



**SOCIO-ECONOMIC
DEVELOPMENT PROGRESS**
2006 TO 2012



CORE ACHIEVEMENTS

During the development period of Gautrain, significant contributions to Socio-Economic Development in Gauteng have been made. Some of these achievements include:

- Approximately R5 450 million was procured from, or sub-contracted to black entities, around 390 black entities have benefited from the project during this period;
- About R2 780 million was procured from, or sub-contracted to new black entities, approximately 120 new black entities have benefited from the project during this period; and
- Around R1 420 million was procured from, or sub-contracted to small, medium and micro enterprises, about 310 small, medium and micro enterprises have benefited from the project during this period.

A significant number of people have been employed on the project. It is estimated that at the end of June 2012, the Concessionaire has already created or sustained approximately 34 800 local direct jobs and an estimated total of 121 800 direct, indirect and induced jobs.

The 34 800 local jobs created can be categorised as follows:

- Historically Disadvantaged Individuals (HDIs): 86%;
- HDIs who are skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents: 11%;
- HDIs in Management Positions: 2.2%;
- Youth: 59%;
- Women: 11%;
- Women in Management Positions: 1%; and
- People with Disabilities: 0.7%.

About R3 590 million of South African materials, plant and equipment has been procured up to the end of June 2012.

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“LET THE SKILLS EARNED THROUGH GAUTRAIN BE THE SEED THAT IS SOWN THROUGHOUT SOUTH AFRICA.”

FOREWORD BY DR. ISMAIL VADI GAUTENG MEC OF ROADS AND TRANSPORT

The introduction of the Gautrain Project as a central element in public transport has raised expectations to different people. From its inception the project has always been a hive of activities that created jobs. It became a platform on which ideas were conceived and, indeed, it served as a pot in which theories and practices were not only combined but in which they were shaped, tailored and tested to meet the challenges of public transport in the Gauteng Province.

Gautrain is more than just a train.

It is also about meeting the unique demands of Gauteng's strategic development, and strategically moving Gauteng's economy and its people forward through transport infrastructure development.

This public private partnership project presented Gauteng with various opportunities during its development phase. These included the empowerment of ordinary and highly skilled people alike. Gautrain contributed to the creation of many employment opportunities. Such employment facilitated skills transfer, human resource development and increased equality for the disabled, women and youth. Let the skills earned through Gautrain be the seed that is sown throughout South Africa.

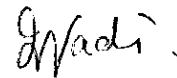
Socio-Economic Development (SED) objectives were achieved through commitment to support Black Entities, New Black Entities and Small, Micro and Medium Entities.

Commitment also extended to the usage of mostly South African materials, services and products. Lastly, Gautrain contributed to economic growth through strategic procurement and contracting.

Within this brochure, the SED achievements during the development phase of the project are proudly presented and show that set SED obligations were, in most cases, surpassed.

As demonstrated above, Gautrain is a product of a collective effort. The Provincial Cabinet under the leadership of the Premier Nomvula Mokonyane, the Gautrain Management Agency, the Bombela Concession Company, sub-contractors and individuals who provided services in different form, such as plant, material, equipment, but above all training in various skills related to the Project.

These SED achievements showcase Gautrain as more than just a train. It is a sustainable project that will continue to contribute to the economy and the people of Gauteng throughout its operational phase.



Dr. Ismail Vadi
Gauteng MEC of Roads and Transport

FOREWORD BY JACK VAN DER MERWE CEO GAUTRAIN MANAGEMENT AGENCY

The landscape of Gauteng has changed forever. With Gautrain operating within the Johannesburg, Tshwane and Ekurhuleni metro poles, it is not only the geographical landscape that has changed but also that of the Province's Socio-Economic Development (SED) environment.

Sight is, however, not lost on how far the Project has come. The major positive impact that Gautrain has had on our social and economic environments during its development phase should not be overlooked. Apart from ensuring world-class technical-, financial- and legal standards during development, Gautrain innovatively secured the commitment of the Concessionaire to the delivery of specific SED obligations.

Looking into the future, the Gautrain Management Agency is focused on keeping Gautrain, a sustainable and responsible project of the Gauteng Province.

The sustainability of the Project will be enhanced by ensuring that SED obligations are met during its operational phase.

The purpose of this document is to celebrate verified SED achievements against set objectives, specifically during the Gautrain development phase. A myriad of recipients benefited from Gautrain's skills development, employment equity, procurement and human resource development. Some of these beneficiaries are showcased in this report – reflecting Gautrain's commitment to achieving objectives of a Provincial Government that constantly work towards meeting challenges brought about by a fast moving, forever changing Gauteng.



Jack van der Merwe
Gautrain Management Agency CEO



THIS REPORT REFLECTS GAUTRAIN'S COMMITMENT TO ACHIEVING OBJECTIVES OF A PROVINCIAL GOVERNMENT THAT MEETS CHALLENGES BROUGHT ABOUT BY A FAST MOVING, FOREVER CHANGING GAUTENG.





***“ Many lives
have changed
for the better.”***

1. EXECUTIVE SUMMARY

Through its various people-centred Socio-Economic Development achievements, Gautrain has already changed the lives of countless women, young people, the previously unemployed and historically disadvantaged. Many lives have changed for the better as people have learned new skills, interacted with global cultures, finding new investment opportunities and working with ground breaking international technology that is unique to Gautrain.

Gautrain is recognised as the largest transport infrastructure Public Private Partnership project in Africa and a major Gauteng Provincial Government initiative. Gautrain, in partnership with the Bombela Concession Company (BCC), has already positively changed the hearts and minds of South Africans – from the creation of 34 800 direct jobs during the development period to the benefits of enhanced infrastructure and community upliftment for economic growth. The project is breaking new ground with an innovative approach to ensure that specific Socio-Economic Development objectives are met through agreed Socio-Economic Development contractual obligations, a structured process to report on achievements and monitor compliance and the introduction of a fair, robust and equitable penalty and reward mechanism.

To ensure that the socio-economic objectives are contractually measurable, 21 Socio-Economic Development elements have been identified and can be categorised in the following:

- Black equity participation;
- Procurement and sub-contracting;
- Local content;
- Participation by black equity partner (SPG);
- Employment equity; and
- Human resource development.

2. MAJOR ACHIEVEMENTS

The construction and commission phase, or “development period”, of the Gautrain System stretches over nearly six years from September 2006 until June 2012. During this period, significant contributions have been made towards Socio-Economic Development (SED) in Gauteng.

The verified SED performance of the Concessionaire at the end of June 2012 is summarised in the following sections.

2.1. Black Equity participation

During the Development Phase, the Strategic Partners Group (SPG) held the committed 25% shares in the Concession Company, the Turnkey Contractor and the Operator, and are holding the committed 10% of the shares in the Civil Contractor and in the Electrical & Mechanical Contractor.

2.2. Procurement and Sub-contracting

The Concessionaire has already significantly procured from, or sub-contracted to Black Entities (BEs). The verified performance of the Concessionaire up to the end of June 2012 can be summarised as follows:

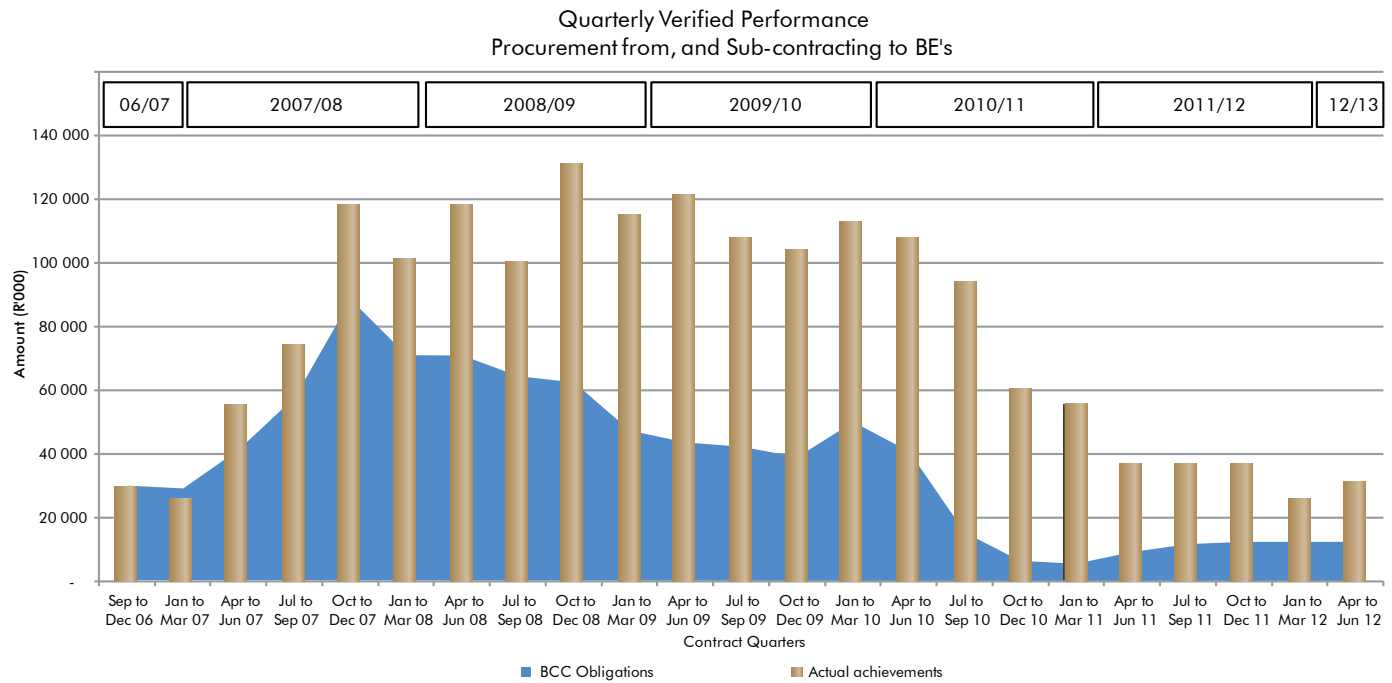
- Approximately R5 450 million was procured from, or sub-contracted to BE's, compared to an obligation of around R2 630 million. About 390 BEs have benefited from the project to date;
- About R2 780 million was procured from, or sub-contracted to New BEs, compared to an obligation of about R1 390 million. Around 120 new BEs have benefited from the project to date; and
- Around R1 420 million was procured from, or sub-contracted to SMMEs compared to an obligation of about R330 million. Approximately 310 SMMEs have benefited from the project to date.



2. MAJOR ACHIEVEMENTS CONTINUED

The commitment of the Concessionaire is not only limited to the total amount, but also to monthly amounts that are summarised in quarterly performances in Graph 1.

It is evident from Graph 1 that since the commencement of the Project, Black Entities have significantly benefited from the Project. Similar patterns are also observed with regards to the procurement from, and sub-contracting to new BEs and to SMMEs.



Graph 1: Procurement and sub-contracting

2.3. Sustainment of existing jobs and creation of new jobs

It was estimated that the Gautrain would create about 93 000 direct, indirect and induced jobs during the design, construction and commissioning of the project; and about 2 700 direct, indirect and induced jobs per annum would be created and/or sustained during the operations and maintenance of the project.

Furthermore, it is estimated that an additional 40 000 jobs would be created due to development in the vicinity of the stations.

It is evident that Bombela has significantly exceeded its obligations, which can be summarised as follows:

- 29 880 jobs were created for HDIs, compared to an obligation of 13 720;
- 3 740 jobs were created for women, compared to an obligation of 1 550; and
- 230 jobs were created for people with disabilities, compared to an obligation of just more than 170.

The 34 800 local jobs created can be categorised as follows:

- HDIs: 86%;
- HDIs who are skilled technical and academically qualified workers, junior management, supervisors, foremen and superintendents: 11%;
- HDIs in Management Positions: 2.2%;
- Youth: 59%;
- Women: 11%;
- Women in Management Positions: 1%, and
- People with Disabilities: 0.7%.

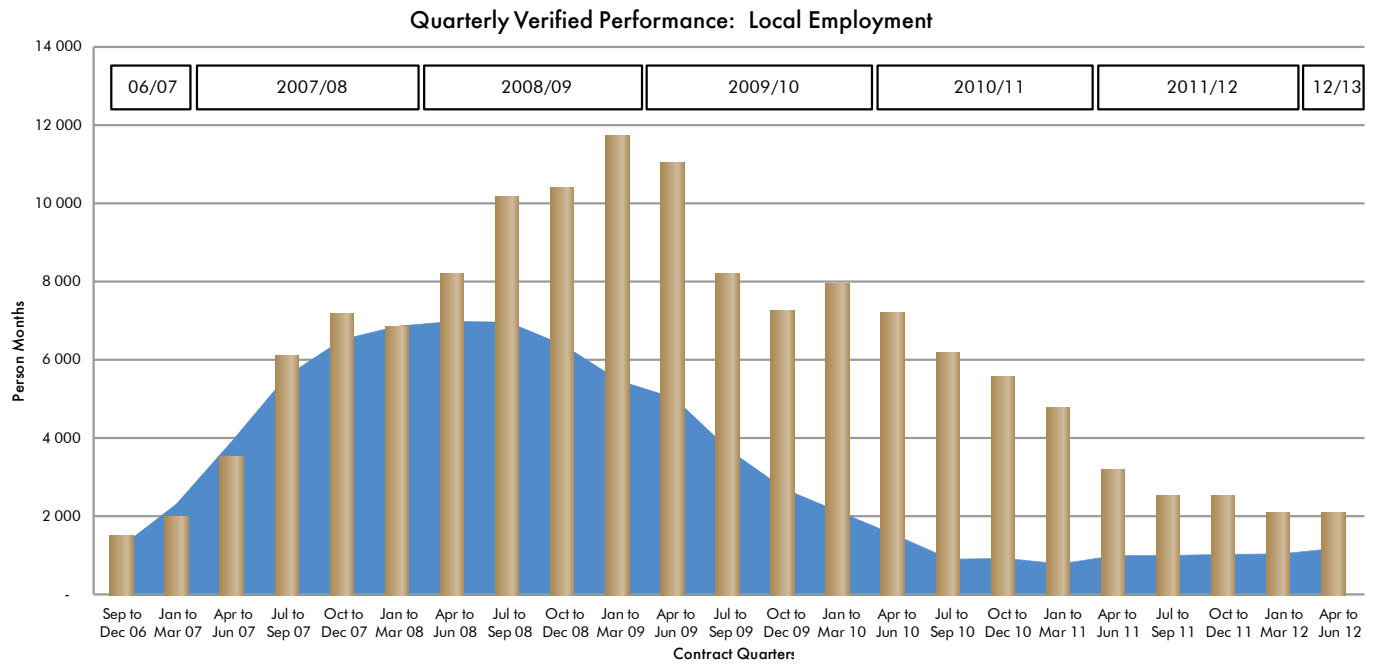
(Note: A "job" is considered as "one person employed for one year".)



2. MAJOR ACHIEVEMENTS CONTINUED

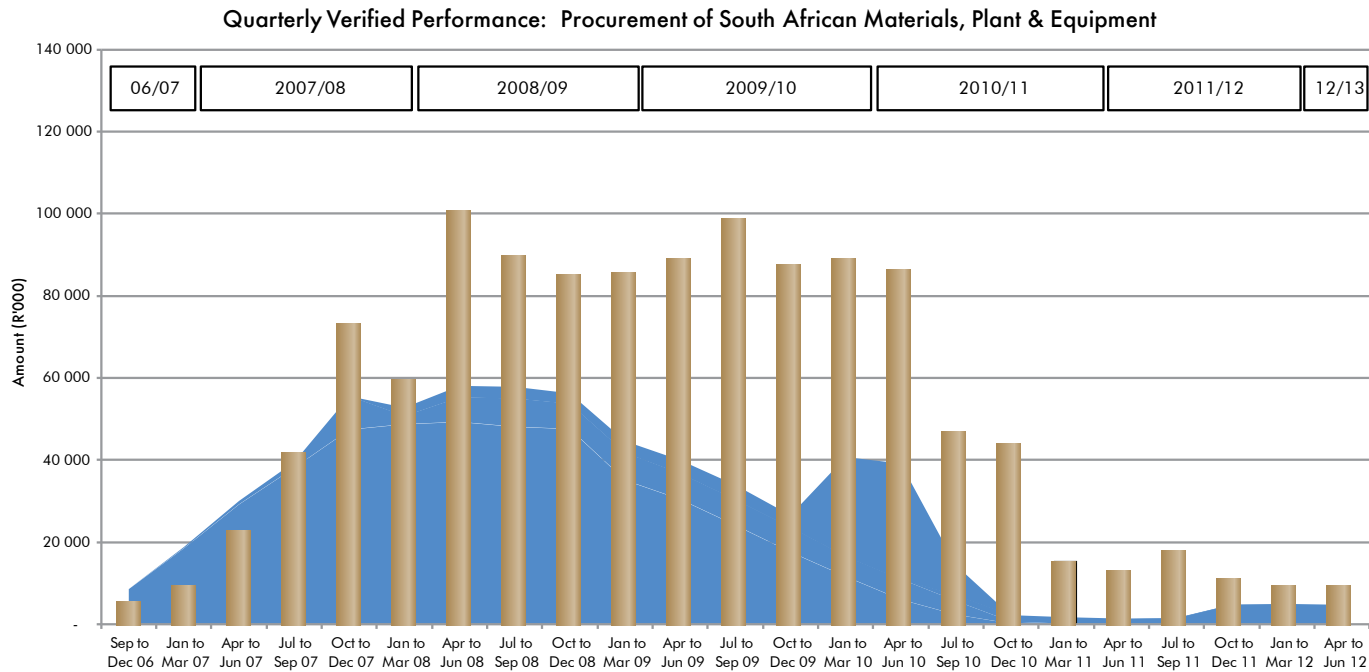
2.4. Local content

The extent of the local employment is shown in Graph 2.



Graph 2: Local employment





Graph 3: Procurement of South African materials, plant and equipment

The Concessionaire has procured about R3 590 million of South African materials, plant and equipment up to the end of June 2012, compared to an obligation of R1 920 million, which is summarised in Graph 3.

2.5. Human resource development

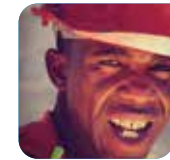
The SED strategy ensures that historically disadvantaged groups would benefit from the Project through the:

- Participation of black persons in the equity of the entities formed for the Project;
- Procurement and sub-contracting to black entities, new black entities and Small, Medium and Micro Enterprises;
- Development of local skills;

- Participation of HDIs and women in management positions;
- Employment of HDIs, women and people with disabilities; and
- Introduction of a structured human resource development programme.

It has been reported that up to the end of June 2012:

- About R120 million was spent on human resource development;
- Unskilled staff and semi-skilled staff attended approximately 16 480 courses to improve their skills levels;
- Management staff attended around 3 490 training courses; and
- Women participated approximately 5 060 person-months in a focused women training and mentorship programme.



3. OVERVIEW OF GAUTRAIN AND THE GAUTRAIN MANAGEMENT AGENCY

Major transport challenges and traffic congestion are experienced between the main economic nodes in Gauteng. More sustainable transportation solutions are required to link these nodes. It was decided to introduce an integrated public transport system between these nodes consisting of a modern state-of-the-art rapid rail link and an extensive feeder and distribution bus system at the respective stations, referred to as “Gautrain”.

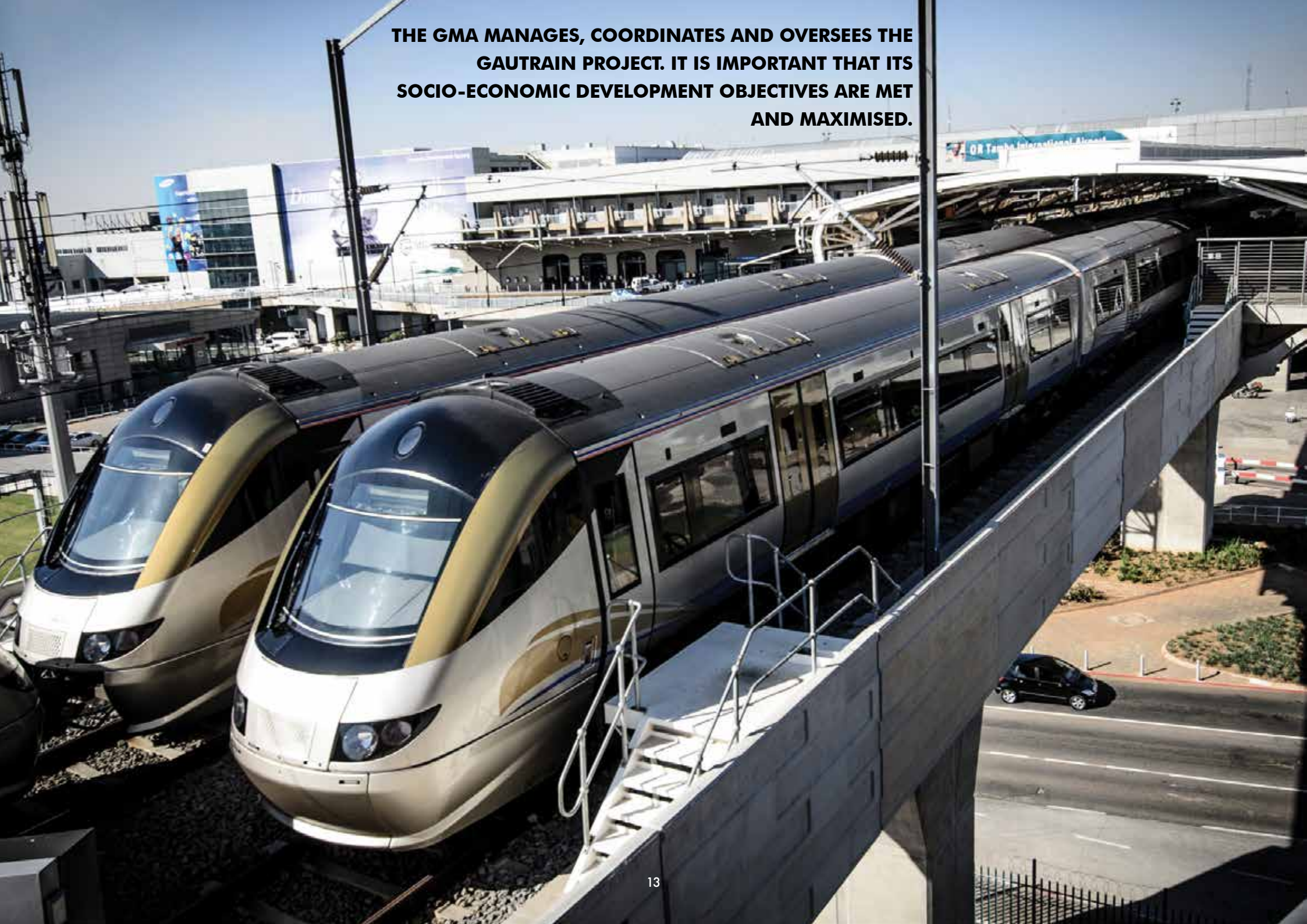
The Gautrain, an initiative of the Gauteng Provincial Government (GPG), is an integrated public transport system in Gauteng with a rail network and a dedicated feeder and distribution bus service. The rail connection, which integrates with other transport modes, comprises two links: A link between Tshwane and Johannesburg and a link between OR Tambo International Airport and Sandton. Apart from the three terminal stations on these two links, seven other stations are linked by approximately 80 kilometres of rail along the route.

The project comprises of:

- 20-year Concession period, of which development took five years;
- Approximately 180 kilometres of railway lines; of which approximately 30 kilometres are underground;
- 24 Trains with four car train coaches, which could be arranged as eight coaches trains;
- Trains travel at speed of up to 160 km/h;
- Travel time is 43 minutes from Johannesburg to Tshwane and 15 minutes from Sandton to OR Tambo International Airport;
- About 26 dedicated bus routes are available to and from stations; and
- 125 Buses operate on 430 kilometres of Gautrain bus routes.

The GPG created a government entity, i.e. the Gautrain Management Agency (GMA) to manage, coordinate and oversee the Gautrain Project. In addition it is has to ensure that the Concessionaire meet and maximise the SED and Broad Based Black Economic Empowerment (BBBEE) objectives of the GPG in relation to Gautrain.

THE GMA MANAGES, COORDINATES AND OVERSEES THE GAUTRAIN PROJECT. IT IS IMPORTANT THAT ITS SOCIO-ECONOMIC DEVELOPMENT OBJECTIVES ARE MET AND MAXIMISED.



4. SOCIO-ECONOMIC DEVELOPMENT JOURNEY

South Africa has fairly high levels of unemployment and poverty, even though there has been an improvement over the past 15 years, as is for example evident in the increased car ownership. Income and gender inequalities have been and are still evident. For example, more women are unemployed than men and women on the average earn less than men. African women are most affected.

After the first fully democratic elections in 1994 in South Africa, affirmative action policies and (BBBEE) programmes were introduced inter alia as part of remedial strategies to transfer skills to HDIs i.e. black people, women and people with disabilities, and empower them to contribute to the alleviation of unemployment in South Africa. BBBEE is, amongst other, aimed at broadening the economic base by building the employment capacity of HDIs, black enterprises and SMMEs. Strategies were implemented to enhance shareholding of HDIs in companies, allowing them to participate at the highest level of management structures of companies and also to enable them to form and develop their own companies and become part of the mainstream economy.

As a major infrastructure project Gautrain was used as a vehicle to enhance economic development, growth and job creation and to address the economic inequities and imbalances. Specific SED strategies were required to ensure that significant portions of the proposed investment will be utilised towards achieving economic empowerment and achieving other SED objectives.



One of the major challenges with the provision of infrastructure and facilities is to ensure that contractors, and in this case, the Bombela Concession Company, embraces the project objectives.

Translation of political objectives into contractual obligations

Major infrastructural projects are generally structured and managed from a technical, financial and legal perspective. A fourth cornerstone was introduced in Gautrain namely SED.

An innovative process was adopted to secure the commitment of the Concessionaire to SED objectives through a contractually sound implementable approach. A broad-based SED strategy was developed that translated SED objectives into SED elements with SED targets. The procurement process was then used to secure commitment to SED objectives; initially by the bidders, then by the preferred bidder and eventually by the Concessionaire.

Specific political objectives, which include SED, were defined in close liaison with the Provincial Political Committee that oversees the Gautrain Project.

Skills development forms the backbone of the SED strategy of the Project. It includes equity participation of black persons and black

women in the entities created for the project, participation of black entities and SMMEs in procurement and sub-contracting, enhancing local content, participation by HDIs and women in management, contribution to employment equity, and a human resource development strategy, which includes a women learnership and mentorship programme.

The Gautrain System is being procured as a Public Private Partnership (PPP) in terms of the Public Finance Management Act, 1999, and in particular Regulation 16 that requires, amongst other, the Province to obtain various Treasury approvals from the PPP-Unit within National Treasury. In this Project it was decided to adopt a two-phased procurement process, being a Request for Pre-Qualification (RFQ) and a Request for Proposals (RFP).

After the Pre-Qualification process, two consortia, Bombela and Gauliwe, were invited in 2003 to submit detailed proposals for the design, construction, partly financing, operating and maintenance of the Gautrain. As the initial proposals exceeded the affordability limit, certain amendments were made to the proposal requirements and the two bidders were requested to submit Best-and-Final-Offer (BAFOs). After detailed analyses of the proposals and BAFOs the Bombela Consortium was selected in mid-2005 as the Preferred Bidder.

4. SOCIO-ECONOMIC DEVELOPMENT JOURNEY CONTINUED

After extensive negotiations, a Concession Agreement was concluded with the Bombela Concession Company (Pty) Ltd. and construction commenced on 28 September 2006. Financial close with the Bombela Consortium and their Lenders was reached in February 2007.

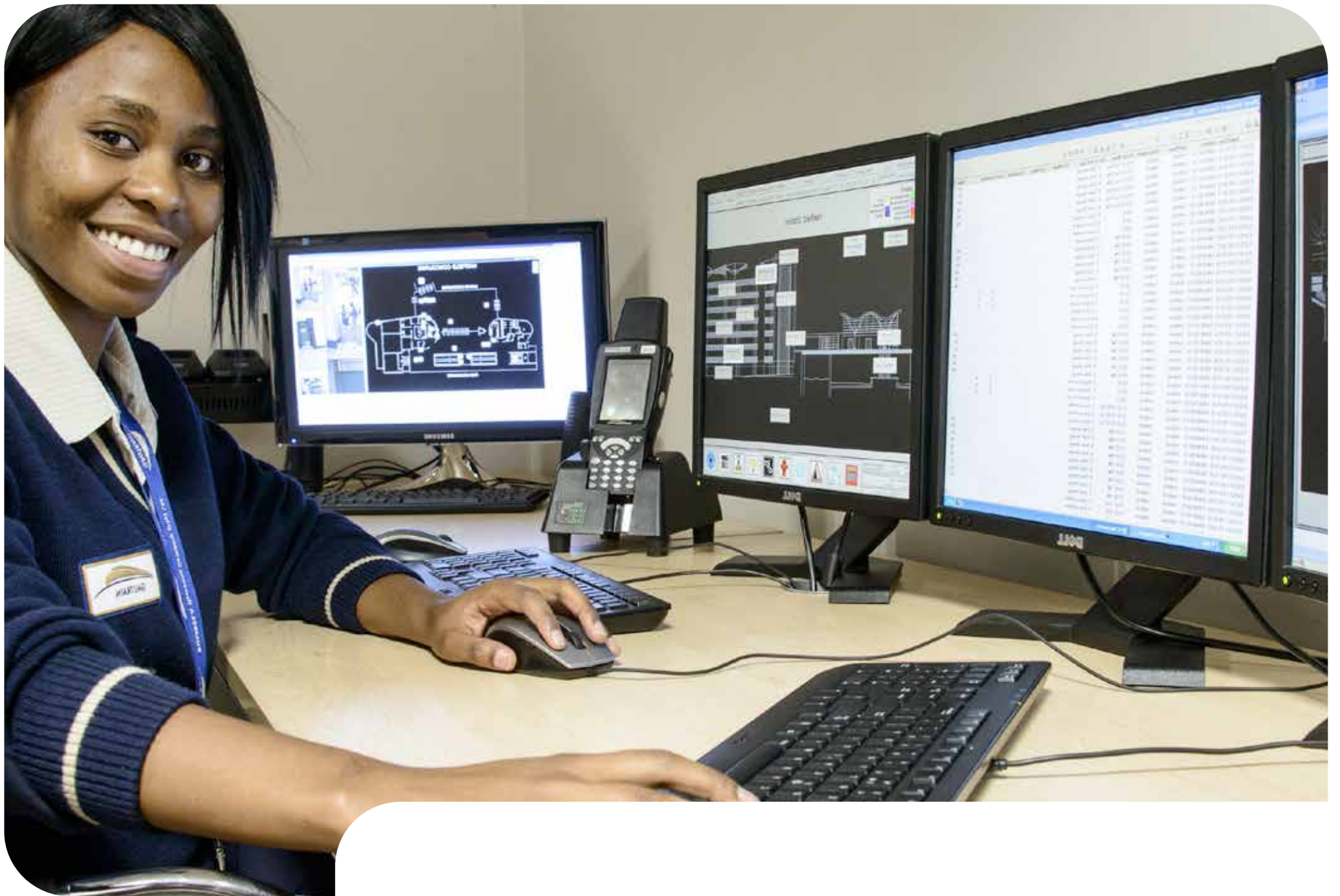
The Concessionaire appointed a Turnkey Contractor to manage the design and construction of the civil and electrical and mechanical works, the procurement of the rolling stock and the testing and commissioning of the Gautrain System. The Turnkey Contractor in turn appointed a Civil Joint Venture and an Electrical and Mechanical Joint Venture that appointed various sub-contractors. An Operator was also appointed by the Concessionaire who operates and maintains the Gautrain.

The competitive procurement process was used in the following manner to solicit commitment by the bidders and eventually by the Concessionaire to each of the SED elements and consequently to the SED objectives:

- Targets were set for expected total achievements for each SED element. During the RFQ phase an initial commitment was secured from the Bidders in view of these targets;
- The RFP phase and BAFO phase were used to secure a more firm commitment from the bidders; and
- Finally, total and monthly contractual SED obligations were agreed during negotiations with the Preferred Bidder for each of the business units of the Concessionaire, for each of the respective SED elements.

The 21 SED elements that were identified are:

- Shareholding by BEs;
- Shareholding by Black Women;
- Procurement from BEs;
- Sub-contracting to BEs;
- Procurement from, or sub-contracting to New BEs;
- Procurement from, or sub-contracting to SMME's;
- Employment of Local People;
- Procurement of South African materials;
- Procurement of South African Plant and Equipment;
- Staff seconded by black equity partner (SPG);
- Expenditure by SPG on plant and equipment;
- Procurement from, or sub-contracting to SPG;
- HDIs in Management Positions;
- Women in Management Positions;
- HDIs in Occupational Level C;
- HDIs employed;
- Women employed;
- People with Disabilities employed;
- Expenditure on Human Resource Development;
- Women Learners trained and mentored; and
- Employment and mentorship of Women Learners.



5. MONITORING OF ACHIEVEMENTS

The Concessionaire adheres to a comprehensive and stringent monitoring regime. A pro-active monitoring approach was adopted with monthly reporting and independent monthly verification. A penalty and reward mechanism was introduced based on a quarterly performance evaluation.

The Concession Agreement makes provision for the appointment of an Independent Socio-Economic Monitor (ISEM). The ISEM is appointed jointly by the Gauteng Province and the Concessionaire. The purpose of the ISEM is to perform an independent verifying role to validate the achievements and compliance by the Concessionaire with its contracted SED obligations.

The Concessionaire must submit Monthly SED Reports to both the Province and the ISEM within 45 calendar days after the end of each Contract Month. The Monthly SED Report provides detail on the achievements of the Concessionaire and its sub-contractors with regard to its SED obligations, positive developments, areas of concern, challenges and interventions introduced.

The Province, the Concessionaire and the ISEM discussed and agreed on a set of detailed verification information that the Concessionaire needs to adhere to if they want their claim to be acknowledged and verified by the ISEM.

The ISEM verifies the SED achievements claimed by the Concessionaire and submits Monthly ISEM Reports on its findings to the Province and the Concessionaire about six weeks after receipt of the Monthly SED Reports.

Penalty and reward regime

It is of critical importance to develop a contractually sound penalty and reward regime that will ensure that the Concessionaire meets or preferably, exceeds its SED obligations, which in turn would ensure a continued commitment and positive contribution to the realisation of sustainable goals and objectives.

An innovative, robust, fair and equitable penalty and reward process was developed in which the Concessionaire will be penalised (performance deduction) if they do not meet their SED obligations within a specific quarter. However, should the Concessionaire exceed its obligations; it could be used to offset a possible under-performance in future quarters (performance credits).

It should be mentioned that the objective is not to introduce penalties, but to exceed the set obligations and ultimately to change the hearts and minds of how such a project is executed.

IT IS OF CRITICAL IMPORTANCE TO DEVELOP A CONTRACTUALLY SOUND PENALTY AND REWARD REGIME THAT WILL ENSURE CONTINUED COMMITMENT AND POSITIVE CONTRIBUTION TO THE REALISATION OF SUSTAINABLE GOALS AND OBJECTIVES



6. SURPASSING SOCIO ECONOMIC OBLIGATIONS

The Gauteng Province in South Africa has critical transportation and socio-economic challenges. The Gautrain System not only provided a transportation solution, but at the same time utilises the provision of infrastructure, facilities and equipment to also satisfy political and other SED objectives.

The Project is breaking new ground with an innovative approach to ensure that specific SED objectives are met through agreed SED contractual obligations, a structured process to report on achievements and monitor compliance and the introduction of a fair, robust and equitable penalty and reward mechanism.

From the performance to-date it is evident that the:

- Concessionaire; who consists of local and international companies, embraced the SED philosophy, principles and objectives within all its business units, sub-contractors and suppliers, even at bidding stage and ensures the roll-out thereof of as part of day-to-day activities;
- Concessionaire has significantly exceeded its SED obligations;
- Gautrain has made a significant contribution to SED;
- The Set objective to create jobs for local people was surpassed with almost 16 000 jobs;
- For women, 2 190 more jobs were created than the required amount; and
- The obligation for jobs created for the disabled was 170. This was exceeded by 60 jobs.



7. REPORTING ON ACHIEVEMENTS

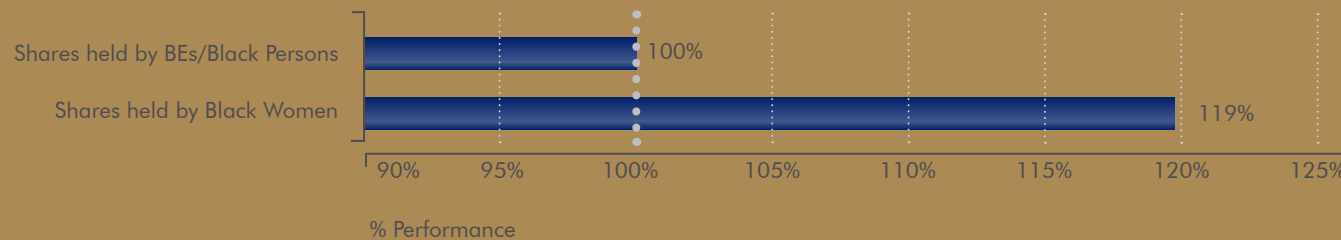
7.1. Black Equity Participation

It was a requirement that black persons and black women should be holding shares in business units created by the Concessionaire. This would not only mean a share in the ownership, risks and profits in these entities, but also the ability to learn the necessary skills required for such participation. It is evident from the graph below that the Concessionaire complied to and exceeded the obligations.

A New BE, the Strategic Partners Group (SPG), hold the committed 25% share in the Bombela Concession Company, the Turnkey Contractor and the Operating Company. They also hold the committed 10% of shares in the Civil Contractor and the Electrical and Mechanical Contractor.

SPG was involved in the construction of the Project; not only to receive funds to service the loans required for their equity contributions, but also to gain valuable skills in the process. SPG is involved in various joint ventures with other established contractors and suppliers to satisfy these objectives.

Various entities have benefited from the Project. A few of these entities are described in the ensuing section of this document.



Graph 4: Verified percentage compliance of black equity participation

7.2. Procurement and Sub-Contracting

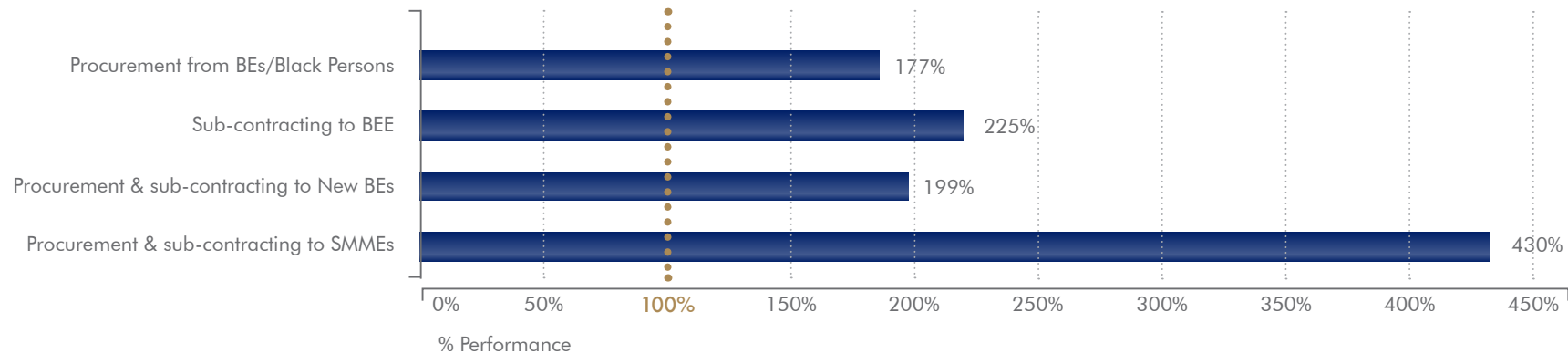
The procurement of support services and the sub-contracting of responsibilities are extremely effective processes to empower, strengthen and develop emerging enterprises. It can also be used as the vehicle to create new enterprises, transfer skills and technology and enhance management skills. Such an approach would result in strengthening and development of such entities. The Concessionaire committed to the procurement from, and sub-contracting to BEs, New BEs and SMMEs.

It is evident that the Concessionaire has exceeded significantly the four elements with regards to procurement and sub-contracting during the development phase of the project.

The Concessionaire has procured from, and sub-contracting to BEs, New BEs and SMMEs. Various entities were strengthened and developed during this period. Specific examples of such entities are provided below.

Labucon Resources Civil Contractors

Between 2008 and 2009, an area of approximately 20 000m² had to be prepared for Gautrain parking and feeder and distribution services at the Pretoria Station. A building had to be demolished and preparatory work done on sanitary and wastewater drainage as well as storm water drainage to achieve this task. The subcontractor was Labucon Resources Civil Contractors.



Graph 5: Verified percentage compliance of procurement and sub-contracting

The demolition of the huge two-story McCarthy Building in Pretoria CBD was the main focus of the Labucon contract. The Labucon Resources contract obligations included amongst other, employment of South African citizens. The labour force consisted of 17 South Africans that was responsible for the excavation, bedding, placing and back fill of the sanitary, waste and storm water pipe systems and encasing specific areas of pipe work in concrete.

It was confirmed that the materials and heavy machinery were certified as South African materials, plant and equipment.

CSU Joint Venture

CSU Joint Venture was among others responsible for the earth- and road works between Gautrain’s Marlboro and Centurion Stations. The works consisted of various operations ranging from removal of trees, road deviations, excavations, concrete works, grassing and landscaping.

CSU was a main subcontractor joint venture between Concor Earthworks and Roadworks Division, Silver Rock Construction and UMSO Construction. CSU Joint Venture deployed 139 staff on the project, which included a number of female engineers in management as well.

In terms of procurement regulations, CSU Joint Venture only used South African materials and equipment, which included cranes, tipper trucks, excavators, building sand and lime.



7. REPORTING ACHIEVEMENTS CONTINUED

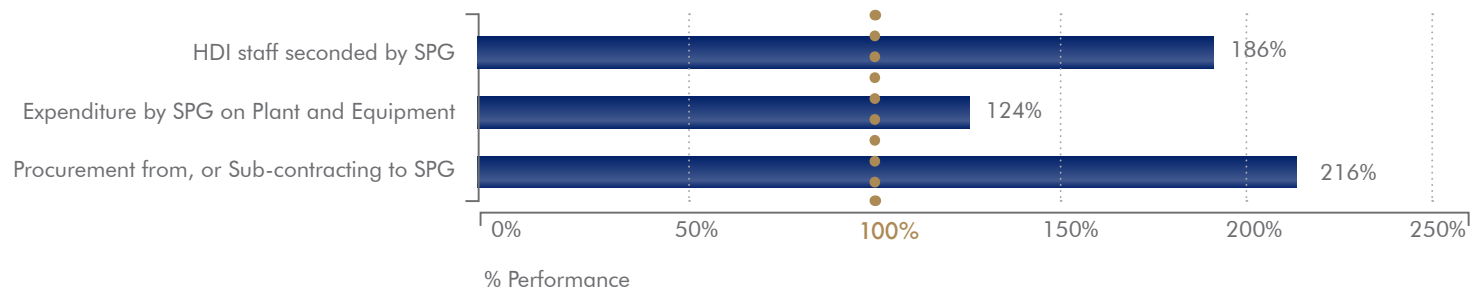
7.3. Participation by Black Equity Partner

The Strategic Partnership Group (SPG) is the 25% black equity partner in the Bombela Concession Company, and was established specifically for the project. They also hold shares in a number of the other business units of the Bombela Consortium structure. SPG was involved during the construction and commissioning phase of the project, not only enabling them to service the loans required for their equity contributions, but also to gain valuable skills in the process.

SPG is involved in various joint ventures with other established contractors or suppliers.

The Concessionaire committed to employ historically disadvantaged staff seconded by SPG, to finance some of the procurement of plant and equipment of SPG, and to enter into agreements with SPG to either procure services from SPG or to utilise SPG as one of their sub-contractors.

It is evident that with regard to obligations where SPG are involved the Concessionaire also significantly exceeded the obligations.



Graph 6: Verified percentage compliance of participation of black equity partner

Isithimela Rail Services (Pty) Ltd

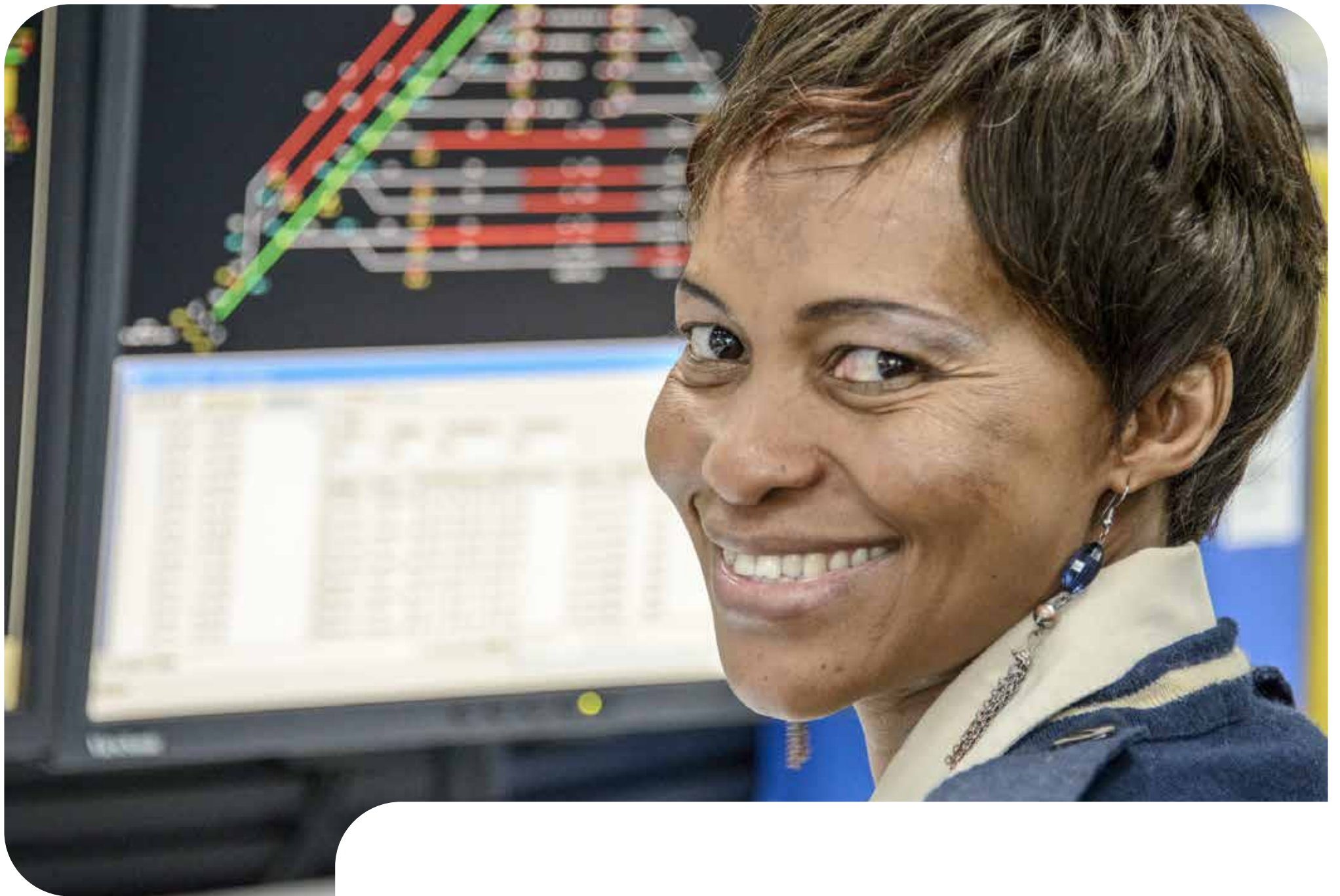
Gautrain not only focused on the advancement of existing black entities during the development period, but also contributed to sustainable job creation through the creation of new black entities such as Isithimela Rail Services.

Isithimela was responsible for track laying and was established out of a partnership between transport company, Bombardier Transportation UK Limited, and local BE company, Strategic Partners Group (SPG). Both hold a 50% shareholding in Isithimela Rail Services (Pty) Ltd. Within the Gautrain framework, Isithimela Rail Services satisfy the SED objectives of the development of BEs, the creation of new BEs.

Under this partnership, Isithimela was subcontracted to execute the trackwork aspects of the Gautrain project for a contract value estimated at approximately R800 million. It is also intended that the company will undertake the track maintenance on the Gautrain during the 15-year concession operational period.

Over 230 jobs were created by Isithimela since its inception, with a vast majority of the workforce being locally employed. To build capacity and know-how, Bombardier Transportation UK seconded specialised expatriate staff and management to Isithimela. Their task was to transfer their expert knowledge, skills and technology to the locally employed staff complement who are intended to manage the company into the future.





7. REPORTING ACHIEVEMENTS CONTINUED

Induna Tippers

Strategic Partners Group Investment and Operations (SPGIO) – the Business development arm of SPG, entered into an empowerment initiative and joint venture with one of the leading players in the transport industry, Unitrans Supply Chain Solutions. The venture, which is called Induna Tippers, began operating in July 2007 and transports material excavated during the construction phase of the Gautrain. Within the Gautrain framework, Induna tippers satisfied the SED objectives of the development of BEEs, the creation of new BEEs and the development of SMMEs.

The 50/50 partnership was structured in such a way that Unitrans was responsible for managing the business and providing much needed skills to operate and enable growth. SPGIO, with its expertise in the civil construction and engineering sectors, play a logistical and operational role in recruiting and deploying the human resources required to deliver on Induna's responsibilities for Gautrain. SPGIO also directed the business through its participation on the Induna Board, and manages the relationship with the client, Bombela Civils Joint Venture (BCJV).

Inkonjane Civils

Inkonjane Civils Works, an emerging engineering and construction group, offers diverse services amongst other interior and exterior residential and commercial construction services. They were involved in the relocation of telephone lines and other civil construction works on the Gautrain project.

It was set up to address a need for multi function services in communities on behalf of the Government Poverty alleviation strategy. Inkonjane Civil Works committed itself to the pursuit of excellence in terms of Gautrain's SED.

Inkonjane Civils is owned by two stakeholders namely a black woman holding 40% shares and the balance of 60% shares is owned by a black male civil engineer with over twenty years of experience in General and Civil Construction.



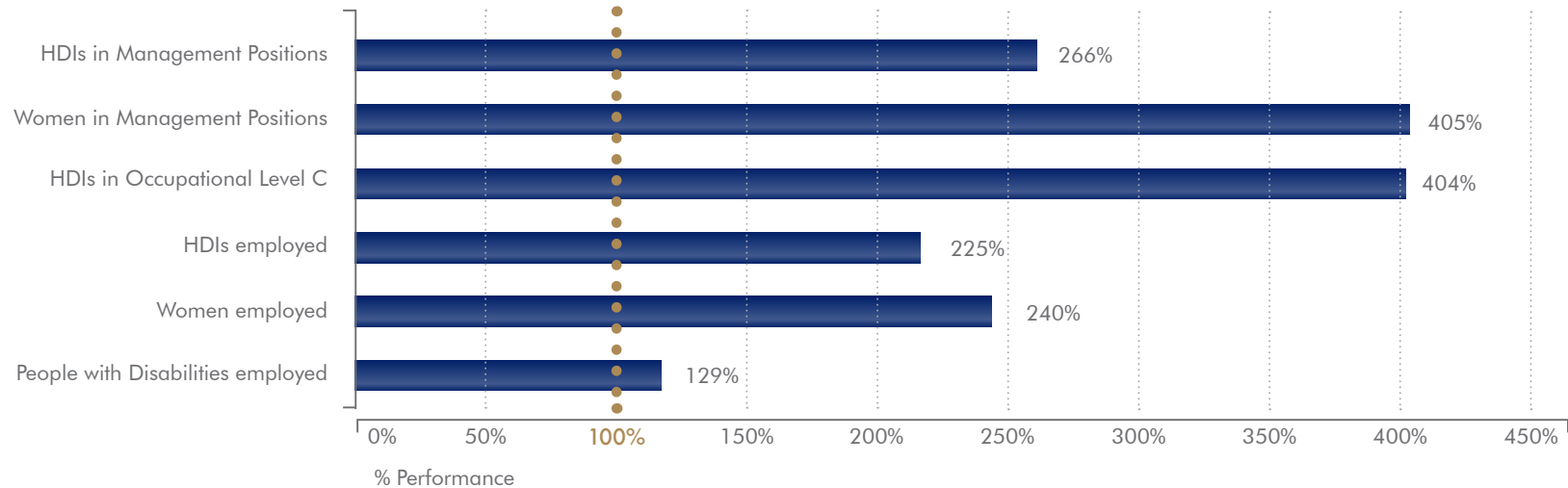
7.4. Employment Impact

HDI, and specifically women, need to participate at various management levels to develop management and decision-making skills that would enable them to manage similar projects. The Concessionaire committed to employ HDIs and women in top, senior and middle management positions and HDIs in junior management positions.

Over and above the employment in management positions, the job creation by the project should be directed to the creation of employment opportunities for targeted disadvantaged groups. The Concessionaire committed to employ HDIs, women and people with disabilities. It is evident that the Concessionaire significantly exceed their obligations in the employment cluster.

Willow Quarries

The subcontractor involved in the establishment of a quarry for crushing rocks and production of aggregates for Gautrain was Willow Quarries. The management and labour force comprises of 96% Historically Disadvantaged Individuals.



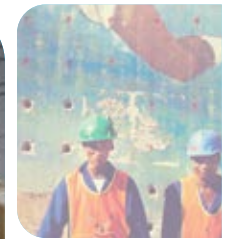
Graph 7: Verified percentage compliance of employment equity

Starting production late 2007 and working shifts for 24 hours a day, the team of approximately 50 employees were responsible for producing Gautrain's immense need for material, which included various sizes of stones, including concrete stone and fine sand.

Becker Electronics

Becker Electronics provided custom designed solutions for Gautrain's radio communication needs. They designed, supplied, installed and commissioned the radio sub-supply for the Gautrain, above ground as well as in the tunnels.

The capable team comprised of South Africans for the duration of the Becker Electronics contract from 2007 to 2011, supported by German expertise. A special note from the ISEM was that Becker Electronics managed good employment equity achievements in the realisation of the awarded contract. Among the semi- and unskilled workers on site, 88% was from Historically Disadvantaged Individuals.



7. REPORTING ACHIEVEMENTS CONTINUED

ERB Technologies

ERB Technologies, was responsible for the design, manufacture, assembling and supply of Track Circuit Equipment for Gautrain. Women represented around 80% of assemblers working for ERB Technologies on connection of very precise components of the Gautrain signalling system, which is seen as a positive fact.

Between late 2007 and late 2012, ERB Technologies, had an on the job training policy and strived to train and develop Historically Disadvantaged Individuals, especially women, in various skills. These included basic business skills and basic finance, assembly and testing of train detection equipment, testing of interlocking units, testing of power supplies and PC boards, wiring of wayside equipment, driver skills, technician for yard control systems, computer literacy, health and safety, first aid, trainee book keeper, production and purchasing assistant and quality training.

Omega People Solutions

As part of Gautrain's SED initiative, Bombardier South Africa launched its female learnership and mentorship programme in 2007. This initiative, project managed by Omega People Solutions, provided women from previously marginalised backgrounds, with opportunities to get educational qualifications and practical knowledge through training and employment on Gautrain.

All in all, out of 139 starting participants, 14 learners dropped out due to permanent employment elsewhere and two of them dropped out due to ill health. Therefore 123 learnerships were successfully completed.

On the whole, the overall percentage of employment on completion of the learnership was 87%. The employment of these women really made a big difference in their lives, especially of those previously unemployed women.



7.5. Local Content

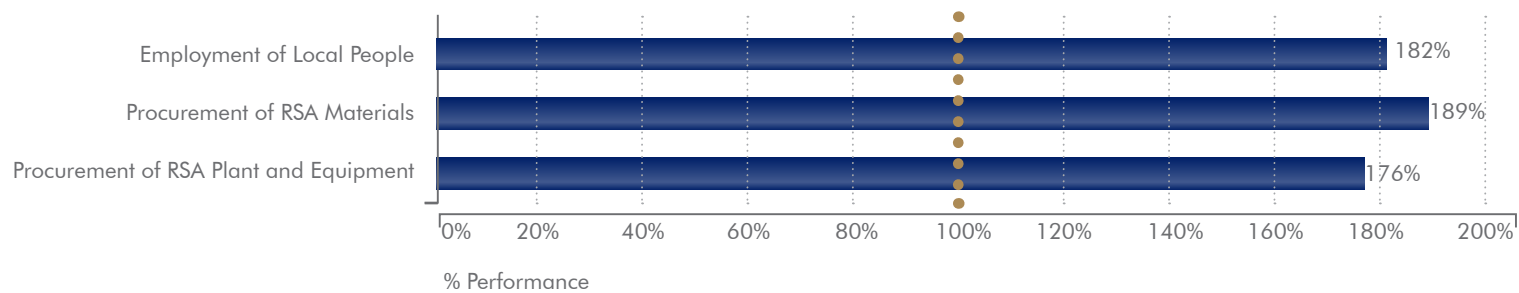
The SED requirements were also structured to maximise the contribution to the local economy and benefits accruing to local people. The Concessionaire committed to the employment of local people and the procurement of South African materials, plant and equipment, as a result the Concessionaire significantly exceed its obligations with regards to these elements during the development phase.

The SED strategy of Gautrain ensures that the Concessionaire’s commitment to optimally utilising local resources and develop local skills.

Widney Transport Components (Pty) Ltd

There are 1 536 windows on all Gautrain train sets. All of them were made in South Africa, by South Africans with mostly South African materials, only the rubbers strips were imported.

Widney Transport Components was contracted for the design, manufacture and supply of Gautrain bodyside windows. The Widney team worked since October 2007 in assembling frames, glass and rubber strips for final product that finally went through quality assurance that included water testing. Through this company it was demonstrated that South Africa’s manufacturing capacity was utilised.



Graph 8: Verified percentage compliance for Local Content



7. REPORTING ACHIEVEMENTS CONTINUED

Masana Hygiene Services

Masana Hygiene Services is a cleaning company a highly successful company where management is exclusively represented by women and two thirds of employees are women. In addition the entire staff complement is Historically Disadvantaged Individuals

Being responsible for cleaning services in Gautrain's tunnels, stations and depot, Masana Hygiene Services uses only South African material and products. The uniforms, cleaning chemicals and equipment, carpet cleaners to air fresheners are all locally procured.

7.6. Human Resource Development

Major projects provide targeted participants opportunities to gain and develop skills. Unskilled and semi-skilled persons; and even skilled persons, should be afforded opportunities to better equip themselves for tasks undertaken during the project and to improve their ability to source employment in future.

The Concessionaire committed to expenditure on human resource development and a focused women training programme. The Concessionaire was also able to exceed and meet the obligations that were set with regards to Human Resource Development.



The Gautrain project is also part of the skills development initiative of the National Department of Labour. An amount of about R23 million was allocated to the Gautrain management from the National Skills Fund and it was initially estimated that about 2 100 people will be trained with this initiative.

The National Skills Fund (NSF) / Gautrain project has managed to achieve the spending and training targets as specified in the original business plan despite the delayed commencement of the project.

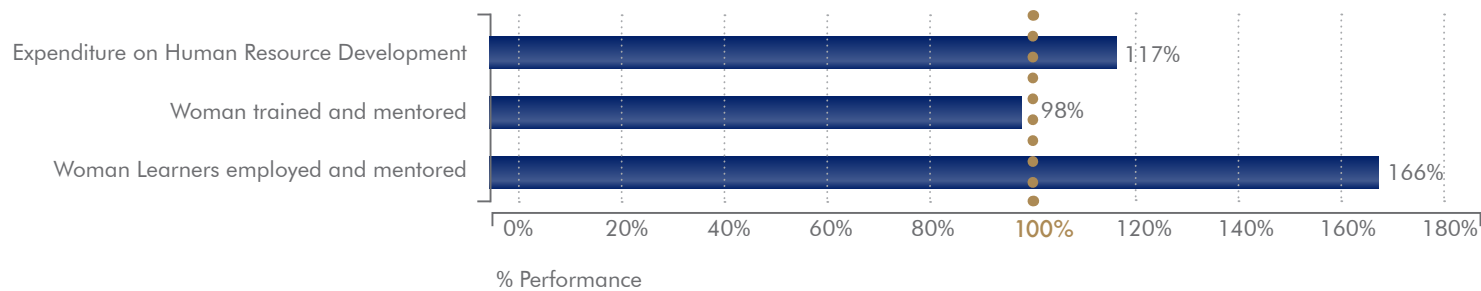
An emphasis is on planning and management, to accommodate training and upskilling needs, skills gaps and gap filling and the meeting of industry needs i.e. operator training.

The training has exceeded the number of persons as per the original plan. The following achievements were reached:

- 2 357 individuals have received training;
- 9 417 training interventions/assessments;
- 352 people have taken the Learning Ability Battery Assessment; and
- Three apprentices started their training (electrical) at the NECSA training centre.

This success was achieved through the following interventions:

- To revise the implementation schedule and by managing the delayed commencement of the project;
- The use of on-site training rather than training at the training colleges
- Excellent co-operation between the NSF/Gautrain and Bombela personnel involved in the training for the project; and
- Excellent backup and administrative support in managing accounts, training registers and personnel databases.



Graph 9: Verified percentage compliance of Training

7.7. Conclusion

The Gauteng Province in South Africa has critical transportation challenges and socio-economic challenges. The Gautrain system not only provided a transportation solution, but at the same time utilised the provision of infrastructure, facilities and equipment to also satisfy political and other SED objectives.

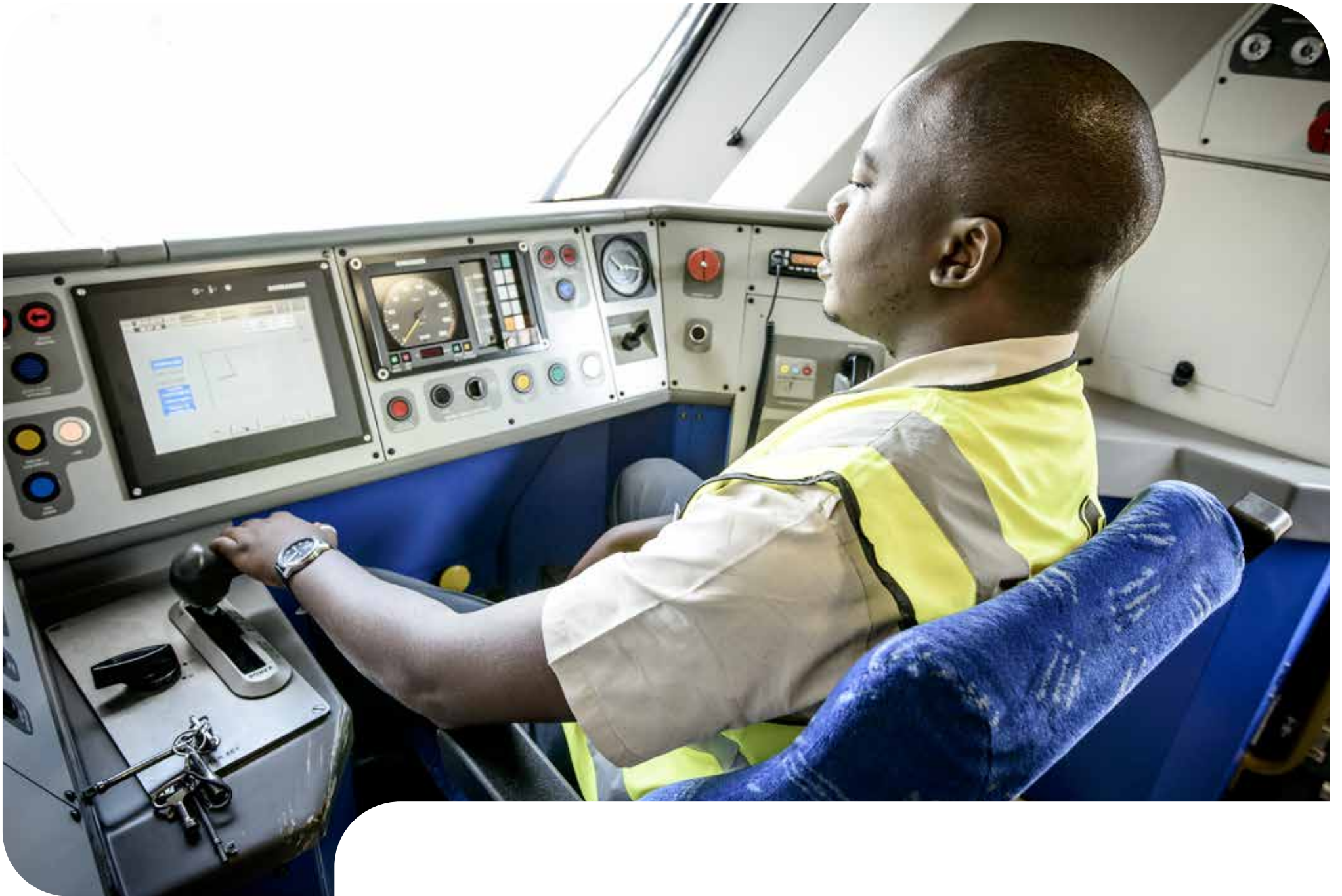
It is evident from the performance that the Concessionaire introduced and embraced the SED philosophy, principles and objectives within all its business units, sub-contractors and suppliers, even at bidding stage and ensured the roll-out thereof of as part of day-to-day activities.

The Project is breaking new ground with an innovative approach, that has set a benchmark to ensure that specific SED objectives are met through agreed SED contractual obligations, a structured process to report on achievements and monitor compliance and the introduction of a fair, robust and equitable penalty and reward mechanism.

From the performance during the development period it is evident that the:

- Concessionaire; who consists of local and international companies, embraced the SED philosophy and that all project activities are undertaken with due consideration of the SED objectives;
- Concessionaire has significantly exceeded its SED obligations; and
- Gautrain system has made a significant contribution to SED and sustainable transportation in Gauteng and in South Africa.





8. GAUTRAIN PROJECT PARTNERS

The GMA, an agency to the Gauteng Department of Roads and Transport is the primary driver behind the Gautrain. As the Gautrain is been executed as a Public-Private Partnership (PPP) the other public role-players are the National Department of Transport and the National Treasury.

The private partner is the Bombela Concession Company. The Concessionaire is made up of equity partners. Each bringing particular skills to bear on one of South Africa’s largest transport infrastructure projects. The four sponsors originally owned 25% of the shares each in Bombela. Bombardier and Bouygues have each since sold 8% of their shareholding to a South African company, namely The J&J Group. Bombela has a 20-year Concession Agreement with Gauteng Province for construction and operating and maintenance (15 years).

Bombela Concession Company	Ownership Equity
Murray & Roberts Limited	33%
SPG	25%
Bombardier	17%
Bouygues	17%
J&J Group	8%

The partners are:

- Bombardier: A Canadian company and world leader in the aerospace and rail transportation sectors;
- Bouygues Travaux Publics: A French company that is also a world leader in the construction sector;
- Murray & Roberts Limited: Listed on the Johannesburg Securities Exchange and one of South Africa’s leading engineering and construction contracting groups with projects worldwide;
- Strategic Partners Group: A broad-based consortium of black companies;
- RATP Développement: Although not an equity partner in the concessionaire, this is a leading global multi-modal operator which is a key contributor to the operating and maintenance of the Gautrain rail and bus service. RATP Développement presently operates the Paris (France) underground and regional rail and bus services; and
- The J&J Group: A South African investment holding and management company with investments in a select group of companies. The shareholding of the J&J Group is broad based and extends to well over 200 000 individuals and their families.



BOMBARDIER







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