _____

DESIGNATION: _____

Respondent's Signature

Date and Company Stamp

ANNEXURES

ANNEX 1: Summary of key outcomes of market analysis

ANNEX 2: Summary of key outcome of market sounding

ANNEX 3: Information on the ports (please refer to the data room)

Respondent's Signature

Date and Company Stamp

ANNEXURE 1

24. STATUS OF THE PROJECTS IN CONTEXT: KEY OUTCOMES OF MARKET ANALYSIS IN RESPECT OF RIG REPAIR, SHIP REPAIR AND BOAT BUILDING FACILITIES

- 24.1. Key market considerations for rig repair:
- 24.1.1. Major offshore oil exploration for the coast of Nigeria and Angola: although these countries have a large number of rigs offshore, there are no rig repair clusters there.
 - 24.1.2. Rigs situated in Angola and Nigeria are mostly repaired in Las Palmas, as a result of infrastructure availability and skills in these countries.
 - 24.1.3. East-African offshore activities mainly take place in Mozambique and are focussed around natural gas, not oil.
 - 24.1.4. Idle time due to travel is a key consideration in rig servicing: due to its location, Saldanha presents a wide catchment for rig repair including Nigeria, Angola and Brazil:
 - 24.1.4.1. Currently most rigs on the West Coast of Africa are repaired in Las Palmas.
 - 24.1.4.2. The opportunity cost related to transport therefore supports the unused potential of the South African rig repair cluster. Rig owners are charged a daily rent averaging between USD 200,000 to 500,000 a day.
 - 24.1.5. As can be seen in figures 14.1.8.1 and 14.1.8.2 below, the distance advantage of Saldanha in comparison to Las Palmas for Angolan rigs can create a total cost saving of up to USD 3 million per rig. This means that for all countries along the West African coast line up to and including Nigeria, Saldanha can create transport cost savings for rig repairs.
 - 24.1.6. Angola has 10 rigs in its waters. If all these rigs were to be repaired every 5 years in South Africa, a stable demand of 2 to 3 rigs per year should be generated for the local rig repair cluster from Angola alone, which is equivalent to current rig repair activity in Cape Town.
 - 24.1.7. Further, the geographical location of Saldanha between Singapore and Houston could also offer operators and rig owners and alternative repair location as it could be:
 - 24.1.7.1. located closer to existing drill sites or campaigns; or
 - 24.1.7.2. en route to the next drill or campaign.
 - 24.1.8. Saldanha is also the preferred port due to its deep draft: Cape Town is currently used for rig repair even though there is limited draft and difficult manoeuvring in the port. Further, the increased use of deep-water rigs reduces attractiveness of Cape Town.

Figure 24.1.8.1 – Saldanha strategic location – potential costs savings

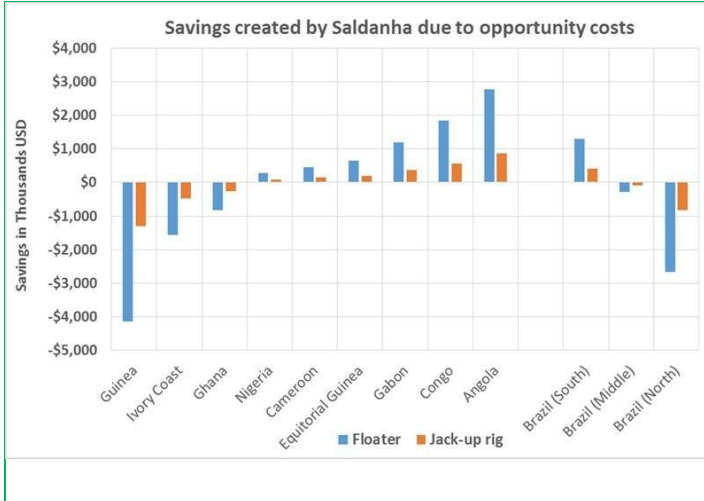
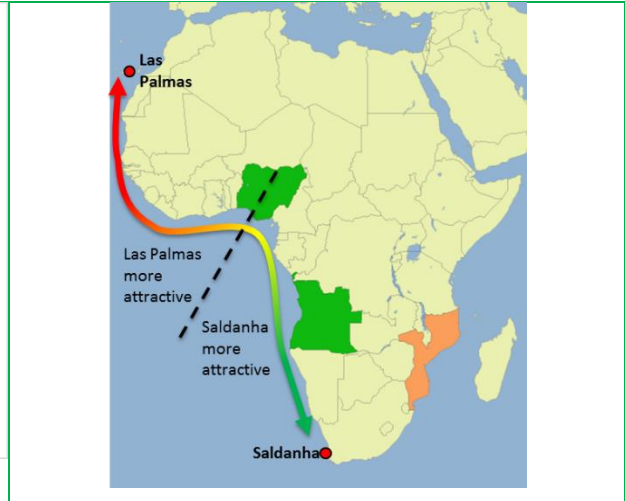


Figure 24.1.8.2 Saldanha strategic location



- 24.1.9. Deepwater exploration is currently limited due to the relatively low oil price. Overall, there is generally a strong correlation between number of global offshore rigs and the oil price. Even if this correlation is weaker in African waters, the demand for repair of deep-water rigs is expected to be stable for the South African market.
- 24.1.10. In 2013, the publication of the draft Mineral and Petroleum Resources Development Act (MPRDA) created uncertainty relating to the regulatory framework for oil and gas exploration and development in South Africa
- 24.1.11. The enactment of the MPRDA and recovery of the oil price will facilitate increased activity into seismic surveys and exploration activities in South Africa and off the West Coast in particular, the timing of both of which are uncertain at this stage
- 24.1.12. As of 1/2/2016, there were 25 offshore rigs actively drilling off the coast of Sub-Saharan African countries. Angola (10 rigs) and Nigeria (5 rigs) traditionally have the largest amount of rigs in their waters.
 - 24.1.12.1. Jackup rigs and drillships are the most commonly used type of rigs for exploration - newest generation of vessels (semisubs) are not often used for exploration activities, but are still often used for production in this segment;
 - 24.1.12.2. 60% of the rigs are owned by firms with 3 or less rigs, with Transocean being the market leader with 6 rigs, even though the company reduced its number of active rigs from 12 to 6 in Sub-Saharan Africa in 2015. In the rest of the World, the number of active rigs was reduced from 71 to 61, with further reductions expected in 2016.
 - 24.1.12.3. Approximately 34.5% of the exploration rigs are stacked (12 cold-stacked and 21 warm-stacked).

24.1.13. A SWOT analysis for rig repairs in South Africa is shown below:

| Strengths | Weaknesses |
|---|--|
| <ul style="list-style-type: none"> • South Africa has the strongest cluster in Sub-Saharan Africa due to the availability of skills, local inputs (e.g. steel) and infrastructure; • Rigs require major maintenance of steel and thruster structures every 5 years, which creates a stable demand for rig repair; • Saldanha is well located on the West Coast of Africa, with a deep draft. | <ul style="list-style-type: none"> • Infrastructure in South Africa is not currently used in an optimal manner for rig repair and can be improved; • The port of Cape Town does not have a sufficiently deep draft for efficient rig repair (the shallow water implies that less activities can be performed or with more inefficiency); • No likely demand from South African oil fields in the short term and hence no 'captive' demand for rig repair. |
| Opportunities | Threats |
| <ul style="list-style-type: none"> • South Africa could gain market share by providing the required infrastructure facilities for rig repair; • South Africa is well located for attracting rigs from West Africa and Brazil; • Adding other facilities (such as ship repair) could strengthen the rig repair cluster. | <ul style="list-style-type: none"> • A low oil price reduces the scope for major repair and re-investments in older rigs; • Stacking of rigs on South African berths could further reduce the infrastructure facilities for rig repair; • If Nigeria and Angola develop their own rig repair business (not likely), they will have a large distance advantage over South Africa. |

24.2. Key market considerations for ship repair

24.2.1. Major ship repair and maintenance demand globally is located primarily in the Far and Middle East, due to;

- 24.2.1.1. the convenient location as end point/starting point of trade routes;
- 24.2.1.2. cheap labour and inputs (steel) as well as economies of scale; and
- 24.2.1.3. largest infrastructure (graving floating docks and large public investment supporting the development of this sector).

24.2.2. Generally, for South Africa, demand is focussed around the main commercial cargo ports that are either a start or end point for major trade route and is mainly driven by domestic and Sub-Saharan channels: either Durban or Cape Town.

24.2.3. Ship repair typically focuses on niche markets such as regional trade routes, high-tech vessels (e.g. offshore supply) and emergency repairs.

24.2.4. Local ship repair demand is driven in particular by domestic and Sub-Saharan channels, partly supported by O&G activities but generally demand for ship repair proves to be less sensitive to the oil cycle.

24.2.4.1. Offshore Supply Vessels (OSSV) and other work boats (e.g. Tugs) may also require repairs;

24.2.4.2. Smaller commercial cargo vessels can also be repaired in South Africa.

24.2.5. This Project presents an opportunity for new entrants into the ship repair market that could offer an alternative option to the existing facilities in the Port of Durban, thus facilitating the transformation of the sector.

24.2.6. A SWOT analysis for ship repairs in South Africa is shown below:

| Strengths | Weaknesses |
|---|---|
| <ul style="list-style-type: none"> • South Africa has the strongest cluster in Sub-Saharan Africa due to the availability of skills, local inputs (e.g. steel) and infrastructure; • South Africa is well located for serving West-African oil-related demand (OSSV and tugs boats); <p>South Africa benefits from hub ports such as Durban and Cape Town.</p> | <ul style="list-style-type: none"> • The potential for developing activity would lie with a niche market (small vessels, OSSV, tug boats) • This remains subject to improvement in management of infrastructure and services to support investment ; • Long lead-time for investment (>10 years) and bureaucracy drives down the appetite for investment <p>Existing infrastructure is too small for repairing large commercial vessels and cannot compete with facilities in the Far or Middle East, supported by subsidies.</p> |
| Opportunities | Threats |
| <ul style="list-style-type: none"> • South Africa could gain market share by providing additional infrastructure facilities as they will provide more possibilities (location, size of vessels) for the sector; • Adding other facilities/services (e.g. rig repair) could strengthen the ship repair cluster; • The development of commercial ports as a hub-for commercial vessel repair; • The skill level, supply of input materials and infrastructure are constrained in new markets (Ghana, Kenya, and Nigeria). | <ul style="list-style-type: none"> • Other Sub-Saharan countries have started to develop ship repair clusters. For example Namibia is making inroads into South African market share; • Countries with major oil exploration (Nigeria and Angola) and/or commercial ports (Ghana and Kenya) have started to develop ship repair clusters. |

24.3. Key market considerations for boat and ship building

- 24.3.1. Africa owns less than 1% of the vessels in the world and less than 0.5% of all capacity. Further, its fleet is 50% older than the average fleet age globally.
 - 24.3.1.1. Africa relies on the rest of the world’s vessels and capacity as demand is currently exceeding supply.
 - 24.3.1.2. In Sub-Saharan Africa, only Ethiopia procures large commercial vessels, implying that there is currently very limited “home market” demand for shipbuilders in Sub-Saharan Africa.
 - 24.3.1.3. As a result, only Egypt and South Africa are countries with ship and boat building capacity.
- 24.3.2. Most of the African demand comes from Nigeria and South Africa, and demand for Sub-Saharan Africa relates primarily to a niche demand for tugboats, support vessels and navy vessels
 - 24.3.2.1. The only ‘commercial’ demand is created by the state-owned enterprise Ethiopian Shipping Lines.
 - 24.3.2.2. Market analysis suggests a relative competitiveness of African shipyards for smaller vessels/boats.
 - 24.3.2.3. South Africa has the strongest cluster in the Sub-Saharan market due to availability of skills, input and infrastructure.
- 24.3.3. The South African cluster is not expected to be able to compete in the segment for large commercial vessels, due to the insufficient size of infrastructure and the lower input prices in the Far East.

- 24.3.3.1. South Africa’s competitive strength is well regarded but requires additional port infrastructure, primarily with respect to the availability of launching facilities and availability of quay wall to finish the vessels;
- 24.3.3.2. Boat building sector has indicated that there is a need for larger launching facilities.
- 24.3.4. There would be potential for developing a ship and boat building hub for working boats, especially the niche market for tugboats, support vessels and navy vessels due to:
 - 24.3.4.1. skills available in the country and cost-efficiency of inputs (labour and steel);
 - 24.3.4.2. relatively high share of Public demand (tug boats from TNPA and navy vessels from SA Navy)
- 24.3.5. The realisation of this potential to leverage available skills is dependent on the provision of appropriate infrastructure.
- 24.3.6. Their competitive advantages have been eroded by a rising competition from neighbouring countries.
- 24.3.7. A SWOT analysis for the ship and boat building sector in South Africa can be summarised as follows:

| Strengths | Weaknesses |
|--|--|
| <ul style="list-style-type: none"> • Strongest cluster in sub-Saharan Africa due to the availability of skills, local inputs (e.g. steel), infrastructure; • Stable ‘captive’ local demand from TNPA and SA navy; Significant market share in Sub-Saharan Africa in the niche for tugboats and navy vessels. | <ul style="list-style-type: none"> • Sub-optimal management of existing infrastructure; • Local market is too small for building large commercial vessels (Length of vessels in excess of 100 metres); • SA is still expensive compared to yards in the Far and Middle East, partially due to large subsidies in these regions. |
| Opportunities | Threats |
| <ul style="list-style-type: none"> • Potential for leverage on the strong clusters available in Durban and Cape Town; • Focus on niche markets (tugboats, navy vessels, etc.) could provide market opportunities, which is similar to the approach taken in more expensive European countries. | <ul style="list-style-type: none"> • Absence of sufficiently large launching facilities could push SA boat builders out of the market (due to higher costs); • Competition has started in Namibia due to the infrastructure availability. The position of Namibia as a competitor to South Africa is increasingly threatening. |

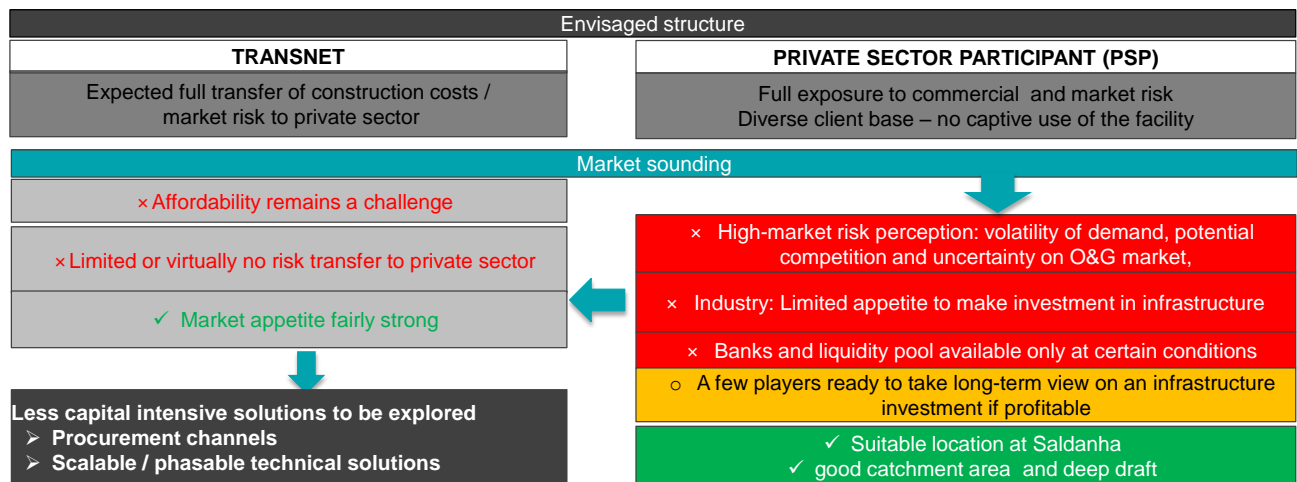
ANNEXURE 2

25. OVERVIEW OF KEY OUTCOMES OF MARKET SOUNDING – RIG REPAIR, SHIP REPAIR AND BOAT/SHIP BUILDING FACILITIES

25.1. Saldanha/ Rig repair

- 25.1.1. Saldanha is generally considered as a good location for rig repair (catchment area, deep draft) and the market would welcome using a dedicated berth for rig repair.
- 25.1.2. However, due to current market conditions, there is limited financial capacity for development of dedicated rig repair facilities at Berth 205.
- 25.1.3. Alternative designs resulting in a lower initial capital investment with scalability are possible and could be explored.

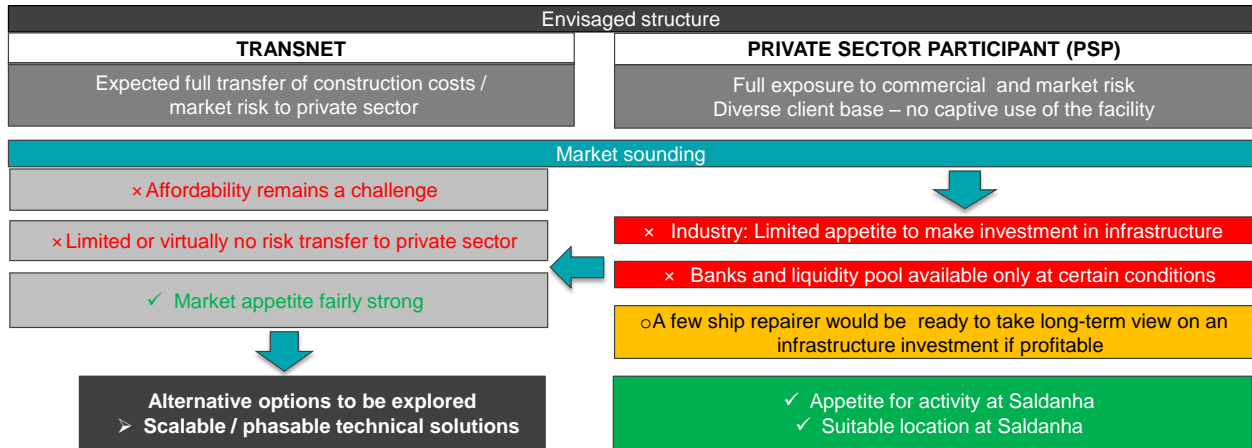
Figure 25.1 – Key outcomes of market sounding – Saldanha – rig repair



25.2. Saldanha/Ship repair

- 25.2.1. Saldanha is generally considered as a good location for ship repair (synergies with rig repairs activities, proximity to the oil fields in Nigeria and Angola could create a case for ship repair).
- 25.2.2. However, due to current market conditions, there is limited financial capacity for development of dedicated Ship Repair facility at the Port of Saldanha.
- 25.2.3. Alternative designs resulting in a lower initial capital investment with scalability to ramp up as demand increases are possible.

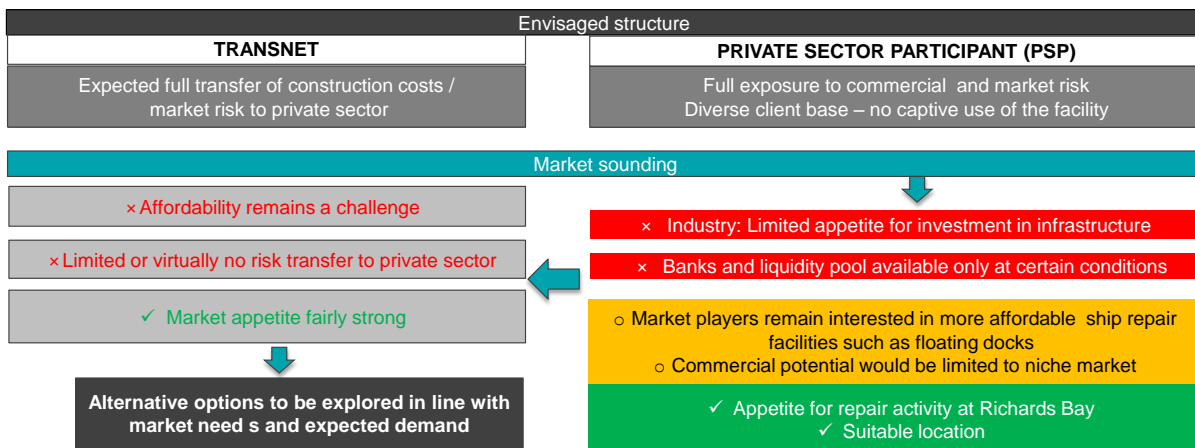
Figure 25.2 – Key outcome of market sounding – Saldanha – Ship repair



25.3. Richards Bay/ Ship repair

- 25.3.1. Richards Bay is generally considered as a suitable location for ship repair but the market potential is limited as most commercial vessels focus on dry bulk export to China;
- 25.3.2. Richards Bay is currently considered as an overflow facility for the Durban and Cape Town facilities, particularly for small or emergency repairs.
- 25.3.3. Given current market conditions and capacity, more scalable and less capital intensive solutions with short lead times such as a floating dock would be preferred.

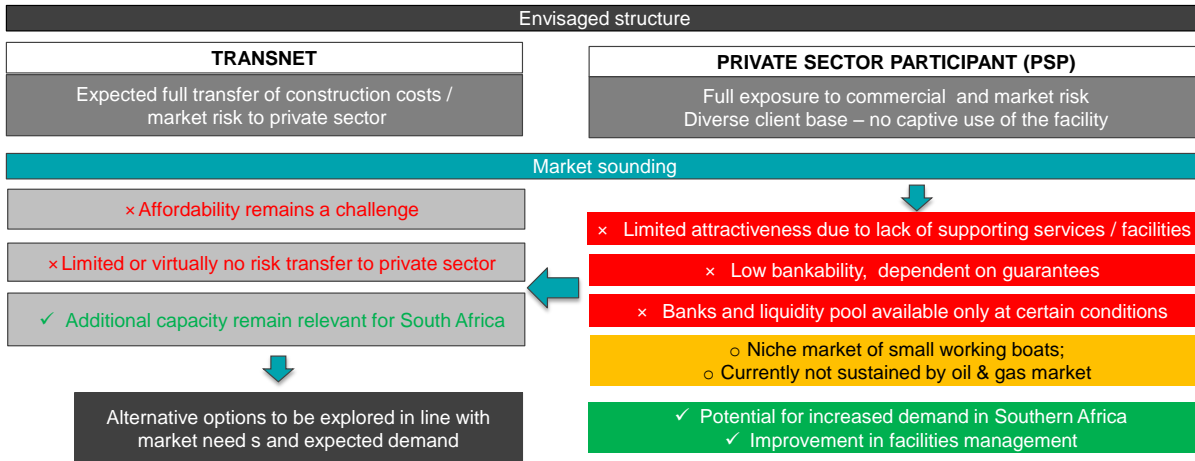
Figure 25.3. – Key outcome of market sounding – Richards Bay



25.4. East London/ Ship repair

- 25.4.1. East London is used as an overflow facility for Durban-related demand.
- 25.4.2. Due to the lack of a back of port logistics chain and appropriate supporting services and facilities, the dry dock in East London is often overlooked by vessel owners and only considered for small or emergency repairs. Thus limiting the current repair activity resulting in underutilization of the facility.

Figure 25.4 – Key outcome of market sounding – East London



Respondent's Signature

Date and Company Stamp

ANNEX 3 – INFORMATION ON THE PORTS

- 3.1: Richards Bay
- 3.2: East London
- 3.3: Saldanha Bay
- 3.4: TNPA Policies and General Information

(Note: please refer to the files in the data room)

Respondent's Signature

Date and Company Stamp