

1. ECONOMIC DEVELOPMENT PLAN – OEM/OPM STRATEGY

- 1.1** Transnet as a State Owned Company has an important role to play in the economic development and transformation of the country.
- 1.2** Transnet is committed to contributing to the economic transformation of South Africa through the implementation of B-BBEE and acknowledges B-BBEE as a critical component of achieving sustainable and inclusive economic development, social stability and labor absorbing economic growth. Transnet will therefore optimize its contribution to B-BBEE in the execution of its mandate.
- 1.3** As part of ensuring that we contribute to the economic development and transformation of the while in the execution of our mandate, Transnet will utilize the OEM/OPM Strategy to contribute to economic and transformational objectives of the country.
- 1.4** In line with the OEP/OPM Procurement Strategy and to ensure the strategy fully supports our economic development and transformational objectives, Transnet, henceforth, requires bidders to submit an Economic Development Proposal/Plan which will form part of the Essential Returnable Document bid submission.
- 1.5** The Economic Development Plan is expected to be a plan or proposal that outlines the bidder's plan, as a result of award of the contract, to contribute to build a competitive, inclusive and sustainable economy that promotes creation and preservation of employment, improves the economic participation of black owned companies, local economic development and ultimately improves the living standards of local communities.
- 1.6** The bidder is required to provide a comprehensive Economic Development Plan that outlines the implementation strategy and the impact thereof arising from the award of the contract. The Plan, should at a minimum (not limited to the below elements) address the following key economic development elements;

1.6.1 Local Production Initiatives

1.6.1.1 Bidder is required to submit a detailed product/components localization plan covering the following:

- List of items/components to be localized
- Bidder to identify and submit list of suppliers for local production of components
- Implementation plan for the identified components/items

1.6.2 Job Creation and Job Preservation

1.6.2.1 Bidder is required to submit a detailed job creation and preservation plan covering the following:

- Number and rand value of new jobs to be created for black people as result of award of contract
- Number and rand value of new jobs to be created for black women as result of award of contract
- Number and rand value of news to be created for black youth as result of award of contract
- Number and rand value of new jobs to be created for black persons living with disabilities as result of award of contract
- Number and rand value of existing jobs to be persevered as result of award of contract

- Number and rand value of new jobs to be created in each region for people residing in the region of contract

1.6.3 Skills Transfer and Development Initiatives

1.6.3.1 Bidder is required to submit a detailed Skills Transfer and Development plan covering the following:

- Number and rand value of black people to be trained over the contract period
- Number and rand value of black youth to be trained over the contract period
- Number and rand value of black women to be trained over the contract period
- Number and rand value of higher education bursaries/scholarships to be provided to black youth over the contract period
- Training and skills development initiatives targeted at local black-owned suppliers

1.6.4 Subcontracting

1.6.4.1 Bidder is required to submit a detailed subcontracting plan covering the following:

- Bidder is required to subcontract a minimum of 30% of the contract value to SMMEs falling into the below categories
 - EME or QSE which is at least 51% owned by black people
 - EME or QSE which is at least 51% owned by black people who are women
 - EME or QSE which is at least 51% owned by black people who are youth
 - EME or QSE which is at least 51% owned by black persons living with disability
- Bidder is required to identify and submit a list of possible subcontractors for each region.

1.6.5 Socio-Economic Development Initiatives

1.6.5.1 Bidder is required to submit a detailed socio-economic development plan with initiatives aimed at uplifting the socio-economic status of the communities in the region of the contract.

1.6.6 The above-mentioned economic development initiatives represent the minimum requirements. Bidders may propose additional economic development initiatives that enhance the overall economic, social and transformational objectives arising from the execution of the contract.

1.7 IMPORTANT NOTICE:

1.7.1 The submitted economic development plan as per the above identified economic development objectives will be negotiated further between the bidders and the Transnet ESD Function to come to a practical and suitable plan to meet the proposed/agree targets and plan.

1.7.2 The Economic Development Plan forms part of Essential Returnable Documents, as such, it is critical that the bidder ensures submission and compliance to the RFP requirements.

1.7.3 The submission and subsequent successful implementation of the economic development plan over the duration of the contract is a material and enforceable obligation. This requirement forms an integral part of the contract and aligns with Transnet's B-BBEE and Localization statutory and policy objectives.

- 1.7.4 Failure to provide essential Returnable Documents will result in Transnet affording Respondents a further opportunity to submit by a set deadline. Should a Respondent thereafter fail to submit the requested documents, this may result in a Respondent's disqualification.

1.8 REPORTING

- 1.8.1 The service provider is required to provide an implementation plan on the agreed upon economic development plan with clear targets and milestones
- 1.8.2 Report on a monthly/quarterly basis or as and when required by Transnet over the contract period.
- 1.8.3 Provide the required Portfolio of Evidence on a quarterly basis or as and when required by Transnet.
- 1.8.4 Transnet reserves the right to conduct site visits/audit to verify the information submitted for reporting.

1.9 NON-COMPLIANCE

- 1.9.1 Non-compliance with the requirements of the implementation of the economic development plan, agreed deliverables, milestones, performance targets, reporting obligations, implementation timelines, or submission of adequate supporting Portfolio of Evidence, shall be recorded and formally communicated to the Service Provider for corrective action.
- 1.9.2 The Service Provider shall be required to implement appropriate corrective measures within the timeframes specified by Transnet and provide evidence that the identified non-compliance has been satisfactorily addressed.

10. PENALTIES

- 10.1 Failure to deliver on the implementation of the above agreed-upon economic development plan shall constitute a material breach of the contract.
- 10.2 Not limiting other remedies, Transnet may impose the following penalties:
- A financial penalty equivalent to 10% of the contract value.
 - A financial penalty equivalent to the shortfall value between the subcontracting target and the actual achieved.
 - Withhold payments equivalent to the value of the specific goals/conditions of contract initiatives not until compliance is achieved
 - Contract termination