Approaching the PICC for strategic road funding in accordance with Strategic Infrastructure Projects (SIP)

SARF Workshop
30th August 2019
By Mr. R Ronny PrEng

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1. NDP, PICC & SIPS

National Planning Commission identified major constraints in mapping current issues facing SA

NDP endorsed by Cabinet including National Infrastructure Plan

Cabinet decision to establish a body to integrate and coordinate the long term infrastructure build, namely the Presidential Infrastructure Coordinating Commission (PICC) with its supporting management structures

Through the PICC, Strategic Integrated Projects (SIP's) established.

PICC Terms of reference

PICC's mandate is to ensure systematic selection, planning and monitoring of large projects and its Terms Of Reference include the objectives outlined below

- ✓ Identify 5 year priorities
- ✓ Develop 20 year project pipeline
- ✓ Development Objectives: skills, localisation, empowerment, research & development
- ✓ Expand maintenance: new and existing infrastructure
- ✓ Improve infrastructure links: rural areas and poorest provinces
- ✓ Address capacity constraints and improve coordination and integration
- ✓ Scale up investment in infrastructure
- ✓ Address impact of prices
- ✓ Support African development and integration

Infrastructure is critical to:

- Promote balanced economic development
- Unlock economic opportunities
- Promote mineral extraction and beneficiation
- Address socio-economic needs
- Promote job creation
- Help integrate human settlements and economic development

Overall approach

- An Infrastructure Book has been compiled, which contains more than 645 infrastructure projects across the country
- An Infrastructure Plan with identified Strategic Integrated Projects (SIPs) has been developed and adopted by Cabinet and the PICC

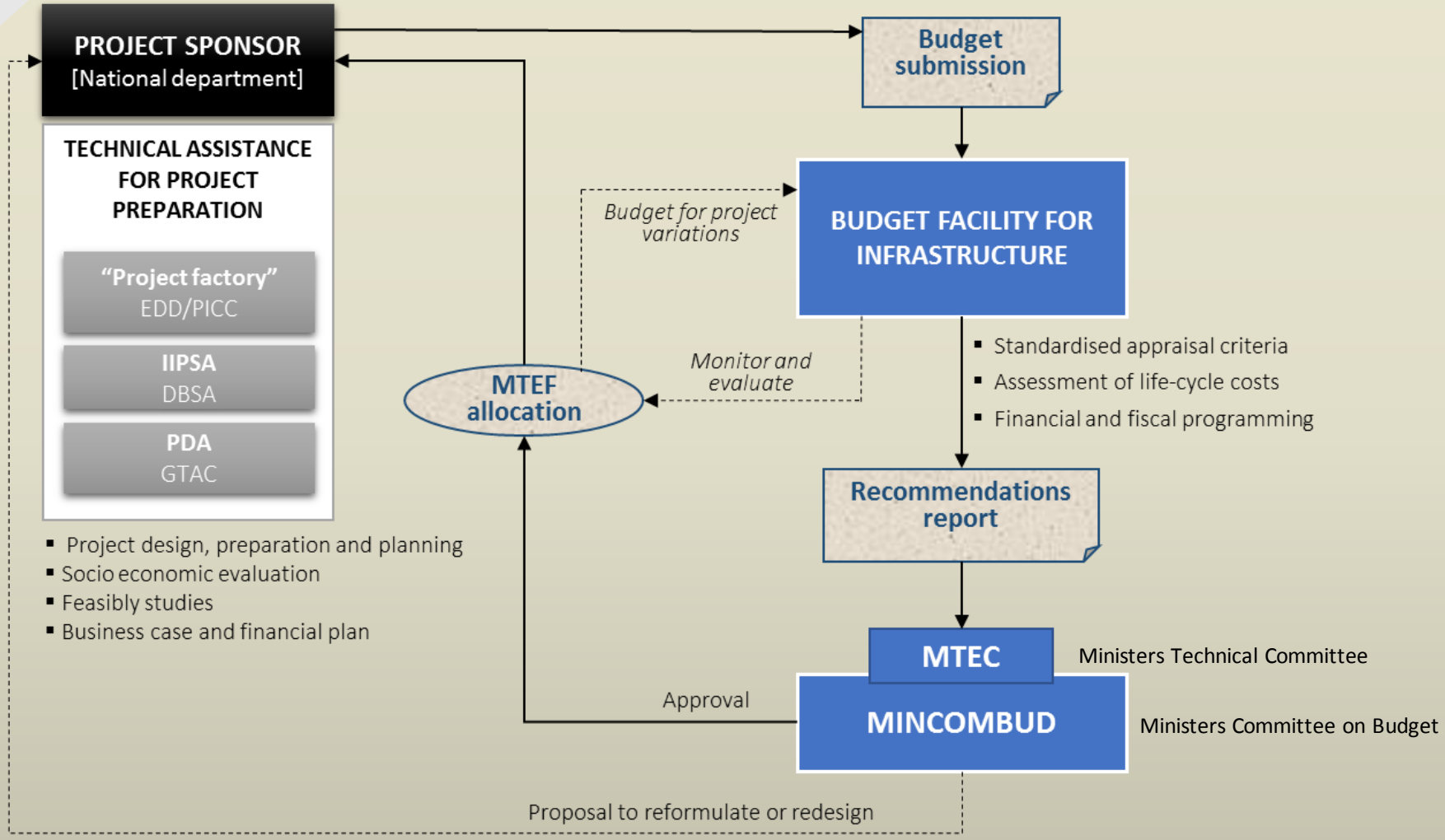
2. What is the Budget Facility for Infrastructure (BFI)?

- The BFI is a reform to the budget process that creates an institutional process to support the execution of national priority projects by establishing specialised structures and criteria for committing fiscal resources to public infrastructure spending;
- The facility aims to be extremely thorough and careful in the technical assessment and budgeting for capital, operational and maintenance costs for large infrastructure projects;
- The facility will make recommendations regarding the commitment of funds from the fiscus;
- The facility considers budget submissions in respect of new and existing national priority projects.

2. What is the Budget Facility for Infrastructure (BFI)?

- The BFI aims to:
  - Standardise the appraisal of budget submissions with simple and uniform methodologies;
  - Ensure that full life-cycle costs of projects are explicitly considered in planning, adequately budgeted for and anticipated in future budgets;
  - Establish a single window and consistent operating procedure for dealing with budget submissions for large infrastructure projects and to make standardised recommendations to budget authorities and political decision-makers; (this is third window – 2017, 2018, 2019 – window 1, 2 has R230billion worth of project submissions)
  - Training government officials - improve the capability of senior managers to understand the characteristics of large infrastructure projects, engage with the standard methods and technical aspects of project design and appraisal.
  - Project preparation through consultants
  - Can get technical assistance from DBSA, National Treasury (public finance), etc

3. How does the BFI Process Operate?



The Government Technical Advisory Centre, or GTAC, is an agency of the National Treasury, established to support public finance management through professional advisory services, programme and project management and transaction support. GTAC promotes public sector capacity building through partnerships with academic and research institutions, civil society and business organisations. GTAC reports to the Minister of Finance and is established as a government component in terms of the Public Service Act.

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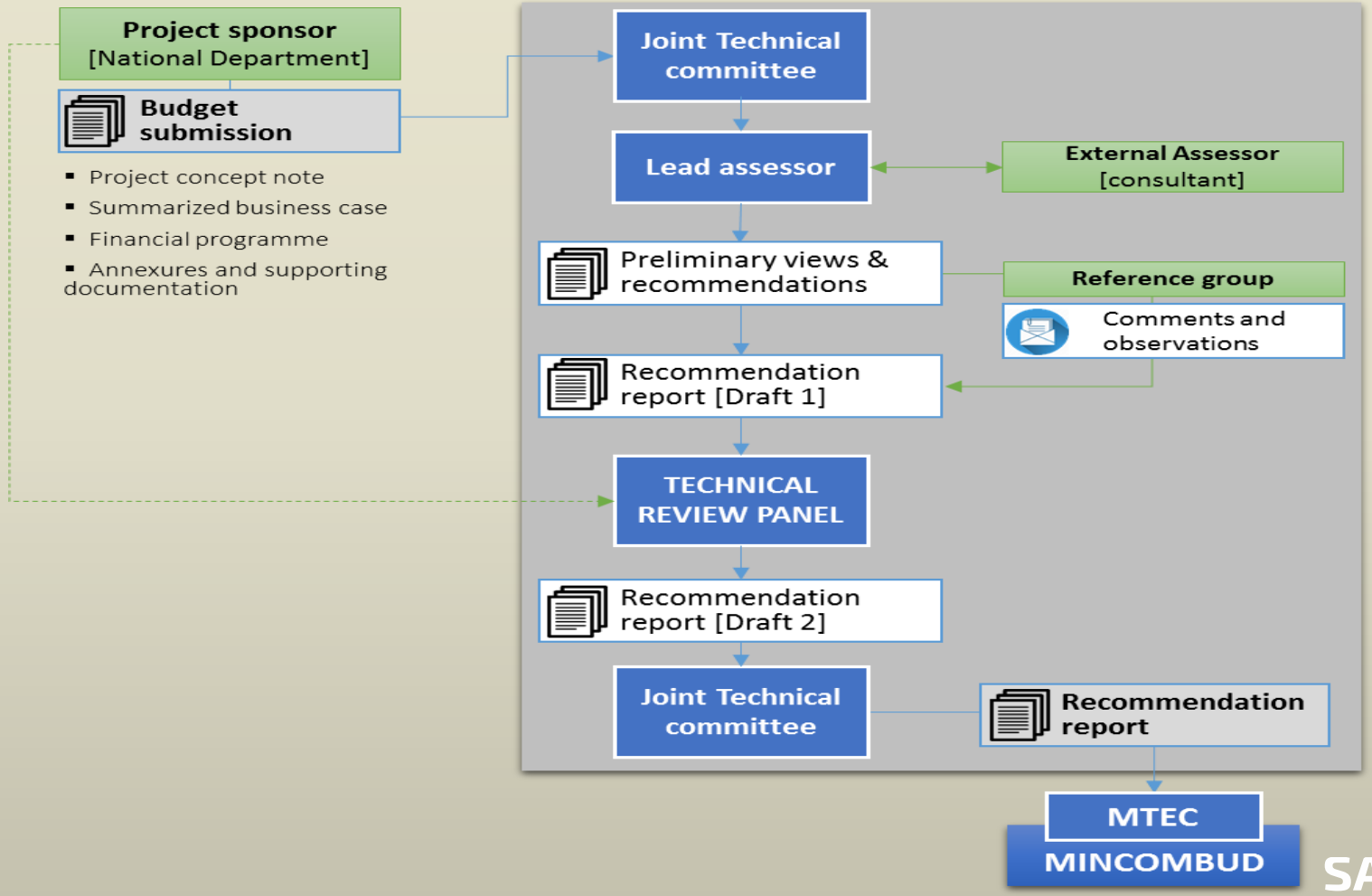
4. Process of BFI Proposals



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5. Criteria to be considered in the submission of proposals

- For the 2019/20 MTEF national departments were invited to submit proposals that require budget allocations over the next MTEF;

- The BFI will consider submissions from public institutions in respect of projects/programmes that are:

  - Clearly identified as a national priority by the PICC with written support from the relevant national department(s);
  - Very large and strategic interventions with substantial long term impacts (>R1billion);
  - Ready for implementation and require financing commencing in the 2020/21 fiscal year;
  - Submissions should have a total project/programme cost of R1 billion or more;
  - Proposals must in the key infrastructure clusters which are: education, health, human settlements, water and sanitation, energy, communication and transport.

- This is the overarching criteria that a submission should meet in order to be considered under the facility.

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6. Requirements for submission

The submission should be a summary of the following elements:

a) An indication that the institution responsible for the project has the appropriate legal mandate;

b) A description of the project or programme – brief summary of key information;

c) A clear justification or rationale including the project objectives, outcomes and targets – why the project is a national priority and motivate the justification for shifting resources from other pressing needs;

d) An options analysis with an explanation of the preferred choice – illustrating that a cost-effective solution was chosen that meets objectives of government;

e) A social and economic analysis, including estimates of economic costs and benefits associated with the project and anticipated social and distributional impacts – this section justifies the fiscal support;

6. Requirements for submission

The submission should be a summary of the following elements: (continued)

f) A budget statement for the project, which includes a financial and funding model with cash flow projections, capital and operating costs as well as other budget requirements over the project's lifecycle. It includes:

- An expenditure statement
- A funding statement
- A cashflow statement
- Contingent liability statement

g) The risk and sensitivity analysis – includes analysis and management plan for the main risk which include technical, financial, economic, social and political risks;

h) The procurement plan associated with the project;

i) A statement of institutional and operational readiness to implement the project.

7. Format of Submission

- The primary submission must be a concise summary of the proposed project or programme, not longer than 20 pages. It should be a high-level analysis, explaining the problem, the alternatives that have been considered to solve the problem, and the assumptions, constraints, risks, costs, and timeframes involved in implementing a chosen solution;
- All the documentation and data that supports the primary submission should be submitted in both hard copy and electronic format, where appropriate. The supporting documentation cannot substitute for the primary submission;
- Projects that fail to complete the primary submission in terms of the guidelines provided will not be considered;
- The detailed guideline can be accessed on the National Treasury website;
- The deadline for submission was 31 May 2019.

7. SANRAL BFI Submission for the SIP2 N2/N3 Port of Durban-Gauteng Corridor-May 2019

- Project Description
  - Project Name
  - Location
  - Description
  - Duration
  - Sponsoring Entity
  - Project Manager
  - Affected authorities

Project Name	The upgrade of National Route 3 from Durban to Pietermaritzburg
Location	Province of KwaZulu Natal, eThekwini Metropolitan Municipality, Umgungundlovu District Municipality
Description of project	
Capacity upgrade and safety improvements of the N3 between Durban and Pietermaritzburg to reduce travel costs and improve economy along the corridor.	
Duration of Construction	5 – 8 years
Why is this project a national priority?	This project forms part of the Durban to Gauteng corridor which is identified as one of National Government's key Strategic Integrated Projects (SIP 2) that forms part of the National Development Plan.
Sponsoring Entity	South African National Roads Agency Limited (SOC) in terms of the SANRAL Act 7 of 1998
Project Manager	Mr. Ravi Ronny Design and Construction Manager (Eastern Region) 033 392 8100 ronnyr@nra.co.za
Details of other spheres of government involved in the project.	KZN Province; National and KZN Department of Transport; National and KZN Treasury; Umgugundlovu District Municipality; Msunduzi Local Municipality; Mkhambathini Local Municipality; eThekwini Metropolitan Municipality; and Transnet Freight Rail.

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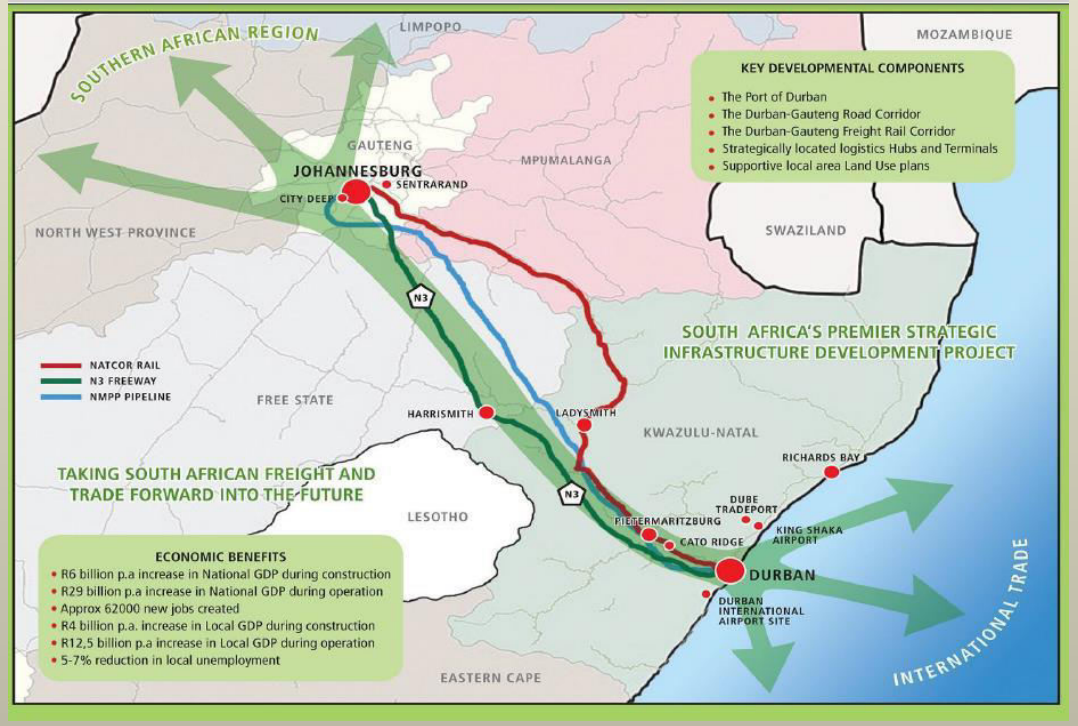
8. SANRAL BFI Submission for the SIP2 N2/N3 Port of Durban-Gauteng Corridor-May 2019

- Justification
  - The Durban - Gauteng N3 highway is the most important freight corridor in the country. It is a national asset. It is South Africa's principal freight and logistics corridor and links South Africa's busiest port in Durban with its economic hub in Gauteng. The Port of Durban has the lowest logistics costs serving the economic heartland of the country and handles more than 60% of South Africa's exports and imports.



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- Justification
  - The N3 is a strategic road freight corridor between Durban and Johannesburg. It is split into the following sections:

Section	Non-Toll/Toll	Length (km)
EB Cloete – Paradise Valley	Non-Toll	12
Paradise Valley – Key Ridge	Toll	18.6
Key Ridge – Cedara	Non-Toll	60.1
Cedara – Heidelberg	Toll	426
		516.7

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8. SANRAL BFI Submission for the SIP2 N2/N3 Port of Durban-Gauteng Corridor-May 2019

- Justification
  - The N3 around the urban areas of Durban and Pietermaritzburg is particularly problematic given the large proportion of commuter traffic. The steep gradients at Key Ridge and Town Hill and the existing alignment through the rolling terrain also presents many safety challenges for road users especially heavy vehicles.

8. SANRAL BFI Submission for the SIP2 N2/N3 Port of Durban-Gauteng Corridor-May 2019

- Justification
  - As a result, the N3 between Durban and Pietermaritzburg is under intense pressure and in urgent need of capacity upgrades and safety improvements. Substantial delays and associated delay costs are experienced daily, especially on the two-lane sections between Cato Ridge and Pietermaritzburg, on sections with steep grades and at key interchanges.

8. SANRAL BFI Submission for the SIP2 N2/N3 Port of Durban-Gauteng Corridor-May 2019

- Justification
  - In conjunction with the PICC and BFI 2018 submission SANRAL has been allocated funding for the MTEF period commencing 2019/20 for a portion of the N2 upgrade programme for the *projects (Phase 1)* as shown below.
  - Capacity improvements of N2/N3 between Edwin Swales/Mgeni & Candella Road to Westville, incl EB Cloete I/C
  - Capacity improvements of N2 between KwaMashu Interchange to Mhloti
  - CD Programme for N2 Upgrade
  - Training for Small Contractor Development for N2 Upgrades

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8. SANRAL BFI Submission for the SIP2 N2/N3 Port of Durban-Gauteng Corridor-May 2019

- Justification
  - In conjunction with the PICC and BFI 2018 submission SANRAL has been allocated funding for the MTEF period commencing 2019/20 for a portion of the N3 upgrade programme for the *projects (Phase 1)* as shown below.
  - Capacity improvements of N3 between Key Ridge and Hammarsdale
  - Capacity improvements of N3 between Cato Ridge and Dardanelles
  - Capacity improvements of N3 between Dardanelles and Lynnfield Park
  - Capacity improvements of N3 between Lynnfield and Ashburton I/C
  - N3 Materials Provision
  - CD Programme for N3 Upgrade
  - Training for Small Contractor Development for N3 Upgrades

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- Justification

However, funding has not been allocated for the following *projects (Phase 2):*

- Capacity improvements of N3 between Westville Viaduct and Paradise Valley
- Capacity improvements of N3 between Paradise Valley to Mariannhill toll Plaza (Toll)
- Capacity improvements of N3 between Mariannhill Toll Plaza to Key ridge (Toll)
- Capacity improvements of N3 between Hammarsdale and Cato Ridge
- Capacity improvements of N3 between Ashburton and Gladys Manzi
- Capacity improvements of N3 between Gladys Manzi and New England Road

The May 2019 BFI submission was for the purpose of requesting funding for the above mentioned project i.e. phase 2.

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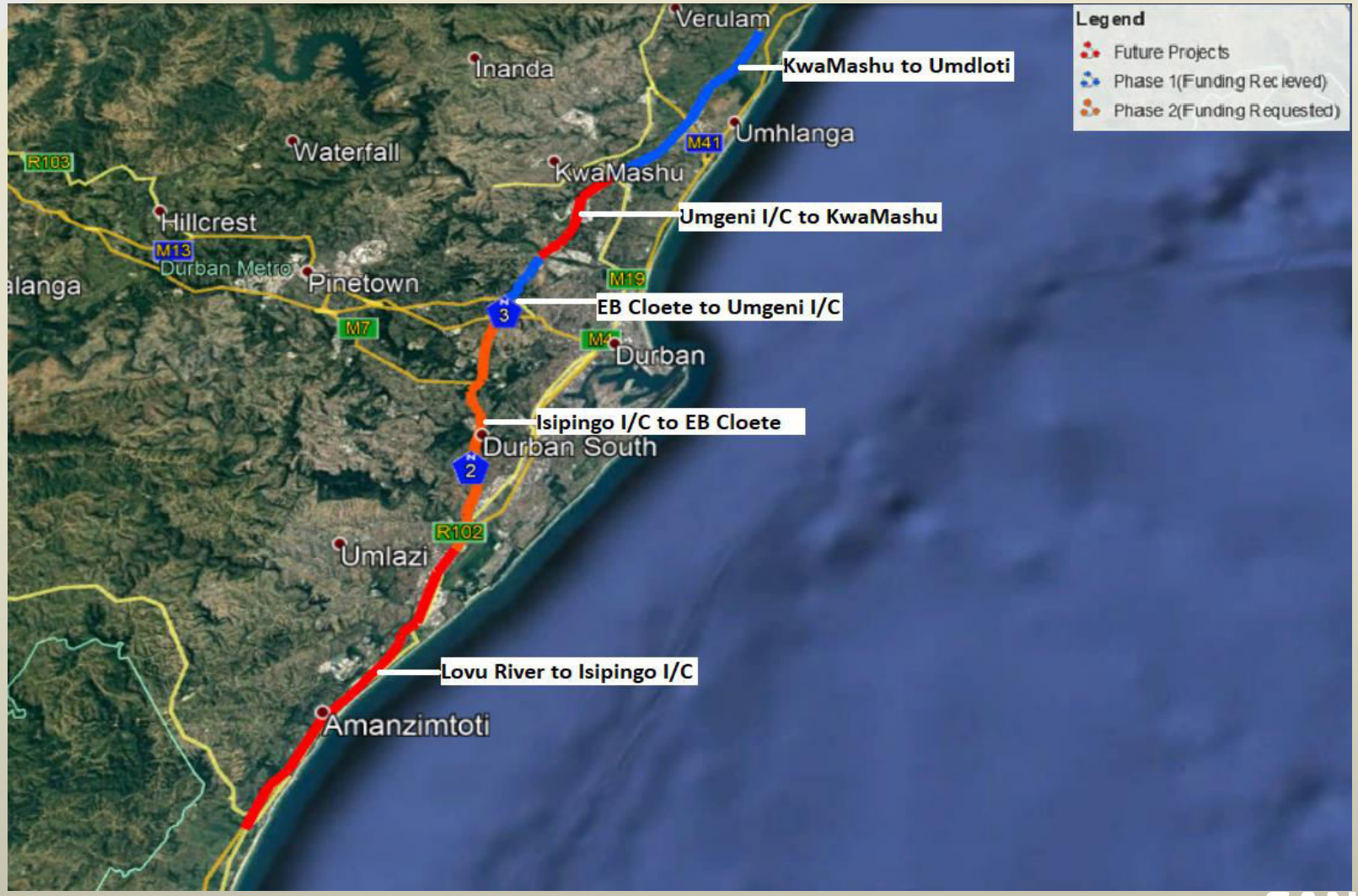
N2 PLANNING AND PHASING



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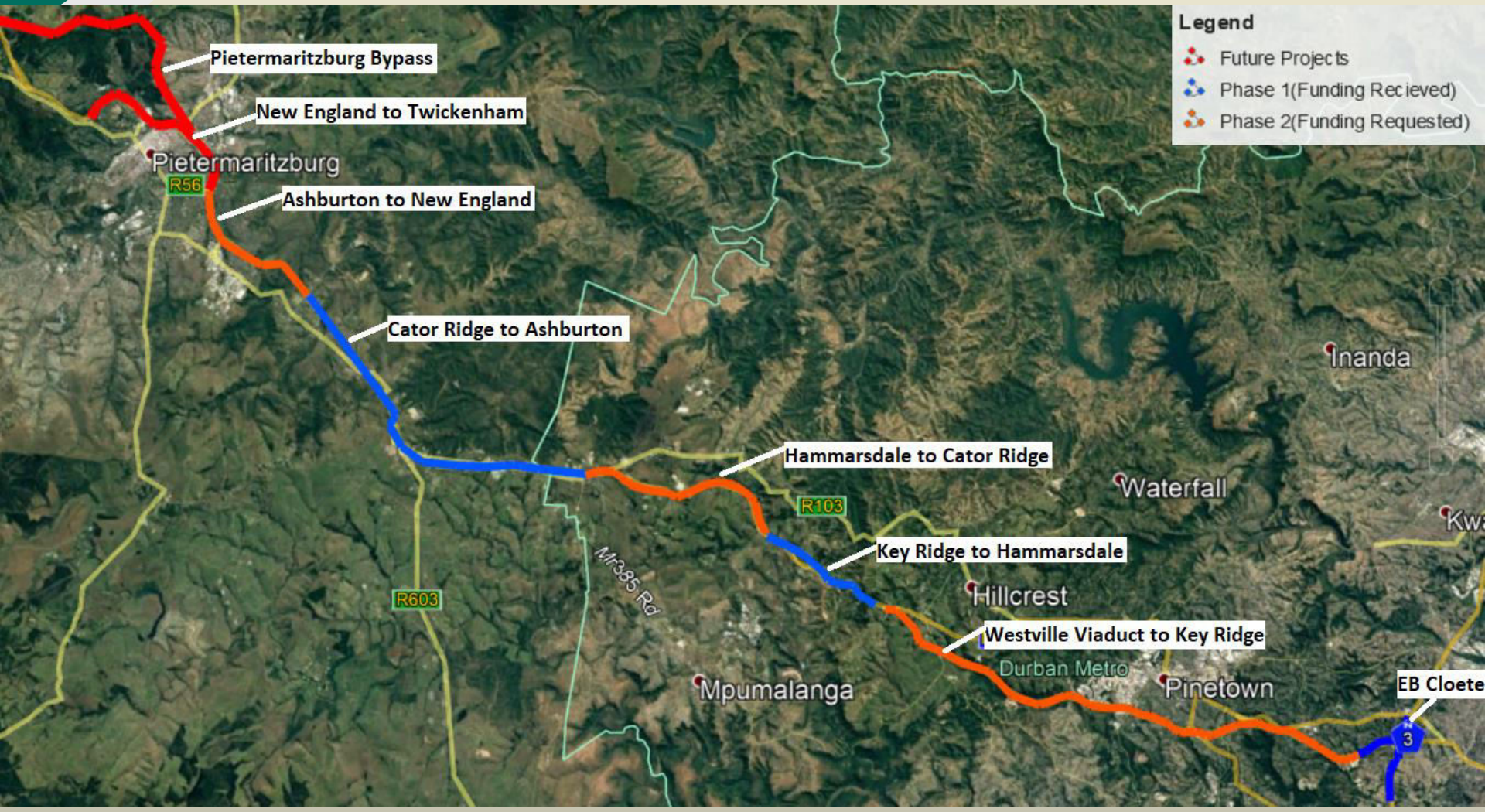
N2 PLANNING AND PHASING



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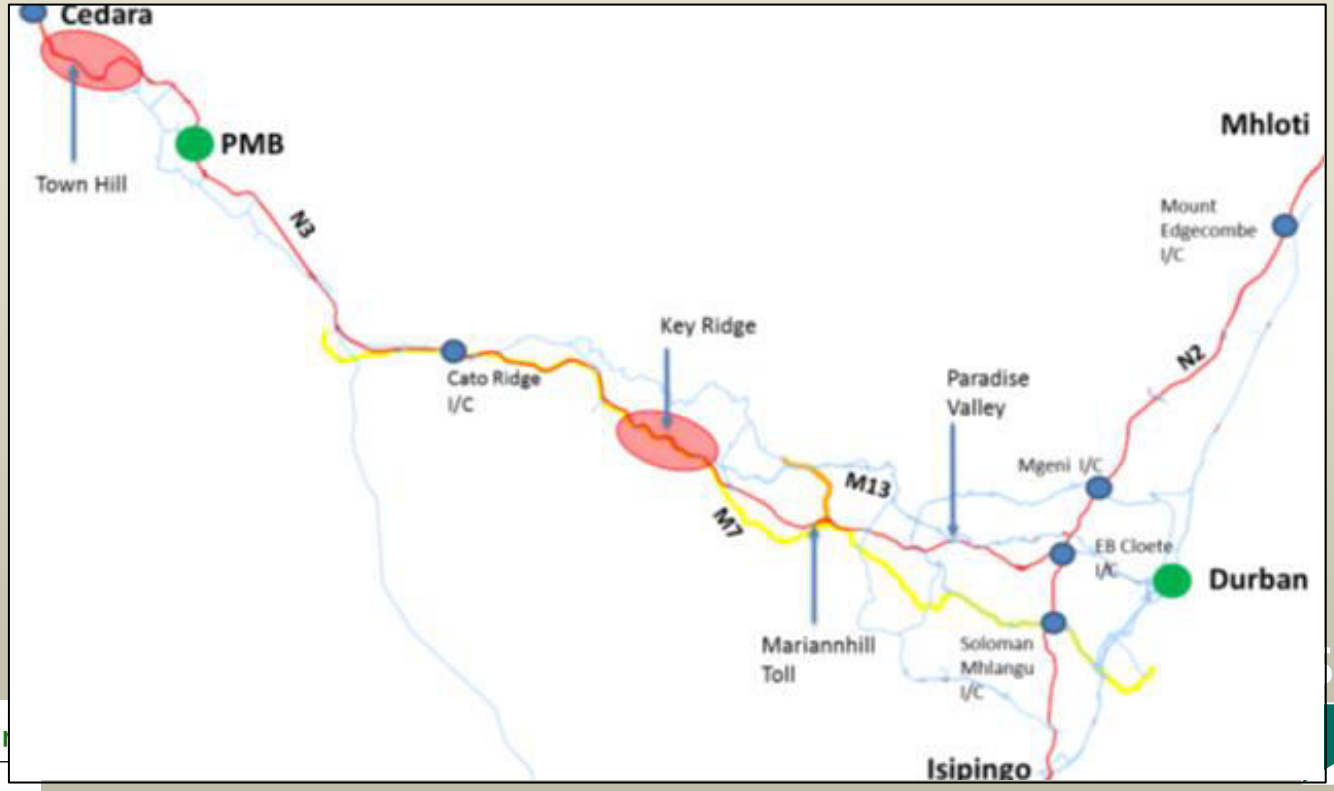
- Objectives
  - The objective of this project is to upgrade the N3 between Durban and Pietermaritzburg to meet current and future traffic demands



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- Objectives
  - To adequately meet the capacity demands over the forecast period of 30 years, the traffic analysis has shown that the N3 between Durban and Paradise Valley (8km) needs to be upgraded to 10 lanes (5 lanes per direction) while the section between Paradise Valley and Pietermaritzburg (66.5km) requires 8 lanes (4 lanes per direction).
  - Additional auxiliary lanes required between certain interchanges and additional climbing and passing lanes required in places on certain steep inclines and declines respectively.
  - In terms of safety improvements, the N3 at Key Ridge with its steep gradient in excess of 9% and curvilinear alignment are notorious for heavy vehicle collisions. A realignment of 5.3km is required at this location which results in an improved vertical grade and horizontal alignment which both substantially reduce the risk of accidents.

8. SANRAL BFI Submission for the SIP2 N2/N3 Port of Durban-Gauteng Corridor-May 2019

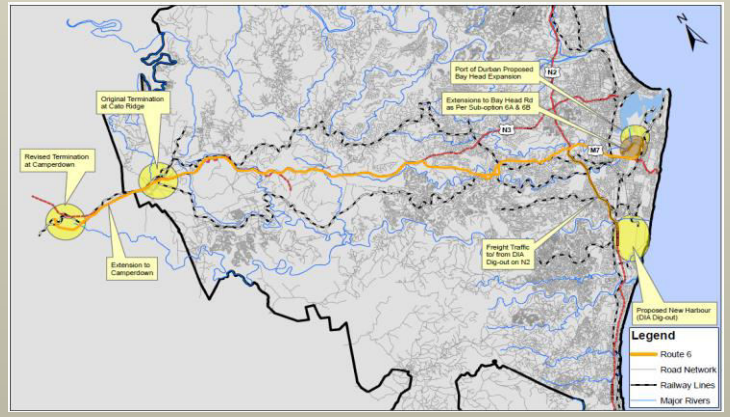
Summary of Options Considered

- *Dedicated freight route:*

A route location and traffic impact study for a road based freight corridor between the Port of Durban and Cato Ridge / Camperdown was undertaken by the eThekwini Transport Authority. Seven alignments were examined and scored on environmental impacts (including social impacts), urban planning and economic potential impacts, traffic volumes and financial impacts.

The conclusions of the analysis were that the best performing routes followed the existing N3 for long stretches of the route and made use of existing roads to a large extent while other more "greenfield" alignments had bigger environmental impacts and impacted on already developed areas.

Thus, this new freight route would not be an optimal solution from an environmental, town planning, land use and engineering perspective and would also negatively impact existing settlement patterns along the M7 and the N3.



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Summary of Options Considered

- *Increase proportion of freight transported by rail compared to road:*

Historically, rail was the preferred method of moving freight in South Africa, but following the deregulation of the transport sector, the rail market share has progressively decreased.

Due to the decreased condition of rail infrastructure, there are significant challenges in promoting the most economically effective movement of freight.

There is a modal imbalance between road and rail movements, which leads to an unsustainable use of road infrastructure. This has led to strain being put on the national fiscus due to increased capital and maintenance costs of road infrastructure due to overloading, as well as strain on the private sector who are forced to use more expensive road transport as the mode of choice.

While Transnet has a policy to shift freight from road to rail (especially rail friendly cargo), it is unlikely to materialise in the short to medium term.

As part of their market demand strategy (MDS), Transnet plans to shift rail friendly cargo which is defined as freight that typically includes heavy minerals and mining commodities being conveyed over long distances. These include Coal, Manganese, Iron Ore, Magnetite, Chrome and Rock phosphate as well as agricultural products and containerised commodities and goods. In 2018, Transnet's Freight Rail division saw a 3,1% increase in freight tonnage, which is as a result of its road to rail strategy. However, it is hoped by the end of the 30-year horizon, there will be a substantial shift of rail friendly cargo.

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Overview of Socio-economic Analysis

- An economic study was performed in 2015 on the overall corridor.

- The study has employed an economic cost benefit analysis that has taken many costs and benefits into account. These are:
  - The capital cost of upgrading the N3 and constructing the toll plazas;
  - The costs of maintaining the road to specific standards (which is determined by the status of The road with national roads having a higher standard than secondary roads);
  - The cost of operating the toll plazas;
  - The professional design and supervision fees;
  - The savings in vehicle operating costs that result from a better-quality road and easier driving conditions;
  - The travel time savings arising from a reduction in road congestion;
  - The reduced loss of life and injuries that are associated with improved road provision; and
  - Potential traffic diversions.

8. SANRAL BFI Submission for the SIP2 N2/N3 Port of Durban-Gauteng Corridor-May 2019

Overview of Socio-economic Analysis

- The cost benefit analysis undertaken in 2015 used HDM4 which tested the viability of upgrading the N3 between Durban and Pietermaritzburg. HDM4 is a computer software for Highway Development and Maintenance Management. It is a decision-making tool for checking the engineering and economic viability of investments in road projects.
- The results are shown in Table 5.1 below which demonstrate that the proposed project is economically viable and efficient. This is evidenced by the benefit cost ratio (BCR) which is greater than 1 and the capital investment yields an internal rate of return (IRR) greater than 8%, which is the benchmark used by SANRAL to determine the viability of a project.

Upgrade Scenario	NO TOLLING	
	Upgrade N3 Only	Upgrade N3 incl PMB
Total Costs (Rm)	6 466	19 423
Total Benefits (Rm)	31 631	70 318
Net Benefits (Rm)	**25 165**	**50 894**
BCR	4.9	3.6
IRR	26.2%	22.8%

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Overview of Socio-economic Analysis

- Time savings make up the bulk of the benefits from the upgrade of the N3. As a result, a sensitivity analysis was done that varied the costs of time for light and heavy vehicles. The original values of time were determined through road side interviews. The values of time for light and heavy vehicles were varied separately and in aggregate.
- The overall conclusion of the sensitivity analysis performed is that although the results are sensitive to changes in the combined values of time for light and heavy vehicles, that the project remains economically efficient for a realistic range. The results of the sensitivity analyses show that the economic cost benefit analysis can be considered robust.

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Overview of Socio-economic Analysis

- The N3 between Durban and Pietermaritzburg does not just benefit people living in the local area. It benefits the millions living in the industrial heartland of the country and, by inference, the country as a whole. The macroeconomic analysis undertaken in 2015 included the following aspects:

  - Contribution to Gross Domestic Product (GDP)
  - Contribution to KwaZulu-Natal Gross Geographic Product (GGP)
  - Direct and Indirect Jobs
  - Other Macroeconomic Effects

8. SANRAL BFI Submission for the SIP2 N2/N3 Port of Durban-Gauteng Corridor-May 2019

Budget Statement

Project Description	Toll / Non-Toll	Professional Fees - Supervision Estimate (Incl. VAT and CPA)	2019 Construction Estimate (Incl. VAT and CPA)	Year of expected Construction Commencement	Contract Duration (months)	Anticapated Future Expenditure							Total Budget Required (Incl. VAT and CPA)
						2019/2020	2020/2021	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026	
Paradise Valley - Marianhill Plaza (Funding requested)	Toll	R 354 375 000.00	R 2 362 500 000	Jul-20	48	R -	R 180 000 000	R 634 218 750	R 634 218 750	R 634 218 750	R 634 218 750		R 2 716 875 000
Marianhill Plaza - Key Ridge(Funding requested)	Toll	R 224 662 275.00	R 1 497 748 500	Jul-20	48	R -	R 180 000 000	R 385 602 694	R 385 602 694	R 385 602 694	R 385 602 694		R 1 722 410 775
Sub-total Toll		**R 579 037 275**	**R 3 860 248 500**			**R -**	**R 360 000 000**	**R 1 019 821 444**	**R 1 019 821 444**	**R 1 019 821 444**	**R 1 019 821 444**	**R -**	**R 4 439 285 775**
Westville Viaduct - Paradise Valley (Funding requested)	Non-Toll	R 253 125 000.00	R 1 687 500 000	Jul-20	48	R -	R 180 000 000	R 440 156 250	R 440 156 250	R 440 156 250	R 440 156 250		R 1 940 625 000
Key Ridge - Hammersdale (Funding previously approved)	Non-Toll	R 269 131 781.25	R 1 794 211 875	Jan-20	45	R 75 000 000	R 497 085 914	R 497 085 914	R 497 085 914	R 497 085 914			R 2 063 343 656
Hammersdale-Cator Ridge (Funding requested)	Non-Toll	R 303 750 000.00	R 2 025 000 000	Jul-20	42	R -	R 180 000 000	R 537 198 503	R 537 198 503	R 537 198 503	R 537 198 503		R 2 328 794 013
Cato Ridge - Dardanelles (Funding previously approved)	Non-Toll	R 242 226 974.81	R 1 614 846 499	Jan-20	40	R 75 000 000	R 445 518 368	R 445 518 368	R 445 518 368	R 445 518 368			R 1 857 073 474
Dardanelles - Lynnfield park (Funding previously approved)	Non-Toll	R 141 676 256.25	R 944 508 375	Jan-20	40	R 75 000 000	R 252 796 158	R 252 796 158	R 252 796 158	R 252 796 158			R 1 086 184 631
Lynnfield park - Ashburton I/C (Funding previously approved)	Non-Toll	R 147 656 250.00	R 984 375 000	Jan-20	40	R 75 000 000	R 264 257 813	R 264 257 813	R 264 257 813	R 264 257 813			R 1 132 031 250
Ashburton I/C - Gladys Manzi Rd ((Funding requested)	Non-Toll	R 236 250 000.00	R 1 575 000 000	Jul-20	40	R -	R 180 000 000	R 407 812 500	R 407 812 500	R 407 812 500	R 407 812 500		R 1 811 250 000
Gladys Manzi - New England Road I/C (Funding requested))	Non-Toll	R 202 500 000.00	R 1 350 000 000	Jul-20	40	R -	R 180 000 000	R 343 125 000	R 343 125 000	R 343 125 000	R 343 125 000		R 1 552 500 000
New England Road I/C - Twickenham Rd (Future)	Non-Toll	R 253 125 000.00	R 1 687 500 000	Apr-22	60			R 240 000 000	R 425 156 250	R 425 156 250	R 425 156 250	R 425 156 250	R 1 940 625 000
PMB Town Hill Realignment (Future)	Non-Toll	R 759 375 000.00	R 5 062 500 000	Apr-22	60			R 240 000 000	R 1 395 468 750	R 1 395 468 750	R 1 395 468 750	R 1 395 468 750	R 5 821 875 000
Material Crushing Contract (Funding previously approved)	Non-Toll	R 60 000 000.00	R 400 000 000	Mar-19	60	R 80 000 000	R 80 000 000	R 80 000 000	R 80 000 000	R 40 000 000	R 40 000 000		R 400 000 000
Sub-total Non-Toll		**R 2 808 816 262**	**R 18 725 441 749**			**R 300 000 000**	**R 2 179 658 253**	**R 3 667 950 506**	**R 5 008 575 506**	**R 5 008 575 506**	**R 3 548 917 253**	**R 1 820 625 000**	**R 21 534 302 024**
Total		**R 3 387 853 537**	**R 22 585 690 249**			**R 300 000 000**	**R 2 539 658 253**	**R 4 687 771 950**	**R 6 028 396 950**	**R 6 028 396 950**	**R 4 568 738 697**	**R 1 820 625 000**	**R 25 973 587 799**
Total Funding Requested		**R 1 574 662 275**	**R 10 497 748 500**			**R -**	**R 1 080 000 000**	**R 2 748 113 697**	**R 2 748 113 697**	**R 2 748 113 697**	**R 2 748 113 697**	**R -**	**R 12 072 454 788**

Phase 1 - (Funding previously approved)
Phase 2 - (Funding Requested)
Phase 3 - Future Projects

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8. SANRAL BFI Submission for the SIP2 N2/N3 Port of Durban-Gauteng Corridor-May 2019

Risk Statement

Description of Risk	Probability	Risk Rating	Control/Mitigating Measure	Control Owner
Funding: Lack of committed funding from National fiscus	High	Very High	Budget to prioritised internally and projects to be implemented accordingly. It will result in critical projects been delayed based on these priority projects which will impact SANRAL's performance.	SANRAL
Community/Stakeholder disruptions: Contract participation targets not met or dissatisfied community members/stakeholders	High	Very high	SANRAL's 14-point plan to be implemented with stakeholder engagement prior to construction commencement.	SANRAL
Procurement violations: corruption, industry collusion, etc.	Medium	Medium	Strict internal controls in accordance with SCM procedures to be applied during tender evaluation and tendered rates to be scrutinised.	SANRAL
Poor quality of workmanship.	Low	Low	Contractor's past performance to be evaluated during tender stage; QA and QC processes to be established and monitored by consultant supervision team appointed by SANRAL, SANRAL project manager and SANRAL specialists.	SANRAL
Increased accidents and reduced safety during construction	High	Very High	Traffic accommodation to be phased between packages and the synchronisation and harmonisation between adjacent contracts to be addressed during design; Traffic accommodation to comply with project specifications; Towing services to be available 24 hours at sections with reduced lanes; Alternative routes to be identified that can attract some traffic off the N3; Close liaison with KZN-DOT and RTI.	SANRAL

8. SANRAL BFI Submission for the SIP2 N2/N3 Port of Durban-Gauteng Corridor-May 2019

Risk Statement

Description of Risk	Probability	Risk Rating	Control/Mitigating Measure	Control Owner
Contractor Liquidation	Medium	Medium	CIDB 9CE contractors to be appointed; Payment certificates to be paid on time; Due diligence may be undertaken before appointment.	SANRAL
Budget under spending	Low	Medium	All approvals to be in place before award of contract; Active or Performance management of contractor.	SANRAL
Construction delays beyond contract period	Medium	High	Approved budgets to allow additional contingencies for this risk; Penalties to be increased; Active or Performance management of contractor.	SANRAL
Scarcity of skills in industry	Low	Medium	Construction readiness workshops to be held; Training.	SANRAL
Inappropriate or inefficient designs	Low	Medium	In accordance with Gate 4 of SIPDM, all designs to be reviewed by a panel of experts and for complex or large structures, an independent design check is to be undertaken.	SANRAL
Availability of Construction Materials	Medium	High	Phasing of construction over a period of time; Prioritization of the implementation of projects along the corridor; Special materials crushing contract to be procured; Construction readiness workshops to be held.	SANRAL
Land acquisition not concluded by the time of appointment	Low	Low	Construction tenders to be advertised once all acquisition concluded.	SANRAL
Environmental approval appeals	High	Medium	Environmental public participation processes to be as far reaching and inclusive as possible; Specialist study recommendations to be included as far as possible.	SANRAL
Availability of Grade 9CE contractors	Medium	High	Construction readiness workshops to be held; Liaison with SAFCEC and other industry bodies.	SANRAL
Inaccessibility of Emergency Services to Accidents during Construction	High	High	Liaise with RIMS to obtain feedback and implementation process; Consider making a contractual requirement that a drivable surface is always available within the construction work zone to allow access of emergency services.	SANRAL

8. SANRAL BFI Submission for the SIP2 N2/N3 Port of Durban-Gauteng Corridor-May 2019

Procurement Statement

- SANRAL as a state-owned entity subscribes to the five pillars of Supply Chain Management (SCM) enshrined in the Constitution of South Africa, 1996. These pillars are Fairness, Equity, Transparency, Competitiveness and Cost Effectiveness. To give effect to these pillars, there are various legislative acts and regulations within which procurement in SANRAL is governed and undertaken. These acts and regulations are, amongst others:

  - Public Finance Management Act No 1 of 1999 (PFMA)
  - Preferential Procurement Policy Framework Act (PPPFA)
  - Broad - Based Black Economic Empowerment Act 53 of 2003 (B-BBEE)
  - Construction Industry Development Board Act No. 38 of 2000 (CIDB)
  - Standard for Infrastructure Procurements and Delivery Management (SIPDM)
  - Various Instruction and Advisory Notes issued by National Treasury

8. SANRAL BFI Submission for the SIP2 N2/N3 Port of Durban-Gauteng Corridor-May 2019

Procurement Statement

- SANRAL's procurement and delivery procedures will be in accordance to these prescripts and are broadly set out below:

  - Tender conditions will be in terms of SANS 10845-3:2015 Standard Conditions of tender.
  - Tender evaluation will be based on price and preference using a 90/10 system.
  - Prequalification criteria will be in accordance with SANRAL's Transformation Policy.
  - Local production thresholds will be applicable for steel (100%) and electrical cabling (90%).
  - Conditions of Contract will be FIDIC, as published by the Federation Internationale des Ingenieurs-Conseils (1999), with relevant amendments.

8. SANRAL BFI Submission for the SIP2 N2/N3 Port of Durban-Gauteng Corridor-May 2019

Procurement Statement

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  - Conditions of Contract will be FIDIC, as published by the Federation Internationale des Ingenieurs-Conseils (1999), with relevant amendments.

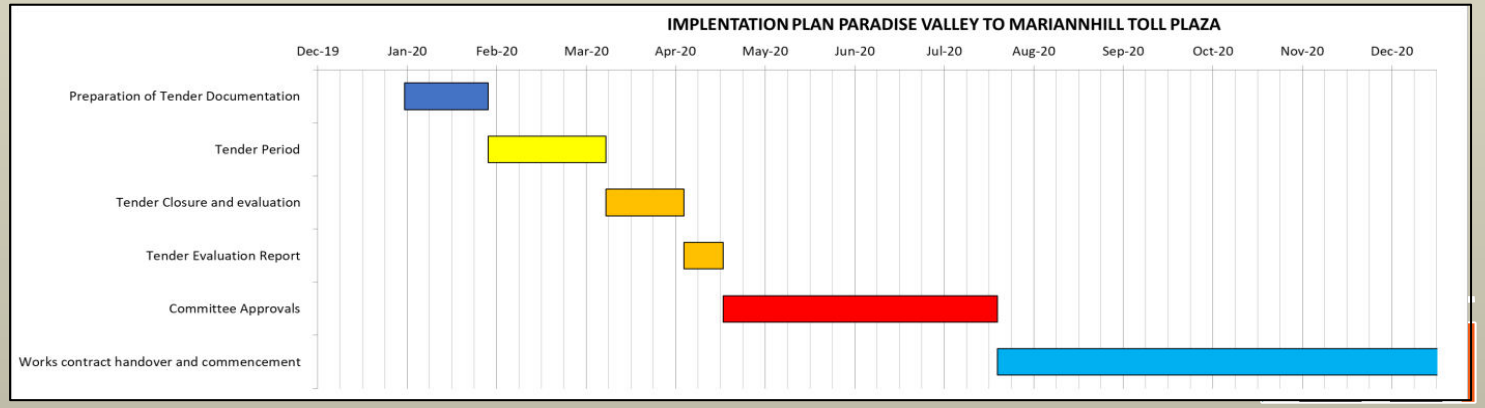
- A competitive bidding process consists of various stages which includes compilation of bid specifications, advertising the bid, receipt and evaluation of bids, and the award and implementation of bids. In order to ensure that the above-mentioned procedures, regulations and legislation are adhered to, SANRAL have established various committees to oversee and facilitate each stage of the procurement process. These committees consist of a bid specification committee, evaluation committee and adjudication committees.

8. SANRAL BFI Submission for the SIP2 N2/N3 Port of Durban-Gauteng Corridor-May 2019

Procurement Statement

- Procurement plan

Activity	Start Date	Duration (days)	End Date
Preparation of Tender Documentation	Jan-20	30	Jan-20
Tender Period	Jan-20	42	Mar-20
Tender Closure and evaluation	Mar-20	28	Apr-20
Tender Evaluation Report	Apr-20	14	Apr-20
Committee Approvals	Apr-20	98	Jul-20
Works contract handover and commencement	Jul-20	1260	Jan-24



8. SANRAL BFI Submission for the SIP2 N2/N3 Port of Durban-Gauteng Corridor-May 2019

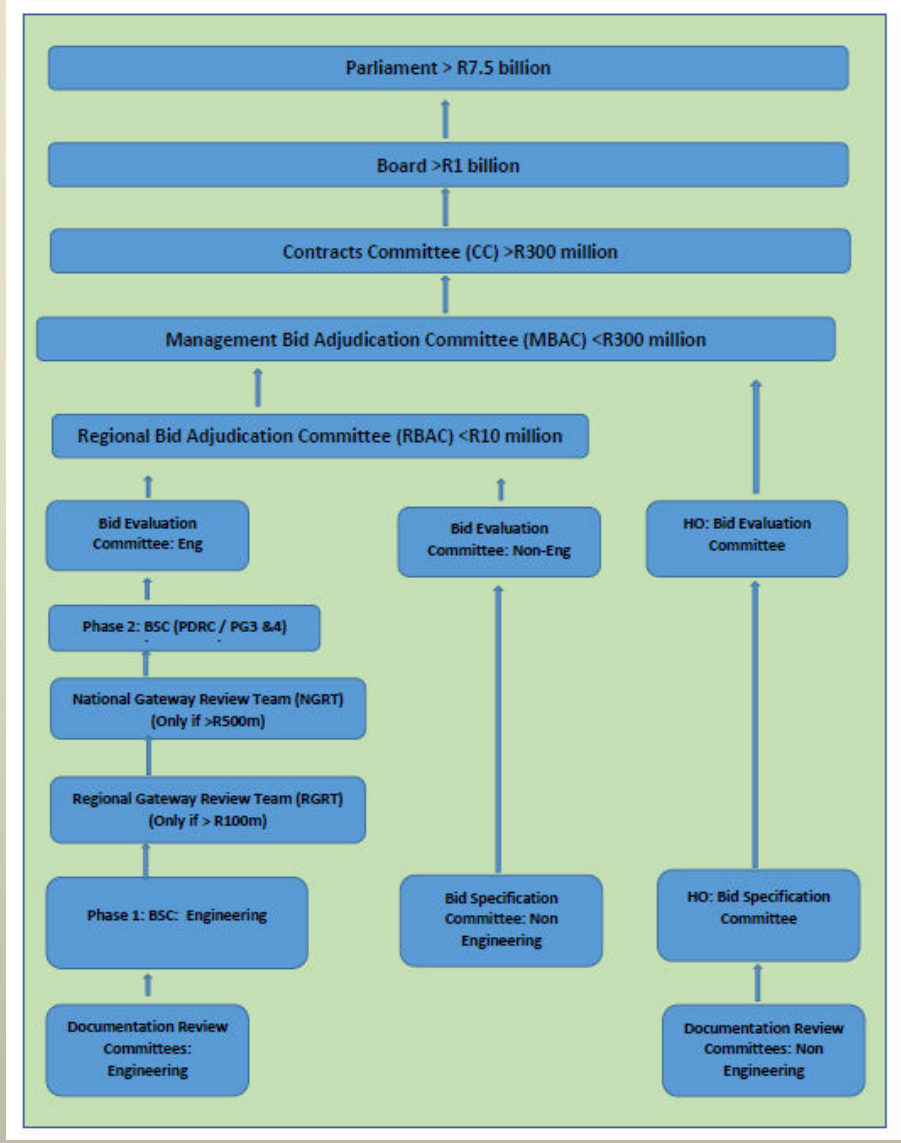
Procurement Statement

- SANRAL are fully committed to economic transformation to advance the participation of emerging black-owned enterprises. SANRAL's Transformation policy defines specific targets for participation by black owned contractors, suppliers and professionals in all projects and procurement commissioned by SANRAL. In accordance with SANRAL's Transformation Policy, and in order to ensure the maximum participation and benefit of black South Africans in the opportunities generated by SANRAL through this project, the project will be facilitated through a project liaison committee (PLC) that will be established locally in the targeted areas comprising all relevant stakeholders.
- The appointment and involvement of targeted enterprises will be include in the procurement documents and informed by SANRAL'S Transformation Policy.

8. SANRAL BFI Submission for the SIP2 N2/N3 Port of Durban-Gauteng Corridor-May 2019

Procurement Statement

SANRAL WORKFLOW PROCESS



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8. SANRAL BFI Submission for the SIP2 N2/N3 Port of Durban-Gauteng Corridor-May 2019

Institutional and Operational Readiness

- SANRAL, as the custodian of the National Road network, has a proven track record in delivering large infrastructure projects of the magnitude required for the upgrade of the N3 from Durban to Pietermaritzburg. Some of the flagship projects completed by SANRAL in recent times include the Gauteng Freeway Improvement Project (GFIP) (over R8 billion construction cost) and currently the Wild Coast Toll Route which includes several packages including two of the largest bridge structures for South Africa, both of which are approximately R1.6 billion.
- More specifically, the Eastern Region of SANRAL has also completed many large and award-winning projects recently. These include the uMngeni Interchange (approximate construction cost of R500 million), Chota Motala Interchange (approximate construction cost of R350 million), Mt Edgecombe Interchange (approximate construction cost of R1.1 billion) as well as the N2 Upgrade between Mtunzini Toll Plaza and Empangeni (approximate construction costs of R1,2 billion) which is nearing completion.
- SANRAL also has the necessary capacity, resources and asset management systems in place to maintain the upgraded N3.

8. SANRAL BFI Submission for the SIP2 N2/N3 Port of Durban-Gauteng Corridor-May 2019

Initial Assessment of BFI Report

Details of meeting,

Additional information required,

Lessons Learn

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