

REQUEST FOR PROPOSAL

PROCUREMENT OF A PUBLIC PRIVATE PARTNERSHIP

SOLID WASTE MANAGEMENT SERVICES

AND LANDFILL MANAGEMENT

**FOR THE GREATER TUBATSE LOCAL MUNICIPALITY IN TERMS OF SECTION
120 OF THE MFMA**

TENDER NUMBER: V11/08/09

CLOSING FOR ACCEPTANCE OF RESPONSES:

DATE: 25 AUGUST 2013

TIME: 12 PM

**SUBMISSION ADDRESS
THE MUNICIPAL MANAGER
GREATER TUBATSE MUNICIPALITY
1 KASTANIA STREET
BURGERSFORT
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Disclaimer

The Greater Tubatse Municipality (GTLM / Municipality) is issuing this Request for Proposal (RFP) to solicit proposals from suitably qualified private sector service providers that have the technical and the financial capacity and strength to deliver an integrated solid waste management service for the Municipality. The service will include the rehabilitation for closure of the current landfill in Burgersfort and the finance, design, construction, operation and maintenance of the Appiesdooringdraai landfill for the GTLM. This RFP has two objectives, (1) to shortlist bidding consortiums or joint ventures (JVs) that have the necessary technical expertise, sufficient financial commitment and who comply with GTLM's Black Economic Empowerment (BEE) requirements, (2) evaluate proposals of the pre-qualified consortiums and or JVs in order to select a preferred bidder that the GTLM will enter into negotiations with as a potential service provider to deliver an integrated solid waste management service.

Submission of a proposal commits the preferred bidder to enter into negotiations for an agreement in relation to the provision of the waste management service including the finance, design, construction and/or rehabilitation and operation and maintenance of the current and new landfill sites hence forth referred to as project. However, neither the issuance of this RFP, nor any information in it, should be regarded as a commitment on the part of the GTLM to any consortium or JV to enter into a negotiated agreement.

Receipt of this document does not confer any right on any consortium or JV in respect of the tender process for the provision of the project or in respect of or against GTLM or its advisors. The GTLM may, in its absolute discretion, terminate any pre-qualified consortiums or JV's participation in the tender process or terminate or amend the tender process at any time, by appropriate notice, in writing.

The GTLM and its advisors accept no liability for any loss incurred by any person(s) due to events or actions taken as a consequence of the preparation and dissemination of this RFP. Similarly, the GTLM and its advisors accept no responsibility for the fairness, accuracy or completeness of any information or opinions, for any errors, omissions or misstatements, negligent or otherwise, made by any person in this RFP or any written or oral communication transmitted or made available at any time to any bidder or its advisors.

This RFP may not be reproduced, furnished to any other person or firm, referred to, or used for any purpose other than as intended by the GTLM.

Terms and Definitions

The following terms shall have the meanings assigned to them hereunder and cognate expressions shall have corresponding meanings, namely –

Active Equity:	In relation to any Black Equity or in relation to any issued shares in the share capital of any Subcontractor held by Black People and/or Black Enterprises, in which such Black Equity or shares is/are held by Black People and/or Black Enterprises who will participate directly in the day-to-day management and operations of the Services. .
Attendance Certificate:	The certificate which Bidders must obtain at the compulsory RFP briefing session which must be submitted with the Bid as proof of attendance.
Authorised Representative:	The authorised person, nominated by the Bidders, to act as contact person for the Municipality on behalf of the Sponsors, Subcontractors and advisors and to engage with the municipality on behalf of the Bidder during the RFP Process.
Balanced Scorecard:	A scorecard approach to the various categories and requirements relating to the application of BEE and socio-economic requirements to PPPs as propagated by the BEE Code.
BBBEE Act:	Broad-Based Black Economic Empowerment Act 53 of 2003.
BEE Code:	National Treasury BEE Code of Good Practice in Public Private Partnerships.
BEE Schedule:	The detailed schedule to form part of the PPP Agreement containing the socio-economic commitments and obligations of the Service Provider in respect of the Project.
Bid:	Submission made by a Bidder to the RFP.
Bid Security;	The security in the form of a bank guarantee required to be submitted by Bidders in terms of paragraph 2.17
Bidder:	Individuals, organisations, JVs or consortia who have submitted Bids in respect of the Project. For purposes of this RFP any reference to Bidders shall include a reference to the Sponsors, Subcontractors, staff, agents and advisors of the Bidder as required by the context.

Black Enterprises:	An enterprise that is at least 50.1% beneficially owned by Black People and in which Black People have substantial Management Control. Such beneficial ownership may be held directly or through other Black Enterprises.
Black Equity:	The voting equity held by Black People from time to time in all or any of the Bidder, Sponsors and/or Subcontractors.
Black People:	As defined in the BEE Code, and includes African, Coloured and Indian South African citizens.
Black Shareholder:	Any shareholder that is African, Coloured and Indian South African citizens or an Enterprise controlled by Black people.
Black Women:	Female African, Coloured and Indian South African citizens.
Briefing Notes:	Update information or circulars regarding the Project issued from time to time during the RFP Process by the Municipality to Bidders.
Code of Conduct:	The code of conduct governing the procurement and negotiation process, attached as Annexure A.
Communication Structure:	The structure to be used by Bidders for any communication with the Municipality, as detailed in the Code of Conduct and paragraph Error! Reference source not found.
Competition Act:	Competition Act 89 of 1998.
Consortium:	Any group of persons submitting a Bid to this RFP to execute the Project as required by the GTLM irrespective of the existence of a formal agreement or arrangement between them or not.
Contractual Close:	The date of signature of the PPP Agreement by the party signing last.
Development Period:	The period from the Signature Date, until the Operation Commencement Date; which shall not be longer than 12 months!
DTI:	Department of Trade and Industry.
Empowerment Plan:	The detailed plan to form part of the PPP Agreement containing the socio-economic commitments and obligations of the Service Provider in respect of the Project.
Evaluation Criteria:	The evaluation criteria to be applied in the evaluation of

		the Bids by the GTLM as further described in section 7 of the RFP below.
Feasibility Study:		The study conducted by the GTLM in terms of section 120 of the MFMA to determine the feasibility of the Project measured against the criteria of Value For Money (VFM), affordability and risk transfer.
Financial Close:		The date when the PPP Agreement has been executed, all conditions precedent have been satisfied or waived, funding agreements are unconditional and funding draw-downs are permissible (if applicable).
Geographic Areas		Various geographic areas in the GTLM jurisdiction including towns, peri urban areas, informal settlements, villages and deep rural communities, as more fully described in section 1 of the RFP.
Immovable Assets:		Any assets and rights made available by the Municipality to the Service Provider for use in the Project, including the Project Site, but in which the Municipality retains ownership.
Key Performance Areas:		<p>The key performance areas of the Service Provider detailed in the Output Specifications to be developed from the Bidder's response., including:</p> <ul style="list-style-type: none"> - Sustainable Service Provider; - Project Site Operations & Management; - Transport & Storage; - Service Delivery; - BEE & LED; - Waste Prevention & Minimisation; - Hand Back standards.
Landfills:		<ul style="list-style-type: none"> - The old Burgersfort landfill and the new Apiesdoringdraai landfill to be operated and maintained at the Project Sites, to achieve the Output Specifications.
Municipality (or GTLM)		<ul style="list-style-type: none"> - The Greater Tubatse Local Municipality (LIM475) situated in the Greater Sekhukhune District (DC47) in the province of Limpopo
Operation & Maintenance:	&	<ul style="list-style-type: none"> - The undertaking of operations and maintenance at the Project Sites, which operations and maintenance are more fully described in and are to be undertaken in accordance with the specifications and standards detailed in the Output Specifications.
Output Specifications		Means the Output Specifications detailed in annexure (D) addressing the Key Performance Areas of the Service Provider.

Project Term:

- 12 years from the effective date of the PPP Agreement, unless terminated earlier in accordance with the PPP Agreement.

Payment Mechanism: The mechanism to form part of the PPP Agreement for the payment of Unitary Payments to the Service Provider and the deduction of penalties.

PPP Agreement: The agreement to be entered into between the Service Provider and the Municipality.

Pre-qualified Bidder: A bidder who has pre-qualified with the Municipality in terms of the pre-qualification process and is entitled to have its bid further evaluated in the RFP.

Project: The Operation and Maintenance of the Project Sites and the delivery of Services, as detailed in the PPP Agreement.

Project Assets: All assets required by the Service Provider to Operate and Maintain the Project Sites and deliver the Services including, any equipment, vehicles, books and records, any spare parts and tools, as well as the Intellectual Property but excluding all cash.

Project Site(s): The land made available by the Municipality to the Service Provider (including the old Burgersfort Landfill site and the new Appiesdoring Landfill and the transfer stations) for the Project, which land is further described in Schedule 7 to the PPP Agreement.

Provincial Treasury: Provincial Treasury of the Limpopo Province.

Reserve Bidder: The Bidder who is not initially the Preferred Bidder, but with whom the Municipality may enter into negotiations should it be unable to conclude a PPP agreement with Preferred Bidder

Services: The municipal and general solid waste collection, removal, storage and disposal services.

Site 1: The current landfill at Burgersfort.

Site 1 Development Period: The period from the Signature Date, until the Site 2 Operation Commencement Date;

Site 2: The site designated at Appiesdooringdraai for the new landfill

Site 2 Development

Period:	The period from the Site 2 Operation Commencement Date until the termination or Expiry Date, whichever is the earlier.
Site 2 Operation Commencement Date	- The date on which Site 2 can be operated, as permitted, which shall not be before Site 1 has been properly closed.
Subcontractor:	Individuals, organisations or consortia forming part of the Bidder but not necessarily taking up equity in the SPV.
Treasury Views and Recommendations:	The Treasury views and recommendations as required by the Treasury Regulations in relation to the Project.
Treasury Regulations:	The Treasury Regulations (April 2005), as amended from time to time, promulgated in terms of the MFMA, and in particular Regulation 6 thereof which regulates PPPs.
Unitary Payment:	The VAT inclusive annual unitary charge (which may include a fixed and variable component) escalating at CPIX and paid by the Municipality to the Service Provider in terms of the Payment Mechanism for the Services, distinguishing the obligations in the Site 1 Period and the Site 2 Period.
User Charges	The charges levied and collected by the Service Provider directly from any persons disposing waste at the Landfills as agreed between the Service Provider and the person disposing waste , which shall be dealt with as “additional revenue opportunities”.
Validity Period:	The validity period for the RFP is 180 days (one hundred and eighty) from the closing date.
Works:	The design, construction, upgrading and refurbishment of the Burgersfort and the Appiesdooringdraai landfill sites.

Abbreviations and Acronyms

BEE:	Black Economic Empowerment
CAPEX:	Capital Expenditure
CDW:	Community Development Workers
CEC:	Committee for Environmental Co-ordination
DEAT:	Department of Environmental Affairs and Tourism
DME:	Department of Minerals and Energy
DWA:	Department of Water Affairs
ECA:	Environmental Conservation Act
EIP:	Environmental Implementation Plan
EMP:	Environmental Management Plan
GTLM:	Greater Tubatse Municipality
IDP:	Integrated Development Plan
IWMP:	Integrated Waste Management Plans
IWMS:	Integrated Waste Management Strategy
LDO:	Land Development Objective
LED:	Local Economic Development
MM:	Municipal Manager
MFMA:	Municipal Finance Management Act, 2003
MIG:	Municipal Infrastructure Grant
MSA:	Local Government: Municipal Systems Act, 2000
MTEF:	Medium Term Expenditure Framework.
Naude	
Study:	The study on general waste in Greater Tubatse Municipality conducted by Naude and Associates in 2005
NEMA:	National Environmental Management Act
NPC:	Net Present Costs
NPV:	Net Present Value
NWMS:	National Waste Management Strategy
OPEX:	Operational Expenditure
PSC:	Public Sector Comparator
RFQ:	Request for Qualification

RFP:	Request for Proposal
SPV	Special Purpose Vehicle
TA:	Transaction Advisor
TRV:	Treasury Views and Recommendations
TSC:	Themba-Sidondi Consulting
VFM:	Value for Money

SECTION 1: INSTRUCTIONS TO BIDDERS

1. General Information to Bidders

1.1 Explanation of Project

The Greater Tubatse Local Municipality, with its seat at Burgersfort, is one of the municipalities in the Sekhukhune District, in the Limpopo province. It has approximately 4550 km² area of jurisdiction. Its borders stretch from the Olifants River (North of the Strydom Tunnel) to 35km South of Lydenburg, from Ohrigstad to Steelpoort Park.

There is one main and four satellite municipal offices. The main offices are in Burgersfort and the satellite offices are in Mapodile, Steelpoort, Praktiseer and Ohrigstad. The Greater Tubatse Local Municipality is experiencing some level of rapid economic activities, largely driven by the existence and expansion of the mining operations in the area. This is facilitating expansion of both the formal and informal business sector. The increment in economic activities in the area has led to influx of economic and employment opportunity seekers in the area.

The projected population growth within all the growth points will have far more serious implications on the demand for and delivery of services in the Municipality.

Currently, the daily waste generation of all rural communities is approximately 4.8 tons per day, while that of the villages is 179 tons per day. The informal settlements generate approximately 60 tons of general waste per day, while according to the Naude Study (2005), the mines in the Municipality generate approximately 120 tons of general or domestic waste. The service points generate about 361 tons per day, of which that generated by business is 216 tons. Invariably, per day, more than 724.8 tons of waste is generated, of which about 676.8 tons or 93.38% of the total waste, are not accounted for in the Municipality disposal system.

The Municipality only provides Waste Management Services, either by an own refuse removal service or through outsourced services to private contractors, to about 8% of the population, largely confined to urban areas of Burgersfort, Steelpoort, Mapodile, Ohrigstad and Praktiseer. Most rural villages and informal settlements have no access to Waste Management Services from the municipality.

Household waste is mostly contaminated due to the nature of the storage facilities available at households and as a result, most of the waste loses its recyclable quality and therefore the commercial value. Similarly, the storage service provided to service points is inadequate and promoting illegal dumping. The Municipality's challenge to Integrated Waste Management is implementing quality, environmentally sound solutions as generators increase.

The Municipality is experiencing unhealthy and environmentally unfriendly disposal practices, as out of the more than 724.8 tons of waste generated per day, about 676.8 tons or 93.38% of the total waste generated is not accounted for in the Municipality disposal system. Moreover the two sites that are generally referred to as transfer station at Praktiseer and Ohrigstad are illegal dumping sites.

In the rural areas, waste is burnt and/ or generally buried in pits in household backyards to reduce stockpile. While, bigger generators of waste illegally dump it, in places such as water streams, holes created by erosion, river valleys, old quarries and in some cases along the road side, usually, not far away from the source.

This is at a time when in terms of section 20 of Environmental Conservation Act, the minimum prescribed legislative and industry norms and standards to operate the Burgersfort landfill site have not been met. The permit to operate the landfill site at Burgersfort has lapsed.

Many mines, are currently disposing their mining waste in other municipalities, at an additional cost to the mines and a lost revenue opportunity for the Municipality.

1.2 Objectives of the Project

The rational for the project is to seek services of a competent private service provider that can deliver a technically sound and financially viable integrated waste management solution to the GTLM. The following outputs inform the strategic goals for the project:

- financing waste management operations in the Municipality;
- constructing and operating landfill sites and transfer stations;
- sustainable waste management upgrade and extending coverage to mines, rural areas, villages, informal settlement, all service points and urban areas;
- generate revenue from waste management service;
- stakeholder relationship management;
- deliver an integrated waste management service underpinned by enforcement of by-laws;
- facilitate participation of HDIs and SMMEs in delivering waste management in the GTLM;
- ensure cost efficiency in revenue generation and uphold the credibility and integrity of Government;
- assist the Municipality to acquire requisite waste management capacity, in relation to the scale of operations and desired service levels;
- financing, construction, operation and the maintenance of Appiesdooringdraai landfill site, transfer stations and buy-back centres at appropriate industry standards;
- rehabilitation to permit and closure of the Burgersfort landfill site;
- consideration of alternative land use for the Burgersfort landfill site;
- the management and monitoring of municipal Solid Waste Management;
- effective risk mitigation strategies in operating the landfill sites and guarantee that no liabilities can originate for the GTLM or any other interested party; and
- the permits and licences awarded to the GTLM are not revoked due to poor operations.

1.3 External Framework

1.3.1 Physical Environment

The population of the Municipality, which is about 98% African is approximately 335 676: living within 83 199 households (STATS SA Census 2011). This population size is the second highest in the Sekhukhune District Municipality, constituting approximately 31.5% of the total population of the District Municipality.

The Municipality's population of 180,748 people or 45,186 households of the total 83 199 households resides in five proclaimed towns – Burgersfort, Mapodile, Steelpoort, Praktiseer and Ohrigstad, and about 3200 people live in about 10 rural settlements. While about 119,520 people live in 166 villages that are high population density clusters of individual settlements. About 40,000 people live in informal settlements.

Some of the villages are geographically linked to the service points in the Municipality via their geographic location and in very few instances interlinked. Today, the sources of solid waste include: households, business, mines, agricultural farms and service points.

1.3.2 Institution environment

The Constitution vests the legislative and executive authority of a Municipality in its Council. However, section 32(1) of the Structures Act and section 59(1) of the MSA require a Municipal Council to develop a system of delegation that optimizes administrative and operational efficiency, and having adequate checks and balances. Thus, Council may delegate to or instruct, and withdraw from, appropriate powers to any of the Municipality's political and administrative structures through political office bearers, councillors or staff members, to perform any of its duties. This done without absolving it from taking responsibility for any delegated function.

Therefore, Council through the Chairperson of the Technical Services, Portfolio Committee and executive head thereof, exercises political oversight over Solid Waste Management in the Municipality. This ensures Council and the people are kept abreast of the Solid Waste Management developments.

The IWMP and the IDP of the GTLM locate the waste management function in the technical services Municipality on the basis that landfill management and its associated equipments are of a technical nature and require technical expertise

During the procurement phase, the Project Officer is the duly authorised representative of the Municipality.

During implementation phase, the Manager: Waste Management Services will be responsible for the day to day operations oversight and contract management.

The Municipality has completed an assessment required under

sections 78 (1), (2) and (3) of the MSA, to ensure the best possible decision for waste management service delivery mechanism. This was in terms of section 77 of the MSA that obliges a municipality to review and decide on the best mechanism to provide a municipal service, triggered when any of the events set out in section 77 (a) to (f) occur.

The findings of the feasibility study supported the procuring of the waste management service as a PPP in accordance to section 120 of the MFMA. The report indicated an affordable and a value for money solution to the GTLM if waste management service is delivered through an external mechanism in a form of a PPP and demonstrated substantial transfer of financial and operational risks.

1.4 Project Framework

1.4.1 Regulatory Environment

Municipal PPPs are concluded in accordance with the provisions of section 120 of the MFMA and the Regulations thereto. Regulation 6 (1) provides that only the accounting officer of a municipality may enter into a PPP on behalf of that municipality. In terms of the Regulation 1 a PPP is defined as a commercial transaction between municipality and a private party in terms of which the private party performs a municipal function and/or acquires the management of or use of municipal property for its own commercial use.

The private party assumes substantial financial, technical, operational risk; and receives a benefit through consideration paid by the municipality and/or charges or fees paid by the users of the service provided by the private party.

Thus the procurement and provision of the services, whether through a PPP or otherwise constitutes a municipal function performed by “any other”, entity or person legally competent to operate a business activity.

The MSA, MFMA and the Regulations grant the GTLM statutory authority to procure the services through an external mechanism, in this instance a PPP.

The essential elements of a PPP, differing from internal service delivery, are -

- A focus on the service to be delivered and not the assets which are utilized in providing the service. The PPP creates the framework for service delivery with the assets employed merely being a tool contributing to the service. The public sector ‘buys’ a service and not an asset.
- A significant transfer of risk and responsibility to the private sector for the activities associated with the provision of the services. The private sector is generally in a better position than the public sector to manage and mitigate the risks inherent in providing the services.

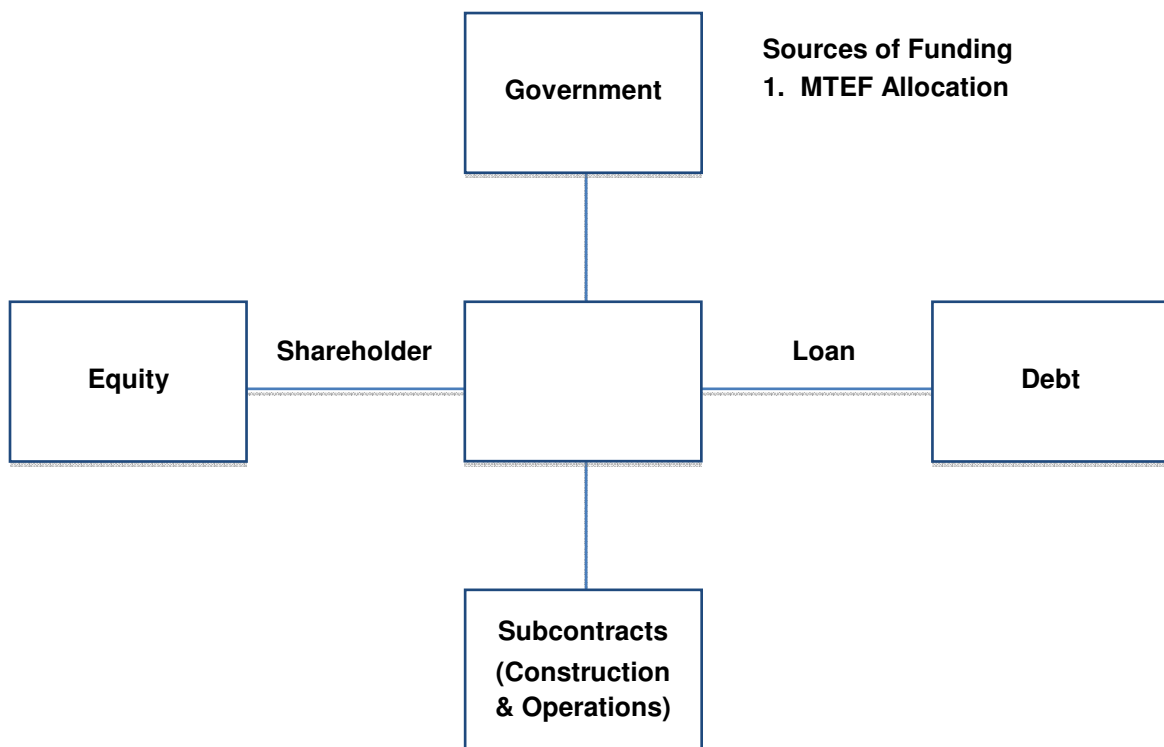
For indicative purposes below are some of the different legislative, regulatory and policy requirements for the project. The list is not exhaustive and all bidders are required to familiarise themselves with all applicable legislation relevant to waste management service:

- The Constitution;
- The MFMA, and all applicable regulations;
- The MSA;
- The Municipal Structures Act;
- The Labour Relations Act, ((No. 66 of 1995);
- Competition Act, (No. 89 of 1988) (potentially);
- NEMA;
- ECA
- The National Environmental Management: Waste Act; and
- The National Water Act.

1.4.2 Proposed Project Structure

Considering the size of the transaction, the GTLM is recommending that the project is undertaken as a corporate finance transaction, rather than a project finance deal. In a corporate finance transaction, the municipality will contractually engage the Service Provider to design, construct and operate the waste management services entity through a Special Purpose Vehicle (SPV) for the duration of the project period. The Service Provider will be required to inject its own capital based on the strength of the Service Provider's balance sheet. All agreements and commitments related to the SPV cannot be longer than the project period, without approval by GTLM.

The diagram below illustrates the potential finance structure should the project be structured as a corporate finance transaction.



1.5 Project Assets

In respect of the land, site 1 is municipal-owned and shall remain in the GTLM's ownership for the duration of the project. Site 2 is in the process of being transferred to the Municipality and once transferred, shall remain in the GTLM's ownership for the duration of the project. The Service Provider will only be accorded the right of use of immovable assets for purposes of the project (landfill sites). No immovable or movable assets belonging to the GTLM will be transferred to the Service Provider for the purposes of the Project.

All other facilities and equipment which are project assets, the Service Provider is required to procure, finance, design, construct, maintain and operate over the project term. In terms of the PPP Agreement, it is expected that, at the end of the project term, the project assets will be handed back to the GTLM in a condition that will permit use for a period, on average, of at least 5 (five) years beyond the term of the PPP Agreement without major upgrade and/ or refurbishment being required.

The Service Provider is required to provide all assets necessary to deliver the project for adherence to the Output Specifications. No encumbrance of the project assets may be created. For the sake of clarity all other movable assets that belong to the GTLM are not to be confused with the project assets. These will remain the property of the GTLM and will not be available for use or transfer to the project.

1.6 Procurement Framework and Timelines

This procurement is undertaken pursuant to the GTLM's SCM policy, the MSA, the MFMA, Treasury Regulations pertaining thereto, the Preferential Procurement Policy Framework Act, the Code of Good Practice for Black Economic Empowerment in Public Private Partnerships and the Municipal Service Delivery and PPP Guidelines 2007.

The procurement process involves two key evaluation stages: failure to pre-qualify at RFQ stage will render the bid non-compliant and subject for disqualification from further evaluation.

1.6.1 Request for-Qualification (RFQ)

The pre-qualification stage is processes which will shortlist qualifying consortiums, companies or JVs on the basis of their BEE credentials, financial standing and capability, and technical competency and experience. The process will result in the selection of three (3)- to four (4) qualifying bidders whose proposals for the execution of the Project will be further evaluated.

1.6.2 Request for Proposals (RFP)

The RFP process only allows for the evaluation of execution proposals of the short listed bidders as set out above. The outcome thereof is the appointment of a preferred bidder and a reserve bidder. Subsequent to which the GTLM will enter into negotiations on the contracting and funding terms with a preferred bidder. An appointment as a preferred bidder is not a guarantee for appointment as a service provider. Such appointment is conditional to the successful conclusion of negotiations and acceptance of the funding terms by the GTLM.

1.6 3 Procurement Timetable

These are indicative timeframes to which the GTLM envisages to conclude the procurement process. It is incumbent on all bidders to familiarise themselves with the legislative requirements for consultative processes for PPP projects which the GTLM is subject to. Although the GTLM will strive for a speedy conclusion of the procurement process, bidders should note that these timeframes may shift due to circumstances beyond the control of the GTLM.

	Activity	Timeframe
1	Issue RFP to market	24/05/2013
2	Briefing session and sites visit	12/06/2013
3	Bidders to submit written comments on any aspect of the PPPA and or bid documents	02/072013
4	Issue final RFP	19/07/2013
3	Closing date for receipt of RFP responses	26/08 2013

4	Evaluation of the bids	29/08/2013 -6/9/2013
5	Draft TVR11B report including compliance with legal requirements such as s33 of the MFMA	12/09/2013 – 13/09/2013
6	Announcement of preferred bidder	16/9/2013 – 17/09/2013
7	Negotiations and Financial Close	19/09/13 - 18/10/13
8	Council Resolution	November2013
9	Service Commencement	Dec/ January 2013

1.6.4 Project and Procurement Management

The municipal manager (MM) of the GTLM is responsible for all key decisions on the project as delegated to him by the council resolution (....) and Regulation 6 (i) of the Municipal PPP Regulations in terms of s120 of the MFMA. The MM has appointed a Project Officer and a Project Evaluation Committee to oversee the ongoing implementation of the project. The Project Officer is the project manager for the day-to-day managerial responsibilities as delegated by the MM.

All communication between the GTLM and the bidders will be coordinated through the Project Officer as set out in the Code of Conduct. The Project Officer is supported by the Transaction Advisor.

1.6.5 The Evaluation Process

The evaluation process will follow a two (2) tier evaluation system. The purpose of which is to ensure objectivity through clear and distinct separation of technical assessment and the decision to award (see discussion of RFQ and RFP Phases above).

1.6.6 Technical Evaluation Teams (TETs)

The TET's will be responsible for the technical elements of the procurement process and will provide technical support to the Project Evaluation Committee.

During the evaluation of proposals, the TET's will perform the preliminary work and check for completeness and compliance of Bids, followed by detailed analysis of the various aspects of the Bids together with the formulation of reports, score sheets and recommendations by each TET to be taken forward to the main evaluation and scoring by the Project Evaluation Committee.

1.6.7 Project Evaluation Committee (PEC)

The PEC shall be constituted by members not forming part of any of the TET's. The PEC shall receive TET reports, score sheets, presentations and recommendations and interrogate these to ensure a complete understanding of each Bid in relation to the project requirements.

1.6.8 Evaluation Criteria.

The PEC will score Bids and prepare its recommendation as to either the nomination of the Preferred Bidder, or the conducting of further processes such as a BAFO. The PEC shall submit its completed recommendation together with the project evaluation notes and reports through to the MM for approval.

1.6.9 The Municipal Manager (MM)

In terms of the MFMA Regulations the municipal manager is the accounting officer and accordingly the accountable official for entering into a PPP Agreement and must approve the nomination of the Preferred Bidder.

Once the MM has approved the recommendation of the PEC, the MM shall communicate his decision to National Treasury through the TVRIIB report.

1.7 Instructions to Bidders

1.7.1 Compliance Check List

The Bidder must ensure that it has provided all the required returnable documents in terms of this RFP. A detailed compliance checklist cross-referenced to the RFP should be included indicating the location of each requested item in this RFP. Failure to provide information required in section 2 of the RFP will render the bidder's proposal non-compliant and will lead to disqualification from the tender process.

1.7.2 Status of Consortium

The preferred bidder must be incorporated into a Special Purpose Vehicle (SPV) prior to Financial Close, and must submit proof of incorporation before the conclusion of the PPP Agreement including a copy of its Memorandum of Incorporation and its final shareholders agreement.

1.7.3 Consortium Change Requirements

No change is permitted to the membership or structure of any Bidder without the prior written consent of the GTLM. Bidders must forthwith notify the GTLM of any intended change in their membership or structure from that set out in their response to the RFP. The procedure as set out in the Code of Conduct will then be followed.

1.7.4 Bid Submission Requirements

Bids must be submitted to the Municipality on or before 12:00 noon on **26th August 2013** at the following address:

**The Municipal Manager
Greater Tubatse Municipality
1 Kastania Street
Burgersfort
1150**

Extension of the above closing date and time will only be granted where the Municipality deems such extension to be appropriate in its sole discretion and the Municipality is able to timeously inform all Bidders of such amended closing date.

No Bid received by facsimile, telegram, telex, e-mail or other similar format will be accepted as a validly submitted Bid.

Where Bids require special handling due to volume or size, Bidders must make appropriate prior arrangements with the Municipality for their lodging and security. In this regard Bidders should contact the Project Officer Mr Jabulani Shongwe at the details in the Code of Conduct.

1.7.5 Late Bids

A Bid shall be late if it is received by the Municipality at any time after the closing date and time indicated in paragraph 1.7.4 above.

A late submission shall be clearly marked as late and shall not be admitted for consideration by the Municipality, unless the Municipality is satisfied (in its sole discretion) that substantial exculpatory reasons exist which permit the allowance of a late Bid.

Where applicable, late submissions shall be returned unopened to the submitting party.

1.7.6 Bid format

All Bids must be submitted in a sealed envelope/package clearly and visibly containing the following demarcation on each envelope/package:

For attention:	Municipal Manager
Tender Reference Number:	
Description:	Solid Waste Management Services PPP
Respondent/Consortium Name:	
No. of Envelope/Package:	
Authorised Representative:	
Contact Details:	

1 (One) original master Bid, clearly marked as such and 5 (Five) complete hard copies of the original Bid as well as 3 (Three) complete electronic copies on CD-ROM must be submitted by each Bidder. In the instance of discrepancy between the original master bid and the copies, the master bid shall prevail.

Bidders may at any stage be requested by the Project Officer to produce the original of any documents forming part of the original Bid.

Each Bid must be in English and submitted in A4 format, except sketch plans, drawings or other graphic illustrations, which may not exceed the format prescribed in this RFP. Bids must be neatly and functionally bound, preferably

according to their different sections.

The original Bid must be signed by a person duly authorized by each Sponsor to sign on their behalf, which authorisation must form part of the Bid as proof of authorization. By signing the Bid the signatory warrants that all information supplied by it in its Bid is true and correct and that the Bidder and each party whom the Bidder signatory represents, considers themselves subject to and bound by the terms and conditions of this RFP.

Documentation requiring the signature of a Sponsor, Subcontractor or advisor of the Bidder must be signed as follows:

- parties which are partnerships should provide the signature of two duly authorised partners;
- parties which are companies should provide the signatures of two directors or a director and the company secretary, such persons being duly authorised for the purpose;
- Parties which are trusts should provide the requisite authorisation in terms of the trust deed
- parties which are another form of legal or corporate entity must provide the signature of such persons as are duly authorised in terms of the entity's constitution or as required by law;
- the Bid formulation must be clear and concise and follow a clear methodology which Bidders must explain upfront in a concise Executive Summary and follow throughout the Bid;

Bidders must provide sufficient information and detail in order to enable the Municipality to evaluate the Bid, but should not provide unnecessary detail which does not add value and detracts from the ability of the Municipality to effectively evaluate and understand the Bid. The use of numbered headings, bullet points, sections, appendices and schedules is encouraged.

Information submitted as part of a Bid must as far as possible be arranged according to the order of the required information requested by the Municipality. All pages must be consecutively numbered.

Bidders must ensure that each requirement contained in the RFP is succinctly addressed. Bidders should as far as possible use the terms and definitions applied in this RFP and should clearly indicate its interpretation of any differing terminology applied.

1.7.7 Bidders Contact Details

Bidders must clearly provide the name and contact details of its Authorised Representative in its covering letter to the Bid. The Authorised Representative shall be the primary contact person used by the Municipality for correspondence and communication during the RFP Process.

The following contact details of the **Authorised Representative** must be provided -

- Name
- Designation

- Telephone number
- Mobile number
- Facsimile number
- E-mail address
- Physical address
- Postal address

The GTLM accepts no liability for any failure by the Bidder to receive information or communication from the Municipality where the contact details of the Authorised Representative are incorrect or have changed. Any changes to the Authorised Representative's contact details or any substitution of the Authorised Representative must immediately be conveyed to the municipality in terms of the Communication Structure.

1.7 8 Bid Opening

All submitted Bids shall be kept in safe custody by the municipality until the closing time for submission and all Bids shall be treated as commercially sensitive. The original copy of a Bid shall be archived for record purposes.

Bids shall be opened as soon as possible after the closing time. Upon request the Municipality may arrange for Bidders who submitted Bids to attend only the opening of the Bids, at which opening only the names of Bidders who submitted Bids shall be read aloud upon being opened. No further information regarding submitted Bids shall be provided to attending Bidders at the opening of the Bids.

After opening, Bids shall be distributed to the TETs for evaluation.

The Proposals shall be opened immediately in public after the closing time. A Proposal received later than the deadline specified above and/or a Proposal that is incomplete or not submitted in accordance with the requirements of this RFP may be rejected without further consideration.

1.7.9 Bid Presentations

After the submission of Bids, Bidders may be required by the Municipality to make formal Bid presentation to the Municipality and its advisors. In the event of the Municipality opting for Bid presentations, Bidders shall be advised of the venue and timeframes after the closing date by a Briefing Note.

The role of the municipality will be restricted to clarifying questions. Failure by a Bidder to attend a Bid presentation will be a ground for disqualification of the Bidder.

1.7.10 Formal Communication Requirements

1.7.10.1 Written communications

All communications by Bidders relating to this tender should be addressed in writing by the Bidder to GTLM at the following address:

Mr Jabulani Shongwe at the following email address:

ajshongwe@tubatse.gov.za

All procedural clarifications by Bidders relating to the Project may be addressed to the same address and should reach this address by no later than 72 hours prior to the deadline for submissions of Proposals.

Such enquiries should identify the Project, the Bidder and provide contact details of such a Bidder.

Answers to enquiries regarding the RFP and copies of such enquiries will be sent to all Bidders without disclosing the identity of the Bidder who submitted the question.

The GTLM Evaluation Committee reserves the right not to respond to any particular enquiry.

1.7.11 Briefing Meeting and Sites Visit

The GTLM will have a compulsory briefing session and sites visit on **12th June 2013 at 11am at the GTLM's Old Council Chamber at corner Kort and Eddie Sedibe Streets in Burgersfort**

- Bidders must ensure that at least one member of the bidding entity signs the attendance register as proof of attendance.
- The briefing session shall be conducted in a presentation format by the Municipality followed by sites visit. Any questions posed by Bidders shall be taken down and responded to in writing by the Municipality. Any answers which may be provided at the session shall be superseded by the written answers provided by the Municipality. Responses by the Municipality shall be issued to all Bidders who attended the briefing session in the form of a Briefing Note.
- The Municipality may issue RFP Briefing Notes from time to time during the RFP Process to disseminate further instructions, clarifications, programme changes and information updates to Bidders. Briefing Notes will be sequentially numbered to facilitate easy referencing and will form part of the RFP body of documentation. Any future reference to 'RFP' shall be a reference to all RFP documentation as amended, varied or updated by any Briefing Notes, and Bidders must ensure that their Bids are prepared taking into account all such Briefing Notes.
- RFP Briefing Notes will be issued to all Bidders utilizing the contact details provided at receipt of the RFP documentation. Bidders are requested to promptly confirm receipt of Briefing Notes.

- The Municipality may require Bidders at any time during the RFP Process to respond in writing to questions posed by the Municipality to Bidders in respect of Bids submitted. Questions will be directed to the Authorised Representative of the Bidder and must be answered in writing within 5 (FIVE) working days from receipt by the Authorised Representative of the written query from the Municipality, unless the Municipality approves a request from the Bidder for an extension of time.
- The Municipality may also require the holding of informal clarification sessions with individual Bidders in order to address unclear aspects of Bids. These sessions will not be negotiations sessions but purely aimed at clarification of aspects of the Bids and will not be an opportunity for Bidders to amend, vary or add to their Bids. Minutes of sessions will be held and Bidders will be held to explanations submitted during such sessions. The Municipality shall contact the Authorised Representative of a Bidder for purposes of coordinating the clarification sessions.
- Bidders may direct written general queries and questions to the Municipality at any time during the RFP Process, until 16:00 on 14th June 2013 being the cut-off date for clarification questions, after which cut-off date the Municipality will not accept, consider or respond to any queries or questions from Bidders.
- All queries and questions in clarification from Bidders must be directed to the Municipality in terms of the Communication Structure in the code of conduct.
- The Municipality will endeavour to answer all general requests for clarifying information as quickly as possible, but cannot guarantee a response within a fixed time period. The Municipality also reserves the right not to respond to any particular query or question.
- All clarifications will be issued as Briefing Notes and circulated to all Bidders. Where a Bidder indicates its request to be confidential, the process described in the paragraph below, will be followed by the Municipality.

1.7.12 Costs of Submissions

All costs and expenses associated with or incurred by Bidders in relation to any stage of the Project, how so ever arising, shall be borne by the Bidder. The Municipality shall not be liable for any such costs or expenses or any claim for reimbursement of such costs or expenses.

To avoid doubt, the Municipality shall not be liable for any samples submitted by Bidders in support of their Bids and reserves the right not to return to them such samples and to dispose of them at its discretion.

1.7.13 Confidentiality

Bidders must clearly indicate whether any information conveyed to or requested from the Municipality is confidential or should be treated confidentially by the Municipality. In the absence of any such clear indication in writing from a Bidder, the Municipality shall deem the Bidder to have waived any right to confidentiality and treat such information as public in nature.

Where a Bidder at any stage during the RFP Process indicates to the Municipality that information or any response requested from the Municipality is or should be treated confidentially, the municipality shall treat such information or response confidentially, unless the Municipality believes that to ensure the transparency and competitiveness of the RFP Process the content of the information or response should be conveyed to all Bidders, in which event it shall apply the following process -

- (i) The Municipality shall confirm with the Bidder whether the raising of confidentiality by the Bidder still remains to apply and to which specific elements of the information or response it applies.
- (ii) Where confidentiality is maintained by the Bidder and the Municipality is of the opinion that the information or response if made publicly available would affect the commercial interests of the Bidder or is commercially sensitive information, the Municipality shall not release such information to other Bidders but may also refrain from providing any response if such response would prejudice the competitiveness and transparency of the RFP Process.
- (iii) Where the Municipality is of the opinion that information provided is not commercially sensitive or would have no impact on the commercial interests of the relevant Bidder if released and fairness and transparency requires that such information be released to all Bidders, the Municipality may:
 - a. inform the relevant Bidder of the necessity to release such information and/or response and request the Bidder to consent to the release thereof by the Municipality; or
 - b. obtain legal advice regarding the confidentiality of the relevant information and/or response and the legal ability of the Municipality to release such information; or
 - c. refrain from releasing the information and/or response, in which event the Municipality shall not take account of the contents of such information in the evaluation of the relevant Bidder.

The above procedures regarding confidentiality shall not apply to any information which is already public knowledge or available in the public domain or in the hands of the Municipality or is required to be disclosed by any legal or regulatory requirements or order of any competent court, tribunal or forum.

On signing of the PPP Agreement, a case study will be prepared on the Project up to that point. The aim of the case study is to establish a body of knowledge for the benefit of future PPP projects. The more detailed the information in the study, the greater the potential benefit. Bidders will be requested to consent to the use of information that may otherwise be considered confidential.

1.7.14 Bidder Security Responsibility

Bids must remain valid and open for acceptance for the duration of the Validity Period(180 days). In exceptional circumstances, the Municipality may request Bidders for a specific extension to the Validity Period. The request and the response thereto shall be made in writing. A Bidder may refuse to grant an extension without forfeiting its Bid Security. In the event of such refusal, the Municipality may at its sole discretion discontinue any evaluation of or negotiation with the relevant Bidder. Where a Bidder agrees to the extension, the Bidder shall not be entitled to modify its Bid.

Bidders will be required upon notification of Pre-qualification, to furnish the Municipality with a Bid Security in the amount of **R500, 000.00 (five hundred thousand rand)**. Bidders must confirm that their Bid Security shall remain valid in accordance with its terms for the duration of the Validity Period and if necessary must extend the period of the Bid Security to ensure that it remains valid for the Validity Period plus any agreed further extension thereof as may be required by the Municipality.

Any Bid where no Bid Security has been submitted will result in the Bid being considered non-compliant and invalid.

The Bid Security submitted by unsuccessful Bidders will be returned to the Bidders by the Municipality not later than 21 days after the announcement of the Preferred and Reserve Bidder(s).

The Municipality shall be entitled draw up to the full amount of the Bid Security provided by a Preferred Bidder as liquidated damages incurred by the Municipality at any stage during the evaluation of Bids or negotiations with such Preferred Bidder upon occurrence of any the following events:

- if a Bidder withdraws its Bid during the Validity Period or any agreed extension of the Validity Period;
- if the Preferred Bidder makes any material misrepresentations in the Bid;
- if the Bidder or any of its advisors, officers, employees or agents engaging in illegal or fraudulent activities in relation to the RFP process; and/or
- any failure by the Bidder, if selected as the Preferred Bidder to the Municipality, to conclude an agreement with the Municipality on substantially the same terms and conditions as contained in the Bid.

The Municipality shall further be entitled to draw on the Bid Security in order to recoup any costs, expenses and damages incurred by the Municipality as a result of any failure by a Bidder to comply with any of the terms and conditions contained in the RFP documentation.

1.7.15 Bidder Warranties

A Bidder must provide a warranty as part of its Bid that its Bid is true and correct in all respects, that does not contain a misrepresentation of any kind and that the taxes of all members of the Consortium are in order and none of the members are undergoing corruption or any criminal-related investigations or litigation nor have any past convictions for fraud or corruption.

1.7.16 Eligibility Requirements

Subject, to the rest of this paragraph, all forms of privately owned companies that are not blacklisted by the National Treasury or other similar professional body, or which have not been found guilty in a court of law of fraud or corruption-related crimes are eligible to participate in this RFP.

The nature of a PPP per definition dictates that it involves a partnership between public and private parties aimed at invoking synergies between the different strengths of the parties. Where Project participants are non-governmental organisations (NGOs) or non-profit organisations, these organisations may have important roles to play with regard to socio-economic and other operational aspects of the Project. However, as the organisations operate on a non-profit basis and are usually donor or government funded, funding involvement by these organisations may be uncertain and Bidders would have to clearly demonstrate the nature of funding, availability and sources of such funding to the Municipality. The participation of such entities is at the invitation and risk of the Bidder.

1.7.17 Variant Bid Requirements

The Municipality views private sector innovation as a strong driving force in the Municipality deriving true value for money from the Project. Innovation cannot however be unlimited as the Municipality has a specific affordability threshold and essential requirements which must be complied with. However without transgressing these base principles, the Municipality wishes to provide Bidders with sufficient scope to develop innovative solutions to the Project.

As a requirement of the RFP, Bidders must submit a compliant Bid which conforms and complies with the requirements of this RFP and will be perceived as being a compliant Bid in all respects.

Although the Municipality encourages the inclusion of a variant Bids in addition to a compliant Bid, the submission of variant Bids must be strictly regulated. Variant Bids must accordingly comply with the following requirements, failing which the Municipality will not consider or evaluate any variant Bids submitted

The Proposal must be developed to reflect the risk transfer obligations reflected in the draft PPP Agreement, Output Specifications and Private Party's proposal. All information and numbers provided must reconcile fully and be co-ordinated to all aspects of the Project and be comprehensively reflected in the financial model called for in the section titled "Financial and Project Structure".

Bidders' proposals are required to demonstrate value for money, through risk transfer, and the optimum combination of whole life costs and benefits. It is imperative that Proposals demonstrate how the proposal will assist GTLM to achieve its stated objectives contained in this RFP and, in addition, identify any opportunities for securing additional value for money benefits:

- a Variant Bid can only be submitted if accompanied by a compliant Bid;
- Variant Bids must meet the specified Essential Minimum Requirements;
- a variant Bid must be financed/underwritten to the same extent as a Compliant Bid;
- a Variant Bid must clearly identify each element of the Bid which differs from the Compliant Bid and state the value for money to the Municipality associated with such variation; and
- a Variant Bid must be clearly separable from the Compliant Bid and other Variant Bids. Indistinguishable Bids will not be considered by the Municipality.

The Municipality however, is under no obligation to entertain or accept any variant Bids submitted by a Bidder and may in its sole discretion take account of only the compliant Bid submitted.

1.8 Bidder's Due Diligence

Bidders must conduct a complete Project due diligence to ensure that they do not leave any unverified assumptions in respect of the Project which can cause delays and jeopardise the procurement process. The due diligence should cover at least the following areas of the Project:

- project site and services;
- project facilities;
- equipment and other project assets;
- legal, financial and regulatory framework; and
- All reports of studies conducted to date except for the feasibility study.

1.9 Quality Management System

The Service Provider will be required to ensure that all aspects of the Project and its deliverables in terms of the PPP Agreement (including by Subcontractors and other third parties) are carried out in accordance to generally acceptable industry standards. Proposals to this effect will be required from the bidders.

The QMS should be regularly updated to ensure compliance with best practice and the latest industry standards. The proposal should further describe how the Municipality will interface with the QMS as part of its monitoring obligations in terms of the PPP agreement.

SECTION 2: INFORMATION REQUIRED FROM BIDDERS (Compulsory)

2. Information Required about Bidders

In preparing the tender responses all bidders should be conversant with the strategic goals regarding the waste management project. Only the bids that demonstrate the required technical, legal and financial competency and capability to deliver on the goals will be pre-qualified and their execution proposal considered for evaluation in this RFP. It is critical that bidders communicate to the GTLM a well thought through technical and financial proposal, and an implementable project plan, reasonable time frames, underpinned by principles of affordability and substantial transfer of operational, legal and financial risks. Failure to provide the information required in this section will render a bid non-compliant and therefore subject to disqualification.

2.1. Current Workload of Consortium Members

Bidders are required to familiarise themselves with the GTLM's service delivery geographic boundaries in order to fully appreciate the extent of the project scope. The bidders could tender as a consortium, a JV or as an individual company with subcontracting arrangements as long as the required capacity to execute the project will be achievable. It is critical that the proposed project structure indicate the promotion of the BEE requirements for the project and without any shadow of doubt demonstrate the ability of the bidder to facilitate the speedy delivery of the output specifications within the envisaged time frames.

Requirement: Statement regarding capacity to undertake the Project and outline the technical capacity and experience of the bidder and the subcontractors in respect of each area of competence required by the RFP.

2.2 Bidder's Capability and Strength

The knowledge and expertise of the waste management sector is key to the GTLM's consideration of a bidder's RFP response. The in depth knowledge of the sector should be articulated through tangible and verifiable information and references. The bidder should demonstrate to the GTLM the technical and financial capability and strength to undertake an assignment of this nature, size and scope.

Requirement: List of experience and relevant projects (brief description) with contactable reference. Letter of commitment from a reputable institution and or funder to finance the bidder at envisaged capital and operational expenditure

2.3 Consortium Composition and Structure

The proposals on the project structure should clearly spell out the composition of the bidder, linking these to the capabilities, strength and the respective roles of each member in the execution of the project. It is important that the BEE status of each party is clearly outlined in a tabular form and the capacity to deliver on the

assigned outputs is properly described.

The equity structure, ownership and directorship should be clearly outlined. The percentages held by each company and individuals in respective enterprises must be highlighted and similar information should be provided for all consortium members and subcontractors. This requirement is applicable to all bidding formations.

Requirement: Description of the proposed SPV structure, roles and responsibilities, strength and capabilities(financial and technical), commitment and availability of all participating members.

2.4 Skills and Experience of Bidder and Subcontractors

The GTLM intends to transfer substantial operational and financial risk to the appointed Service Provider and would therefore like to ensure that there are no liabilities that will arise to the GTLM and any other interested third parties due to poor operations especially at the landfill sites. The need for experienced bidders with proven track record in operating landfill sites and delivering integrated waste management services cannot be over emphasized. Bidders should therefore demonstrate and prove to the GTLM that they possess the required skills and this should be supported by contactable and verifiable references.

Requirement: CVs of shareholders, key management personnel of the SPV and relevant references. Including those of 1st tier subcontractors

2.5 Strength of Covenant between the Consortium Members, Subcontractor and Funders

Bidders are required to provide the GTLM with a proposal for a holistic and an integrated technical and financial solution to the current waste management challenges. The project structure should indicate how risks will be apportioned amongst the consortium members and or subcontractors.

Requirement- The following documentation should describe and designate areas of joint responsibility and severability in accountability amongst members:

- **Shareholder Agreement;**
- **JV Agreement;**
- **Subcontractor Agreement.**

2.6 Financial and Market Standing

Only responses of bidders that can demonstrate the financial capacity to undertake the assignment will be considered for evaluation. The bid must be supported by **letters of commitment and bid security from reputable funders.** Previous experience in raising similar funding will account positive for bidders. Bidders should demonstrate the ability to raise debt and equity or corporate finance and to provide security

Requirement: 3 years financial statements and a letter of commitment from reputable funders regarding financial standing.

2.7 Ability to Fulfil Project's BEE and Socio-Economic Objectives

The Municipality considers this project as one of the key strategies in promoting the achievement of BEE and envisages a positive spin off to local economic development including job creation. The bidders should firstly describe how the BEE and socio-economic needs of the Municipality will be achieved through its project structure, technical and financial solution and how local communities will benefit. Only proposals that meet the minimum requirements of the municipality in terms of BEE and or provide innovative and implementable solutions in terms of socio-economic needs of the municipality will be pre-qualified. Failure to meet the Municipality's minimum requirements for BEE will render a tender response as non compliant and subject to disqualification for further evaluation

Requirement: Proposal regarding the achievement of BEE and local economic development objectives.

2.8 Project Management Capability

All bidders must note that the Municipality considers this project as a mechanism to enhance its statutory compliance with regards to waste management services including the management of landfills and operations. Project management proposals must clearly show how this strategic goal will be achieved and maintained through the contract term. The bids must propose possible project management systems that can interface with Municipality are monitoring systems and processes. The project management plan must enable the delivery of the project within proposed time frames, affordability levels and continuously improve the value for money elements of the project.

Requirement: Operational and Project Management Plan.

2.9 Risk Management Capability

The envisaged project is a PPP as defined in section 120 of the MFMA. The key principle of a PPP is substantial transfer of key risks (technical, operational and financial) to the Service Provider therefore yielding value for money for the procuring Municipality. Only bidders that will demonstrate appropriate risk appetite and risk mitigation instruments will be pre-qualified.

Requirement: Risk matrix that describe how risk will be assumed and managed.

2.10 Demonstration of Understanding Key Project Demands/and Complexities

Some of the waste management services and the operation of the Burgersfort landfill are currently outsourced. By law the function of waste management lies within the ambit of the Municipality. Bidders must propose mechanisms and strategies that can facilitate the ability of the Municipality to effectively execute its statutory function, enable compliance with minimum requirements for operating landfill sites and present a plan to improve internal capacity to monitor and deliver waste management service. As part of the bidder's response, plans to extend service coverage to un-serviced communities especially mines must be clearly articulated and substantiated.

Requirement: Proposal regarding delivery of the service, service levels, performance standards and time frames for improvement.

2.11 Previous Relationship with Government

All privately owned firms that are not listed on the National Treasury's list of companies, directors, persons restricted from doing business with public sector or listed on its register for Tender Defaulters or which have not been found guilty in a court of law of fraud or corruption related crimes should be eligible for participation. The Municipality reserves a right to disqualify any bidder from participating in this procurement when it can prove that the said company had delivered a sub-standard service to the Municipality for a similar service or any other project that adversely exposed the Municipality.

Requirement: Tax clearance certificates and statements to confirm no conflict of interest and previous disqualification must be provided

2.12 Quality Assurance Systems

It is of outmost importance to the Municipality that bidders clearly articulate proposals on the quality assurance systems that will ensure compliance of the project to necessary approvals and permits granted to the Municipality and there shall be no liability and risks that reverts back to the Municipality or any third parties due to poor operations. The Municipality reserves a right to audit and monitor adherence of the Service Provider to its own Quality Assurance Systems. The bidders should propose the Municipality's monitoring mechanisms linked to its QMS for roll-out for the duration of the project.

Requirement: Proposed QMS approach.

2.13 Approach to the Project and Integration of Deliverables

The Municipality prefers one point of accountability for the delivery of the whole project. It is imperative that the technical and financial proposals are presented as a comprehensive, integrated and implementable solution with indicators that can be measured. The knowledge and understanding of the PPP concept and principles of affordability, value for money and risk transfer must be integral to the proposed solution. The bidders are free to contract services of specialist PPP advisors in the event of lack of skill in this regard. **Proposals that lack clarity on the PPP matters will be disqualified.**

No member of the Municipality's project team, including all advisers that

worked on the previous tender or relevant Treasury's PPP unit's advisor, may participate in and advise or have any interest in any bidding consortium. Likewise no consultants that worked on the processing of the landfill permit applications and related studies can advise on the project.

Bidders that fail to provide the required information, demonstrate the key technical skills and financial strength in the detail described in section 2 of this RFP will have their bids disqualified from further evaluation.

2.14 The RFQ Evaluation Criteria

Category and subcategories		Good, adequate or poor
Bidder structure and composition		
Proposed respondent composition and structure		
Consortium identity details		
Equity ownership, composition and directorship		
Role and participation of sponsors and subcontractors		
Skill experience of relevant organisation and key subcontractors		
Strength of covenant between relevant organisation and key subcontractors and respondent		
Financial and marketing standing		
Ability to funding and to provide security		
BEE qualifications and credentials		
BEE strategy for project		
Compliance with BEE requirements for project		
Black shareholding in project structure		
Involvement of black and black women		
Funding proposals		
Opex and capex to BEE enterprises and SMEEs		

Legal commitment and integrity	
Technical Deliverability	
Commitment and capacity to meet project timetable Project management capability Current workload consortium members Previous relationship with government Quality assurance systems Risk management capability	
Project understanding	
Demonstration of understanding key project demands and complexities	
Landfill operation design, construction and operation	
Experience in delivery of integrated waste management service Experience in sourcing project assets and maintenance	
Integrity and innovation of proposed solution	
Conceptualisation and understanding	

of GTLM's strategic needs	
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SECTION 3: ESSENTIAL MINIMUM REQUIREMENTS

Essential Minimum Requirements

3.1. Financial

The Service Provider will be a special purpose vehicle (SPV). The GTLM envisages dealing with a single point of contact with the Service Provider, which will be responsible for all aspects of the Project, from inception to completion.

The Project is being structured as a corporate finance project, which implies that it should be financed on the basis of the Bidder's balance sheet, with reliance on the **Unitary Payment** that will be agreed to between GTLM and the **Preferred Bidder**. The Bidders are expected to provide details of their funding structure for GTLM to be able to analyse such funding structure and determine whether or not it can be provided and sustained through the Project term. All forms of funding and terms and conditions of funding are crucial.

Based on the feasibility study conducted, the project is recommended to be for 12 years, subject to final negotiations between the Preferred Bidder and GTLM

3.1.1 Affordability

A feasibility study was conducted to evaluate the viability of the project in accordance with the National Treasury Regulations. The study has indicated an approximate affordability level of **R21.15 million** per annum [excluding VAT] for the services required by GTLM in respect of this project. This amount is expressed in **2011** terms and is indexed annually according to **CPI**.

Bidders are required to provide financial solutions, which are within this level of affordability.

3.1.2 Service Provider Funding

Bidders must demonstrate that all Service Provider funding required for this initiative has been secured, contingent only upon the conclusion of successful negotiations with GTLM, as provided in this RFP.

Bidders must provide a funding plan to evidence that they have sufficient cash flow and liquidity to undertake the activities specified in the project, recognizing that, under the unitary payment contemplated in this tender, the Service Provider must have sufficient capital and operating resources to undertake the project, including the capital required for the Development Period, to bring the project to completion, within standards and terms acceptable to GTLM.

We estimate that the required appropriate levels of commitment of

capital funding for providing the services, as at **July 2011** include capital expenditure of **seventy one million rand(R71 million)**

Bidders are to specify, in each Proposal, their ability to meet the envisaged capital and operational expenditures, using the foregoing as a high-level template for so doing.

3.1.3Term Sheets

Bidders must provide the term sheets for all financing obtained, for all phases of the Project, from any source, including any loan arrangement by members of the SPV among themselves and the SPV. Specific details pertaining to BEE financing should be disclosed separately, with the applicable or proposed terms.

3.1.4Security Requirements

- **Proof of General Liability Insurance**

The selected Bidder will be required to obtain liability insurance reflecting the limits and conditions stated in the draft PPP agreement. Proof of insurance in the form of a Certificate of Insurance from a liability insurance firm, authorised to issue liability insurance in the Republic of South Africa, **shall be attached to the Proposal.**

- **Operation and Maintenance Performance Security Requirements**

GTLM requires that security is provided in three aspects to protect the performance of the contract.

The first tier is the incentive provided by the payment mechanism that requires performance within set service minimums as a condition to receiving payment. Penalties applicable to the unitary payment payable to the appointed Consortium will provide the required protection.

The second tier shall be in the form of a **parent company guarantee** from the parent company of an SPV member, that it, as a parent company, will step in and undertake the operation and maintenance obligations of its SPV member subsidiary should the subsidiary fail, over a specified period of time, and after suitable written notice, to perform the operations and maintenance functions in accordance with the required minimum standards.

The third tier shall be an **operation and maintenance performance bond**, in an amount sufficient to defray the costs to GTLM of obtaining the services of a third party to undertake the required operations and maintenance activities where the parent company has failed to meet the required minimum standards.

The third tier security requirement may be waived by GTLM upon a clear showing by the Bidder that the strength of the parent company guarantee, coupled with its immediate and apparent ability to meet the required minimum requirements,

renders an operation and maintenance performance bond unnecessary.

Each Bidder shall demonstrate in its Proposal, the strength of any parent company guarantee put forward for GTLM to consider waiving the operation and maintenance performance bond requirement. GTLM retains to itself the right to appraise the strength of any parent company guarantee offered, and either waive, or reduce the maintenance and operation performance bond required accordingly.

By way of information to the Bidders, GTLM is of the view that in the absence of a suitable parent company guarantee, an operation and maintenance performance bond shall be in the amount of **10% percent of the total capital cost** required to set up the project (**R71. million as at July 2011**) escalated at **CPI**, for each year of the Agreement term. Posting of any bond so required shall be prior to the PPP Agreement signing.

- **Costs of Security Items**

The costs for the general liability insurance and any operations and maintenance performance bond shall be clearly identified by each Bidder as a component of its total bid price.

Technical

The GTLM expects all Bidders' proposals to meet or exceed technical minimum requirements as set out in the RFP with regard to :

- minimum service in respect of recycling;
- community involvement in recycling;
- the standard and quality and size of storage receptacles;
- the type, quality and capacity and reliability of proposed collection equipment;
- the frequency, coverage and collection strategy or methodology;
- the minimum standards to be applied when rehabilitating the current landfill;
- the operational plan regarding operations at the current landfill and the proposed new landfill;
- the design standards of the proposed new landfill including infrastructural designs;
- the standard of the construction of the proposed site, infrastructure and the transfer station;
- the standard of the operations and maintenance of the sites and the transfer station; and
- the type, quality, capacity and relevance of the landfill equipment proposed.

3.2.1 Development Period Minimum Requirements(Site 1)

The development phase is envisaged to take a maximum of twelve months during which the bidder's proposal shall demonstrate that the current service levels will be maintained or offered to existing standards as set out in the output specifications. These will

include:

- the quality, extent, level and safety of the service;
- the impact of the technical service on the physical and social environment;
- the time schedule and a clear commissioning programme; and
- the quality management system proposed by the bidders.

3.2.2 Development and Operational Period Minimum Requirements (Site 2)

The Bidders Technical Proposals must demonstrate the progressive improvement of the service from existing standards including phasing in of activities during the operational period. The technical proposals must reflect:

- proposed technical performance targets and measurement system that exceeds minimum specifications;
- the quality and type of proposed services to the GTLM;
- the extent to which asset management and maintenance support the objectives of the PPP project;
- operating methodology;
- the quality of the proposed management structure, staffing, systems and practices;
- integration of existing services with the PPP project;
- compliance with the monitoring and reporting requirements of the GTLM;
- quality of technical proposals on branding; and
- quality of safety plans.

3.2.3 Additional Required Plans

In both the Development Period and the Operational Period plans, the Bidder's Proposal must further contain the following:

- a personnel integration and management plan, indicating how existing staff will be integrated, managed and trained;
- a quality assurance management and reporting plan, demonstrating how each Bidder will manage quality assurance outcomes, client reporting from the MIS and client interfaces at all levels; and

3.3 Legal and governance

Bidders are required to confirm their commitment to establish a SPV for the Project upon their appointment as Preferred Bidder for the Project.

Bidders are required to provide a mark-up of the draft PPP agreement and a shareholders' agreement.

Bidders must also ensure that they address all Competition Act issues. Failure to address these legal items in a Bid will render the Bid non-compliant and the Bidder will be disqualified.

3.4 BEE

The Municipality considers the Project as a valuable opportunity to empower not only the previously disadvantaged but also to contribute to the upliftment of the local communities of Tubatse. The Municipality anticipates that a large percentage of subcontracting must be done by Limpopo based contractors.

Given the long term nature of the Project, the Municipality envisages economic benefits from the Project flowing particularly to the Subcontractors and suppliers over the Project Term with added benefits flowing to Municipality staff through the involvement and skills transfer from the Service Provider.

The Municipality reserves the right not to conclude a PPP agreement with any Bidder unless it is satisfied that it will achieve its empowerment objectives for the Project in a real and sustainable manner.

Accordingly the Municipality considers the opportunities for BEE to fall within four key strategic areas, namely:

- Service Provider Equity;
- Service Provider Management and Employment;
- Subcontracting;
- Local socio-economic impact and

Each of the above items is considered in the sections that follow.

3.4.1 Service Provider Equity

The key objective of the Municipality in respect of Black participation in the Equity of the Service Provider is to assist in the creation of new Black players in the waste management market and/or strengthen the position of existing Black operators.

The Municipality wishes to avoid a high proportion of passive equity investors, whether or not from Limpopo, who are unlikely to benefit operationally from their participation in the PPP or are unlikely to become regular participants in the waste management PPP market.

The evaluation of Black Equity will be applied similarly to either a project-specific SPV or a single entity Bidder. The Municipality anticipates a 50% black Equity holding in the SPV and 60% of this Equity must be active.

3.4.2 Service Provider Management and Employment

The Municipality intends that the strong position it wishes to take with the equity filters down into the management and employment of the Service Provider. Importantly, the Municipality wishes to set as its target a staff ratio at all levels that reflect the demographics of the region in which the Projects reside, in all aspects including racial composition and gender spread. The second objective of the Municipality is to ensure that skills development does not only benefit the Service Provider's staff but it is also transferred to the GTLM's staff.

The nature of the waste management business is that a low percentage of women

are represented in the management echelons of the workforce and the high percentage thereof are non-black. The Service Provider must make a concerted effort to ensure black women representation on the management structures of the SPV and its subcontractors. With regard to skill development, the Service Provider must provide an implementable training plan to all relevant Municipality staff. The evaluation of management and employment plan of the bidder will apply to the SPV or, in the case of a single entity Bidder, to the Project staff and management.

3.4.3 Subcontracting

As with management and employment within the Service Provider, the Municipality intends that the Black Equity targets be reflected in the subcontracting element of the Project.. The nature of the Project allows for a wide range of small Black SMMEs to participate during the Development and Operational periods of the project. The Municipality wishes to see two clear outcomes at the Subcontractor level. Firstly, to what extent has the PPP allowed the Service provider to establish and promote new Black Subcontractors. And secondly, to what extent has the Service provider transferred skills to these Subcontractors.

3.4.4 Local Socio-Economic Development

The Municipality encourages the Bidders to make proposals as to how the Project could benefit the local communities indirectly through outreach initiatives, youth development and skills transfer opportunities. The proposal should include innovation relating to recycling initiatives, tapping and interfacing with the Public Works Employment Programme for job creation opportunities.

SECTION 4: PAYMENT MECHANISM AND PENALTY REGIME

Payment mechanism and penalty regime

The proposed payment mechanism and penalty regime is as contained in Annex D and in the PPP Agreement. It is premised upon the concept of a unitary fee payment whose elements are:

- a single unitary payment for full availability and performance of the services;
- an appropriate indexation;
- a mechanism for penalizing partial or complete failure of the availability and performance of the service by means of penalty deductions;
- no limit to deductions for non-availability;
- a mechanism for dealing with changes to service requirements; and
- provisions for performance bonuses and any sharing of excess profits.

Bidders are invited to comment and make proposals upon the proposed payment mechanism and the penalty regime in their submissions.

The Unitary Payment payable by GTLM to the Service Provider will be the net of the following:

- (a) the monthly Unitary Payment as determined in the financial model escalated by CPI;
- (b) less: the aggregate of penalty deductions, if any; and
- (c) plus / Less: any other additional costs.

Included in **Annexure C** of this RFP is a payment mechanism, which includes the following:

- (a) a single indivisible Unitary Payment for full availability and performance of the Service;
- (b) an indexation based on CPI;
- (c) a mechanism for penalising partial or incomplete failure of the availability and performance of the Service, by means of penalty deductions;
- (d) no limit to deductions for non-availability; and
- (e) a mechanism to deal with changes to **Service Requirements**.

A mechanism for payment to the Service Provider during the Development Period is to be proposed by each Bidder with minimum deliverables.

During the Development Period the GTLM will only pay the Service Provider an amount to cover current operational costs i.e. personnel payroll, utilities, delivery costs; until the Service Provider delivers enhanced services to the municipality through implementation of components of the solution. Any payment made during the Development Period may not exceed the unitary payment, less the capital investment costs.

Note that the capital investment portions of the unitary payment, depending upon phasing, will not become effective until the facilities have been built or refurbished and all capital items accepted as functional and in good working order .

Bidders are invited to provide proposal regarding the payment mechanism and penalty regime in their submissions.

SECTION 5: LEGAL REQUIREMENTS AND DRAFT PPP AGREEMENT

5. Legal Requirements and Draft PPP Agreement

The following are key commercial and performance requirements necessary to demonstrate that a bidder has a legal status and capacity to fulfil the requirements of the PPP agreement including:

- full disclosure of consortium make up, including lenders, sponsors and parent companies;
- [draft] shareholding agreement in respect of the proposed shareholders, demonstrating commitment and roles and responsibilities in regard to the SPV;
- corporate governance requirements (proposed directors and executive management and how the relationships will be governed between the shareholders, directors, executive management and key sub-contractors; and
- extent of mark-up to the PPP agreement and changes to the project risk profile.

SECTION 6: COMMITMENT FROM BIDDERS

6. Commitment from Bidders

In this section, each Bidder shall describe its capabilities and commitments in terms of the matters referenced below, which descriptions and capabilities shall provide the basis for a determination as to the preferred and reserve preferred Bidder.

6.1 Technical Aspects, including all Relevant Service Details

At the basic level, the waste management service must include the provision of waste separation, recycling, storage, collection, transportation and disposal. The GTLM expects all proposals to meet or exceed technical minimum requirements as set out in the output specifications with regard:

- Minimum service in respect of recycling
- Community involvement in recycling
- The standard and quality and size of storage receptacles
- The type, quality and capacity and reliability of proposed collection equipment
- The minimum standards to be applied when rehabilitating the current landfill
- The operational plan regarding operations at the current landfill and the proposed new landfill
- The development and operational phase at the current landfill site
- The development and operational phase at the current and new landfill site
- The design standards of the proposed new landfill including infrastructural designs
- The standard of the construction of the proposed site, infrastructure and the transfer station
- The frequency, coverage and collection strategy or methodology
- The standard of the operations and maintenance of the sites and the transfer station.
- The type, quality, capacity and relevance of the landfill proposed solution and equipment proposed

6.1.1 Development Period minimum requirements

The development phase is envisaged to take a maximum of twelve months during which the bidder's proposal shall demonstrate that the current service levels will be maintained or offered to existing standards as set out in the output specifications. During the development phase, a partial unitary payment will be offered for the service rendered. Bidder's technical proposals will be evaluated on,

- The quality, extent, level and safety of the service
- The impact of the technical service on the physical and social environment.

- The quality management system proposed by the bidders.

6.1.2 Site 1

- The continued operation of the current site towards closure for a maximum period of two years
- The application for a closure permit.
- The rehabilitation of the site as per closure permit requirements
- The submission of a closure report of the current site
- The post closure monitoring and maintenance of the current site.
-

6.1.3 Site 2

- The development of site designs and plans
- The design plans of the site infrastructure
- The operational and maintenance plans
- The time schedule and a clear commissioning programme

6.1.4 Transfer Station

- The quality, extent, level and safety of the service
- The impact of the technical service on the physical and social environment.
- The time schedule and a clear commissioning programme
- The quality management system proposed by the bidders
- Develop transfer station designs and plans
- Develop an operational plan for the transfer station
- Reasonable and technically sound proposal
- Affordability and sustainability

6.2 Operational Period Minimum Requirements

The Bidders Technical proposals must demonstrate the progressive improvement of the service from existing standards including phasing in of activities during the operational period for which a full unitary payment shall be paid. Payment of the full unitary fee shall be effected for services rendered upon the Bidder meeting all technical aspects of the development phase. The technical proposals must reflect,

- The operational plan and techniques
- The operations technical performance targets and

measurement systems

- The quality and type of proposed services
- The extent to which asset management and maintenance regime support the objectives of the PPP project
- Operating methodology
- The quality of the proposed management structure, staffing, systems and practices
- Integration of existing services with the PPP project
- Compliance with the monitoring and reporting requirements of the GTLM.
- Quality of technical proposals on branding
- Quality of safety plans

6.2.1 Site 1

- Operations and maintenance of the site to closure permit requirements
- Health and safety standards implementation
- Rehabilitation of the site for closure purposes
- Integration of the site operations and rehabilitation towards closure
- The acquisition of a closure permit
- Closure of the site

6.2.2 Site 2

- Operation of the new site as per permit requirements
- Maintenance of the site according to permit conditions and implementation of the operational plan
- Implementation of the health and safety plans
- Implementation of the site quality systems
- Implementation of the progressive monitoring systems
- Provision of monthly reports
- Develop an operational plan for the transfer station

6.2.3 Additional required plans

In both the Development Period and the Operational Period plans, the Bidder's Proposal must further contain the following:

- A personnel integration and management plan, indicating how existing staff will be integrated, managed and trained;;
- A quality assurance management and reporting plan, demonstrating how each Bidder will manage quality assurance outcomes, client reporting from the MIS and client interfaces at all levels; and

6.3 BEE Elements

All BEE elements of the balance scorecard, with commitments for each element must show:

6.3.1 Sources or Type of Black Equity

Sources of black equity may include the following, which is not exhaustive, but for illustrative purposes only:

- black enterprise balance sheet funds;
- loans to black enterprises or black shareholders funds; and
- equity funds, including any exit strategy.

In addition to indicating the sources of black equity, the following must also be provided:

- costs of black equity;
- timing on project cash flows to black shareholders; and
- operating costs for all skills development, employment equity and socio-economic programmes.

6.3.2 Shareholders and Related Agreements

Shareholders' agreements and any third party agreements relating thereto must show:

- terms for black shareholders;
- sponsor support arrangements to black shareholders, if any; and
- commitments in respect of black persons holding management control positions.

6.3.3 First Tier Subcontracts

First tier subcontracts must show:

- terms for black shareholders;
- black persons in management control;
- black women in management control;
- skills development and employment equity commitments for first tier subcontractors; and
- procurement commitments to black enterprise SMMEs.
- Performance contract indication risk assumed

6.3.4 BEE Provisions in PPP Agreement

The marked up PPP agreement, referred to aboveabove, must show:

- any proposed changes to standardised PPP BEE provisions; and

- draft schedules capturing all BEE commitments.

6.4 Competition and Other Statutory Requirements

Each Bidder must indicate any perceived requirement for approval from the Competition Commission should it be selected as the preferred Bidder herein, and the timetable for securing such approval.

Each Bidder should also indicate any current or perceived inability to meet the statutory requirements set forth above, should it be selected as the preferred Bidder and the timetable for meeting such statutory requirement(s).

6.5 Financial and Project Structure

Each Bidder must submit a financial model, in Microsoft Excel format, in a form that will permit GTLM to thoroughly interrogate the Proposal. The model shall include a separate sheet listing all assumptions contained in the model.

Each Bidder consortium shall provide a financial model that demonstrates the sources and uses of all financing, through each phase of the Project.

Regardless of the type of funding to be obtained, GTLM must have sufficient information to analyze the funding structure in order to determine whether or not funding can be provided and sustained throughout the Project.

Each Bidder must demonstrate how interest rate risk or other such key sensitivity variables will be managed, in order for GTLM to assess whether any risk management mechanism will affect value for money, as determined in the Feasibility Study.

The PPP Agreement must be denominated in Rand, the South African currency. Any exchange rate and currency risks to the Project will be borne by the Service Provider.

6.5.1 Contents of Financial Models

It is essential that each Bidder submits a model with its Proposal that permits a comparison with GTLM's Feasibility Study model and with the other Bidder's models. Therefore, each model submitted shall conform to the following requirements.

i) Base Date

The base date of each model shall be **1 July 2011**

ii) Model Requirements

Each model shall:

- be presented in electronic and hard copy formats, and be compatible with Microsoft Excel software;
- disclose all macro, micro and general assumptions;

- set forth information and data on a monthly basis for the development period, and thereafter on a semi-annual basis for the length of the project;
- present all required data in nominal, and net present value (NPV) terms;
- use a 15.8% discount rate. This discount rate assumed a 70:30 debt: equity ratio. any variation to the discount rate should be disclosed, and motivated by the bidder;
- show the bidding consortium structure or corporate project structure, in detail;
- indicate the funding structure of the Project, including types and proposed levels of debt and equity;
- demonstrate the likely equity input of each member of the consortium (if applicable), showing the percentage of total equity or sub-debt to be provided by each member. Equity and shareholders loan details must include the source of funds, amount of funds that shareholders are prepared to commit, and the timing of their contribution. Given that this Project is structured as a corporate finance project, a full set of financial statements for the companies providing the funding must be provided;
- show the cost of debt in a ring-fenced corporate finance structure, clearly detailing the level of fees and margin and full details on the basis for and factors comprising these fees and what the margins are based on and what went into them;
- indicate anticipated transaction volumes and transaction rates;
- set out targets for anticipated Service levels; and
- assumptions relating to asset replacement and disposal

6.5.2 Model Provisions

Each Bidder's model must provide:

- a thorough and detailed explanation of the model and its operation;
- the basis and costs of proposed interest rate hedging arrangements if applicable;
- inflation assumptions. For purposes of their proposals, Bidders shall assume inflation at six percent (6%) per annum, the top of the current range of forecast inflation as determined by the Reserve Bank of South Africa;
- capital expenditure according to the phases set forth in the RFP, for all capital items;
- project start-up costs;

- operating costs;
- a detailed source and application of funds statement for the Project;
- total equity, including standby and subordinated debt facilities;
- a funding plan and funding assumptions schedule identifying all sources, amounts and application of finance, conditions, terms, base costs, margins and fees; a debt schedule for each credit facility, including a draw-down schedule, interest paid, fees and repayment schedules;
- all indicative credit covenants, such as interest cover, by the lenders to be included in the funding plan to show that the SPV can meet its obligations for the duration of the project;
- balances of all reserve accounts and insurance structures;
- total operating cost and maintenance assumptions, including replacement schedules;
- forecast balance sheets, profit and loss and cash-flow statements;
- details of all taxation assumptions and treatment and the ability to enable or disable any or all such assumptions or treatments in the model;
- Net Present Value (NPV) of real revenues using the discount rate set forth above;
- the projected internal rate of return (IRR) before financing and taxes in both real and nominal terms;
- real and nominal return on equity as compensation to reflect the base case return on equity for the entire duration of the PPP agreement;
- sensitivity analysis of capital expenditures;
- sensitivity analysis of operating expenditures;
- sensitivity analysis on revenue streams;
- sensitivity analysis of variations in interest rates;
- sensitivity analysis in terms of inflation that differs from the assumption stated above;
- risk pricing and a detailed risk matrix; and
- assumptions on penalty deductions.

The financial model should demonstrate affordability based on the proposed unitary payment as detailed in this RFP.

Proposal that intends to source funding off shore must demonstrate how exchange rate and currency risks will be managed, in as much as all fluctuations between South African Rands and the currency of any foreign-sourced financing shall be at the risk of the Bidder.

6.6 Repayment of Fees to the Project Development Facility

National Treasury established the Project Development Facility (PDF) to fund a significant portion of a project's transaction advisor costs after TVR I. The PDF recovers these funds from the successful Service Provider Bidder after the financial closure of the PPP.

PDF funding in the amount of **R1 400.000.00(one million four hundred thousand rand)** will be provided by National Treasury to the GTLM during the course of these procurement processes.

Each Bidder should, therefore, include this sum in its pricing calculations, and understand that said amount must be paid over to National Treasury within thirty (30) days of signature of the PPP agreement.

SECTION 7: RFP EVALUATION CRITERIA

Evaluation Criteria

The capabilities, experience and unitary fee proposed by each Bidder relating to the provision of waste management services and the finance, design, construction and/or rehabilitation and operation of old and new landfill sites, as –described above, and to render the services as set forth in this RFP, will be reviewed by GTLM’s Evaluation Committee to determine an appointment of a Preferred Bidder and a Reserve Bidder. This evaluation will be undertaken in accordance with the provisions set forth in this section .

The GTLM Evaluation Committee shall be responsible for reviewing all Proposals submitted, and may consult with such other organisations as considered necessary or appropriate. Subject to applicable law, all information provided by a Bidder in its Proposal will be treated as confidential, but where considered necessary, all or any part of that information may be disclosed to any other government body.

Bidders may be requested by the GTLM Evaluation Committee to clarify aspects regarding their Proposals, and may request such meetings with a Bidder as deemed necessary to obtain the same. Bidders will further be requested to make one or more presentations to the Evaluation Committee

Evaluation of all Proposals shall be pursuant to the evaluation guidelines set forth in the Municipal Service Delivery and PPP Guidelines. The functionality, BEE and price elements of each bid will be scored on the basis of 100 points, thus:

$$A (\text{technical score}/100) + B (\text{BEE score}/100) + C (\text{price score}/100) = D$$

Where:

A is the weighting for Technical (60%)

B is the weighting for BEE (10%)

C is the weighting for price (30%) and

D is the total score achieved by the Bidder.

7.1 Technical Solution

The “technical solution” refers to all requirements set forth in this RFP other than the BEE requirements and the price. The evaluation of the technical solution proposed by each Bidder will encompass the following considerations:

- extent, quality safety, cost effectiveness, functionality and innovation of designs;
- level of design and robustness of cost estimates;
- impact on social and biophysical environment;
- deliverability and time schedules;
- integration of design, development and operations with a clear commissioning programme; and

- Quality management systems proposed by bidders.

7.1.1 The Development Period

The Developmental Period is envisaged to take a maximum of twelve (12) months during which the bidder's proposal shall demonstrate that the current service levels will be maintained or offered to existing standards as set out in the output specifications for which a partial unitary fee shall be paid. These will include:

- the quality, extent, level and safety of the service;
- the impact of the technical service on the physical and social environment;
- the time schedule and a clear commissioning programme; and

the quality management system proposed by the bidders.

7.1.2 The Operation and closure of Site 1

- Operations and maintenance of the site to closure
- Health and safety standards implementation
- Rehabilitation for closure purposes
- Integration of the operations and rehabilitation towards closure
- The acquisition of a closure permit
- Closure of the site
-

7.1.3 The Development and operation and maintenance of Site 2

- Develop and operate the new site at point of closure of the current site
- Operation of the new site as per permit requirements
- Maintenance of the site according to permit conditions and implementation of the operational plan
- Development of the health and safety plans
- development of the quality systems

7.1.4 Transfer Station

- The quality, extent, level and safety of the service
- The impact of the technical service on the physical and social environment.
- The time schedule and a clear commissioning programme
- The quality management system proposed by the bidders
- Develop transfer station designs and plans
- Develop an operational plan for the transfer station
- Reasonable and technically sound solution
- Affordability and sustainability

7.1.5 The Operations Period

The Bidders Technical proposals must demonstrate the progressive improvement of the service from existing standards including phasing in of activities during the operational period for which a full unitary payment shall be paid. Payment of the full unitary fee shall be effected for services rendered upon the Bidder meeting all technical aspects of the development phase. The technical proposals must reflect

- The operational plan and techniques
- The operational and technical performance targets and measurement systems
- The quality and type of proposed services to the GTLM
- The extent to which asset management and maintenance support the objectives of the PPP project
- Operating methodology
- The quality of the proposed management structure, staffing, systems and practices
- Integration of existing services with the PPP project
- Compliance with the monitoring and reporting requirements of the GTLM.
- Quality of technical proposals on branding
- Quality of safety plans

7.2 The legal Solution

The following are key governance requirements necessary to demonstrate that a bidder that has a legal status and capacity to fulfil the requirements of the PPP agreement including:

full disclosure of consortium make up, including lenders, sponsors and parent companies

[draft] shareholding agreement in respect of the proposed shareholders, demonstrating commitment and roles and responsibilities in regard to the SPV;

corporate governance requirements (proposed directors and executive management and how the relationships will be governed between the shareholders, directors, executive management and key sub-contractors; and

extent of mark-up to the PPP agreement and changes to the project risk profile.

7.2.1 Financial Solution

The elements to be evaluated in terms of each Bidder's financial solution include the following:

- the total project cost in relation to the affordability constraints of the project;

- how realistic are the proposed capital and operating expenditures, including an evaluation of whether all anticipated and proposed costs have been included in the financial model;
- the robustness of the financial proposal, including sensitivity to changes in operating and maintenance costs, currency fluctuations (if applicable), inflation, interest rates and changes in the cash-flow profiles;
- robustness of the funding structure;
- level and nature of true equity in the funding structure;
- the cost of BEE commitments;
- the level of commitment demonstrated by the debt and equity providers and the terms and conditions linked to the provision of funding;
- the level of risk assumed by the bidder and any deviation from the terms of the tender documentation;
- the cost, level and nature of the insurance cover proposed;
- risk allocation: the risk profile proposed by each bidder will be tested in relation to:
 - the nature and extent of the risk assumed or not assumed;
 - the likelihood of the risk occurring; and
 - the transfer of any risks to sub-contractors;
- consistency between the financing arrangements and the draft PPP Agreement, as well as the level of acceptance by financiers in terms of that Agreement; and
- the percentage of total debt outstanding the Bidder believes should be repaid as compensation upon default by the Bidder.

7.3 BEE Solution

The evaluation of the Bidder's BEE proposal will be in accordance with the BEE balanced scorecard, as set forth in the evaluation criteria.

7.4 Price

The basic principle is that a Unitary Fee will be paid monthly in arrears for collection and disposal of municipal waste. We note the waste management value chain for opportunities for generation of additional revenue streams. Bidders are required to bid the following:

Unitary Fee for the Site 1 Period (the period when Site 1 is being used for Services and operated to Closure);

Unitary Fee for the Site 2 period (the period when the Site 1 is closed and Site 2 is operational);

Revenue generating opportunities:

Revenue Sharing % to be allocated to the Municipality as a result of the maximisation of the revenue generating opportunities, for the benefit of the Service Provider and the Municipality.

The GTLM will accord the highest number of points for a financial solution that contains all the elements set forth in 9.3, above, and reflects affordability, value for

money, and the transfer of significant risk to the Bidder, based upon the lowest net present value (NPV) of the total cost to the GTLM, using a discount rate of 15.8%;

7.5 The Overall Integrated Solution

Bidders must ensure that their overall solution adds-up to an affordable and value for money offering to the GTLM

7.6 Best and Final Offer (BAFO)

The GTLM desires strongly to avoid a “Best and Final Offer” (BAFO) process, whereby the two strongest Bidders are required to refine one or more elements of their Proposals in order to determine the Preferred Bidder; hence the conducting of a Pre-Bid Workshop and the conducting of a Contracts Workshop, all of which are designed to avoid a BAFO.

The GTLM’s Evaluation Committee reserves the right to interrogate Bidders to clarify aspects regarding their Proposals in order to avoid a BAFO, and may request such meetings with a Bidder as deemed necessary. Bidders may be requested to make one or more further presentations to the Evaluation Committee in this regard.

Having said this, the GTLM reserves the right, should it deem it necessary, to conduct a BAFO process at the appropriate time.

The RFP Evaluation Criteria

TECHNCIAL EVALAUTION CRITERIA	RFP reference	Sub points	Total score
<i>Overall solution</i>			30
Extent, quality, cost effectiveness, functionality and innovation of designs			
Level of design and robustness of cost estimates			
Impact on social and biophysical environment			
Deliverability and time schedule			
Integration of design, development and operations with clear commissioning programme			
QMS proposed			
The operational plan and techniques			
the operational and technical performance targets and measurements systems			
the quality and type of proposed services			
the extent of the asset management and maintenance objectives proposed			
the skills and competency of the proposed management structure, personnel, systems and practices			

Integration of existing services with the PPP project			
Compliance with the performance management and monitoring requirements of the municipality			
Quality of safety plans			
Site 1		20	
Operations and maintenance of the site closure			
Health and safety standards implementation			
Rehabilitation for closure purposes			
Phasing and integration of site2 with the operations and rehabilitation towards closure for site 1			
The acquisition of a closure permit			
Closure of the site and proposal of alternative land use			
Site 2		30	
Develop and operate the new site at point of closure of site 1			
Operation of site 2 as per permit requirements			
Maintenance of the site according to permit conditions and operational plan			
Development of the health and safety standards			

Development of the quality assurance systems			
Technical Capacity and experience of the landfill operator			
Proposal of additional use of site 2 including hazardous waste			
Legal		20	
Full disclosure of consortium make-up including lenders, sponsors and parent company			
Draft shareholder agreement in respect of proposed equity distribution, roles and responsibility, commitment and availability in regard to both passive and active equity			
Sound corporate governance structures(proposed directors, executive management and how the relationship will be governed between shareholders, directors, executive management and key subcontractors			
Extent of the mark-up to the PPPA and changes to the risk profile			
TOTAL			100
Minimum threshold			60

BEE Scorecard

BEE Element	Current Target	Target in 4 years time	Bid evaluation weighting
A1. Bidder equity			20%
A1: Black Equity	50%	60	
A2: Active equity	60% of A1	60+% of A1	
A3: Cost of Black Equity	Value for Money	Value for Money	
A4: Timing of Project cash flow back to Black shareholders	Early and ongoing	Early and ongoing	
B: Bidder management and employment			15%
B1: Black Management control	Commensurate with A1 and A2	Commensurate with A1 and A2	
B2: Black Women in management control	15% of B1	25% of B1	
B3: Employment equity	Compliant with law	Compliant with law	
B4: Skills Development	1% of payroll	1% of payroll	
C Subcontracting			50%
C1: Capital expenditure cash flow to Black people or Black Enterprise	50%	50+%	
C2: Operating expenditure cash flow to Black people or Black	50%	50+%	

BEE Element	Current Target	Target in 4 years time	Bid evaluation weighting
Enterprise			
C3: Black Management Control	25%	50%	
C4: Black Women in Management Control	15% of C3	25% of C3	
C5: Employment equity	Compliant with law	Compliant with law	
C6: Skills Development	1% of payroll	1% of payroll	
C7: Procurement to Black Enterprise SMMes	50%	70%	
D: Local socio-economic impact	Use of local labour, materials and suppliers for 50% of total construction and operating expenditures.	Use of local labour, materials and suppliers for 60% of total construction and operating expenditures	15%

ANNEXURE A: DRAFT PPP AGREEMENT

ANNEXURE B: CODE OF CONDUCT

Preamble

In the interests of conducting the selection process for determining a preferred bidder to be invited to negotiate for the delivery of integrated waste management service and the finance, design construction, rehabilitation of and operation and maintenance of current and new landfill sites for the GTLM. The GTLM and each of the short-listed consortia commit themselves, over and above any applicable requirements and procedures to the following code of conduct for the duration of this phase of the tender process.

Definitions

"advisors" means any of the consultants, professionals, other related experts and their employees that the Municipality uses, or has used, to advise on any aspect of this tender;

"bidder" means any of the consortia, JV or company that have submitted a proposal under this tender and includes any constituent entity or person that, together with other entities or persons, comprises a bidder;

"GTLM" means the Greater Tubatse Municipality in Limpopo;

"employee" means any person employed by the GTLM;

"existing service providers" means any of the contractors or subcontractors engaged by the GTLM who are presently undertaking tasks related to waste management service;

"participant" means the GTLM, its advisors and employees and any bidder;

"tender" means the GTLM's proposed public private partnership;

"tender documentation" means the RFP tender document issued to bidders on 21 April 2013 in connection with the GTLM's proposed public private partnership, and any subsequent document issued that invites bidder's Proposal;

"tender process" means any and all of the processes and activities associated with the tender for the GTLM's proposed public private partnership, from the date of issuance of the tender documentation up to and including the date of final notification to all bidders as to the determination of the preferred bidder that will be invited to negotiate for the private public partnership.

Contents

1. Contact Person

The contact person for the GTLM shall be Mr Jabu Shongwe, Manager – Waste Management Services ("Project Officer"):

Greater Tubatse Local Municipality
1 Kastania Street
Burgersfort
1150

(013) 231 1000/082 904 9042

e-Mail: ajshongwe@tubatse.gov.za.

2. Communication

- 2.1. It is prohibited for any bidder to communicate in any manner whatsoever, with any employee of the GTLM, any Member of the Evaluation Committee or any advisor in connection with any aspect directly or indirectly associated with this tender process. Communication in connection with this tender shall be directed to the Project Officer.
- 2.2. A transgression of 2 shall result in a bidder being penalised in the evaluation process.
- 2.3. All communications for access to information, requests for one-on-one meetings, requests for technical contact meetings and other similar information sessions that are aimed towards assisting the bidder in its bid must be directed in writing to the Project Officer.

3. Existing Service Providers

- 3.1. To the extent that any of their individual constituent components, or any person associated with a bidder may already be contracted to the GTLM and therefore enjoy an advantage, such bidder must, subject to any applicable law, permit any other bidder access to:
 - 3.1.1. all information documentary or otherwise pertaining to the type of service that is being provided to the GTLM;
 - 3.1.2. the cost of providing such service;
 - 3.1.3. any subcontractor contracts that have been entered into for the provision of that service; and
 - 3.1.4. the contact details of appropriate persons from their constituent components, or persons of their subcontractors who possesses any information relating to the provision of such service.
- 3.2. Subject to any law, bidders must disclose all information, documentary or otherwise, relating to their constituent existing service providers, within 1 (one) week of receipt of the RFP, to the Contact Person referenced in Clause 1, above.
- 3.3. Bidders whose constituent members are presently providing existing services to the GTLM must at the issuance of the RFP indicate in their bid how they intend to wind up their constituent's existing contracting obligations and any obligations of their subcontractors with the GTLM prior to the final award of the contract.

Failure to comply with clause 3 will be regarded as an absence of good faith on the part of a bidder and shall lead to the bidder being penalised during the evaluation process.

4. Confidentiality

- 4.1. In connection with the evaluation and adjudication of the bidders to be invited to negotiate for the provision of the services described in the Preamble, the GTLM and the bidders hereby agree, as follows:
 - 4.1.1. to keep secret and confidential all information, specifications, know how, trade secrets, materials, data and other communications, oral or written, ("confidential information") of any bidder and not reveal such confidential information to any person except to another Member of the Evaluation Committee, the

GTLM's advisors, or the representative of the PPP Unit assigned to this project, as may be necessary for the purposes of evaluating and adjudicating the Proposal;

- 4.1.2. not to use any confidential information in any way whatever anywhere in the world except for the purpose stated in paragraph 4.1.1 above;
- 4.1.3. to keep safe all documents and other tangible property comprised within the confidential information and not to release them or it out of its possession;
- 4.1.4. to immediately notify the project manager upon learning of any unauthorized use or disclosure of any confidential information;
- 4.1.5. to return all confidential information supplied by any bidder to the project manager upon the conclusion of the RFP adjudication process, and immediately to cease all use whatever, of any such confidential information;
- 4.1.6. that the confidential information and all copyright and other proprietary rights therein shall remain the bidder's property at all times;
- 4.1.7. that the undertakings and agreements made hereunder shall continue to be binding for a period of 3 (three years) whether or not the confidential information has been returned to the bidder or until such time (if ever) as the confidential information falls into the public domain otherwise than as a result of or arising from any disclosure by a Participant; and
- 4.1.8. that the GTLM recognizes that the disclosure of confidential information may give rise to irreparable injury and acknowledge that remedies other than injunctive relief may not be adequate. Accordingly, the bidder has the right to equitable and injunctive relief to prevent the unauthorized disclosure of its Confidential Information, as well as such damages or other relief as is occasioned by such unauthorized use or disclosure.

5. Changing of Bidder Composition

- 5.1. Changes in the consortia formed in response to the RFP is not allowed without written consent from the GTLM and the substance of a bid already submitted is never allowed to change. Changes to the consortium could be considered at the GTLM's discretion. The following procedure must be followed:
 - 5.1.1. the consortium advises the GTLM of the proposed change, in writing, with full details of the reason for the change, the parties involved and the impact on the consortium;
 - 5.1.2. the GTLM will apply the same evaluation criteria as set out in clause 0 of the RFP to re assess the consortium, using, where possible the same evaluation process. The required standard is that the changed consortium should score at least the same number of points it scored during pre-qualification;
 - 5.1.3. if satisfactory , the GTLM will advise the consortium in writing; and

5.1.4. if unsatisfactory substitution is provided, the consortium will be disqualified and the GTLM will advise the consortium in writing.

6. Reserving of Rights

- 6.1. In addition to the special disqualifications mentioned in this Code and any other rights of the GTLM in relation to the tender, the GTLM reserves the right to consider any single transgression of a provision of this Code sufficient cause to disqualify a bidder.

The agreement of the undersigned to the foregoing Code of Conduct is evidenced by the signature set forth below:

For a Bidder:

Name:

Date:

Representing: _____

For the Greater Tubatse Municipality:

Jabu Shongwe:
Project Officer

Date:

ANNEXURE C: PAYMENT MECHANISM

1. Definitions

1.1.	“Capital Investment Costs” (CIC)	The component of the Unitary Payment which covers capital investment incurred
1.2.	“Current Annual Operating Costs”	Estimated cost of operating the entire service of solid waste disposal in the Municipality
1.3.	“Deductions”	Monies deducted from the Unitary Payment
1.4.	“Financial Model”	The final financial model used to confirm the calculation of the Unitary Payment
1.5.	“Monthly Incentive Bonuses”	Financial incentives paid to the Service Provider for achieving service levels
1.6.	“Monthly Net Payment”	The net amount paid to the Service Provider in any specific month
1.7.	“Service Outputs”	The measured outputs for services undertaken by the Service Provider as part of the final concession agreement
1.8.	“Transaction”	The unit of work to provide service outputs
1.9.	“Transaction Rate”	The rate charged for performing a transaction
1.10.	“Unitary Payment”	The annual maximum payment by the GTLM to the Service Provider for provision of services, excluding any deductions or penalties.
1.11.	“Volume Deductions”	Monies deducted from the Unitary Payment based on the volume of transactions undertaken

2. Unitary Payment Principles

2.1. The Unitary Payment for the Contract Year:

- 2.1.1. The Development Period fee will be compensated separately. This payment is to be payable on a pro-rata basis, which is higher than Current Annual Operating Costs but less than the Unitary Payment, and will not include CIC. The timing of this payment will be monthly, in arrears.
- 2.1.2. For the first contract year the Unitary Payment will be **R21.15** million excluding VAT. This will cover a combination of Current Annual Operating Expenses and Capital Investment Costs.

- 2.1.3. For every succeeding contract year, the Unitary Payment for the previous contract year will be escalated at CPIX, in accordance with the PPP Agreement.
- 2.1.4. The Unitary Payment will be equal to the sum of the monthly maximum payments to the Service Provider.

2.2. **Capital Investment Costs**

The Capital Investment Cost is the proportion of the Unitary Payment, which is used by the Service Provider to amortise the investment required in buildings and infrastructure as well as IT and capital equipment and includes cost of financing either by equity or loan capital, the specifics of which must be set forth in accordance with the provisions of **clause 6** of the RFP.

2.3. **Operational Component**

2.3.1. **Transaction Rates**

2.3.1.1. Each Transaction process shall have a rate applicable to each of the services undertaken:

- Collection;
- Storage;
- Transportation;
- Disposal.

Each Transaction Rate shall be calculated as follows:

$$TR_1 = \frac{TC_1}{TD_1}$$

where:

TR_1 = The Transaction Rate, (annual TR increases will be linked to CPI)

TC_1 = the portion of the Unitary Payment that is attributable to the Service Outputs undertaken

TD_1 = The projected maximum annual volume of transactions undertaken by the Private Party

2.3.1.2. With the exception of the first year of the contract term, the GTLM and the Service Provider may, if jointly agreed, review the Transaction Rates at any time before the commencement of any particular Contract Year and negotiate adjustments to the Transaction Rates to apply in that Contract Year, provided that:

2.3.1.2.1.the CIC combined with the sum of all Transaction Rates multiplied by the corresponding annual volume of transactions undertaken (TD) is not more than or equal to the Unitary Payment; and

2.3.1.2.2.the Transaction Rates shall be commensurate with the importance of the Service Outputs to the GTLM.

2.4. **Payment of Unitary Payment**

The payment of the Unitary Payment to the Service Provider will be strictly dependant on meeting the stated minimum requirements of the service levels for each Transaction as set forth in the PPP Agreement. The calculation of the monthly Unitary Payment (Clause 3) requires these minimum requirements to be met. Penalties for non-performance are included in **Clause** Error! Reference source not found..

3. **Monthly Portion of Unitary Payment**

The monthly portion of the Unitary Payment for a contract month shall be determined in accordance with the following formula:

$$\text{MMaxP} = \frac{\text{TC}_1 + \text{TC}_2 + \text{TC}_3 + \text{TC}_n}{12} + \frac{\text{CIC}}{12}$$

where:

MMaxP = Monthly Maximum Payment

CIC = Annual Capital Investment Costs

This calculation assumes no seasonality of workload. MMaxP may be varied over the year to take seasonality into account, if agreed by both the Service Provider and the GTLM after the second contract year. In any case the total of the MMaxP for the 12 months will always equal the Unitary Payment.

4. **Monthly Net Payment**

4.1. In respect of the final contract month of the tem of the PPP agreement, the Monthly Net Payment will be calculated on the basis of circumstances applying both in the penultimate contract month and in the final contract month

5. **Deductions**

5.1 **Penalty Deductions**

Penalty deductions (see Clause 2.4) for each Transaction component shall be determined quarterly. These will be based on the principle that the GTLM will only pay fully for work that has been undertaken to the appropriate service levels for each transaction as set forth in the final contract.

Table Of Penalty Deductions For Transaction Services

Transaction	Minimum Requirements	Penalty
Collection services at current service points per the Output specifications	95% of all waste from current customers collected	5% of Quarterly Unitary Payment subject to quarterly review of service levels
Storage, Transport and Disposal of collected waste from current service points	95% of waste efficiently disposed	5% of Quarterly Unitary Payment subject to quarterly review of service levels
Rehabilitation of the current disposal site	100% Compliance with the environmental regulations and permits applicable to the disposal site	10% of annual Unitary Payment
Adherence to waste disposal permit provisions	Clean audit reports on audits of the disposal site, and adherence to remedial clauses where the PPP agreement provides for remedy of breaches	10% of annual Unitary Payment
Extension of services to new customers as per the solid waste phase-in plans provided for in the PPP agreement	Attain 75% coverage of targeted areas	5% of Quarterly Unitary Payment subject to quarterly review of service levels

Each week service levels will be monitored. For every week the minimum requirements have not been met, a deduction of 1% of the penalty in the above chart will be accrued. In the event that there is persistent breach of the service levels i.e. over two(2) quarter weeks simultaneously, the penalty will be doubled to 7.5 per Monthly Unitary payment.

The maximum contractual penalty set forth above expressed as a percentage (e.g. 15%) of the Unitary Payment is determined initially by excluding the CIC portion thereof. **However, penalty deductions may result in the Service Provider receiving less than the agreed minimum payment if the service levels are persistently below the minimum requirements.**

In addition, in the event that an inspection of the services by the GTLM or any other properly authorised governmental entity reveals a failure to implement the expansion plans, the minimum service requirements, or other such requisites outlined in the PPP agreement , the Service Provider shall be penalized as follows:

Severe breach, each occurrence: R250 000

Minor breach, each occurrence: R10 000

Persistent minor breach: R50 000

*A “severe breach” is a breach that results in health risks resulting from inefficient management of waste, or business not being able to conduct business as a result of a default/breach by the Service Provider for more than twenty four (24) Business Day hours and “persistent” in terms of this Annex means that a breach has been noted on three consecutive inspections.

5.1.1. BEE Penalty Deductions

Penalty deductions for failing to achieve/maintain BEE requirements shall be as follows:

Item	Minimum Initial Standard	Penalty
Service Provider Black Equity	50%	1% of Unitary Payment, per month, imposed from the seventh (7 th) month subsequent to the month in which the Black Equity fell below the minimum.
Service Provider Active Black Equity	60% of the above.	1% of Unitary Payment, per month, imposed from the seventh (7 th) month subsequent to the month in which the Active Black Equity fell below the minimum.
Service Provider Management and Employment	As per PPP agreement	1% of annual Unitary Payment for each month subsequent to the third (3 rd) month in which the Black Management control fell below the minimum.
Black Management Control	Commensurate with Black Equity and Active Black Equity	1% of annual Unitary Payment for each month subsequent to the third (3 rd) month in which the Black Management control fell below the minimum.
Black Women in Management Control	15% of Black Management control	1% of annual Unitary Payment for each month subsequent to the third (3 rd) month in which the percentage of Black Women in Management control fell below the minimum.
Skills Development	1% of payroll	Two times the difference between skills development expenditures actually incurred

		and 1%.
Subcontracting		
Capital expenditure cash flow to Black people or Black Enterprise	30%	Two times the difference between capital expenditure and percentage awarded to Black people or Black Enterprise, measured annually.
Operating expenditure cash flow to Black people, Black Enterprise and Black Enterprise SMMEs	30%	Two times the difference between operating expenditure and percentage awarded to Black people or Black Enterprise, measured annually.
Skills Development	1% of payroll	Two times the difference between skills development expenditures actually incurred and 1%, measured annually.
Local socio-economic impact	Use of local labour, materials and suppliers for 15% of total construction and operating expenditures.	Two times the difference between labour, material and supplier expenditures and 15%, measured annually.

ANNEXURE D: TECHNICAL INFORMATION TO INFORM THE OUTPUT SPECIFICATIONS

Objectives of the Project

The objectives of the technical solution is to appoint a Bidder with the background, experience and ability to deliver a service that meet or exceed technical minimum requirements of this RFP.

Describing Waste Management Services in the GTLM

The technical solution proposed is in respect of the technical waste management service that is acceptable, affordable and sustainable for all communities in the GTLM.

Current Waste Management in the GTLM

Waste Generation in the GTLM

The current solid waste generation and receptacles in the GTLM is tabled below:

Area	Tons Per Day	Bins
Rural	4.8	-
Villages	178	-
Informal Settlements	60	
Mines	120	59 x 6m ³
Service Point	361	23 x 6m ³

Collection Equipment

1x 19m ³	Compactor truck	-	Municipality.
2 x 19m ³	Compactor truck	-	Service Provider.
6 x 6m ³	Skip trucks	-	Mine

Collection in Rural Areas, Villages and Informal Settlements

The GTLM does not provide a collection service for rural areas, villages and informal settlements in the GTLM.

Mine	Distance
Marula Platinum	46km
Twickenham	50km
Steelpoort	16km

Mine	Distance
Tubatse Ferrochrome	14km
Xstrata Vantecch	15km
Dwars Rivieren	41km
Three Rivieren	25km
Modikwa	25km
Dilokong	56km

Collection from service points

There are five service points where the municipality collects waste and these are Burgersfort, Praktiseer, Mapodile, Ohrigstad and Steelspoort. The table below illustrate the frequency of collection and distances from service point to the landfill in Burgersfort:

Service Point	Collection Frequency	Distance to Landfill
Burgersfort	Daily	3km
Steelspoort	Once a week	15km
Mapodile	Once a week	28km
Praktiseer	Once a week	18km
Ohrigstad	Once a week	36km

Waste Disposal in the GTLM

Burgersfort Landfill

There is one operational landfill in Burgersfort. The landfill has operational and maintenance limitations. The site permit was withdrawn as a result of non-compliance .

The landfill airspace is estimated at seven years with current operational methods and techniques. The landfill site requires immediate rehabilitation and be operated towards closure due to operational challenges and airspace limitations.

Rehabilitation

The landfill rehabilitation will encompass the rehabilitation design, remedial work, and compaction to acceptable densities, application of cover, sloping, grassing, hydro seeding and capping.

New Appiesdoring Landfill

This is the proposed new landfill that is permitted through a special purpose vehicle (Silver Crest) by Anglo Coal. The intention of Anglo Coal is to donate the permit and the

land to the GTLM subject to the GTLM demonstrating the technical capacity to operate and maintain the landfill to minimum requirements.

Recycling at the Burgersfort Landfill

The only significant recycling activity taking place in the GTLM is the recycling that is being undertaken at the landfill by a local contractor whose employees reclaim material from the workface to the recycling shed. Most other recycling initiatives have failed because of the distance between the source and the buyer's location.

Transfer Station

The technical solution recommends the development of a less mechanised transfer facility in Ohrigstad because of the distance between this service point and the Burgersfort landfill site.

Street Cleaning

The service is provided by 24 General workers employed by the current service provider. The technical solution recommends the redeployment of this service to the GTLM and the absorption of the staff by the municipality.

Servicing the Rural Areas

There are 10 areas categorized as being rural in the GTLM as per the definition of the rural area in the State of the Environment Report 2006. The rural area has an average of 40 households each with about 8 persons per household. The average population in a rural community is therefore about 320 people making the total population of all rural settlements in 3200 people.

The total waste generated by a rural community is estimated to be 480 kg per day (320 x 1.5kg). Invariably the total waste generated by all communities is 4.8 tons per day or 33.6 tons per week.³

The feasibility study recommended the placement of 10 x 6m³ skip bins on the basis of one for each rural settlement. The above is illustrated below:

Average households in rural area	40
Average rural household	8 persons per household
Average population of rural community	320
Number of rural communities	10
Total population of all rural settlements	3200
Average waste generation per persons in rural area	1.5kg
Total waste generated per day by a rural community	480kg
Total waste generated per day by a rural per day	4.8 tons
Total waste generated by all rural communities per week	33.6 tons

Average load per skip 6m	6 tons
Number of 6m skip required in rural areas per week	10

Collecting Waste from Households to 6m³ Skip Bins

Alternative 1: Contractor Appointed By The Municipality

A local rural contractor appointed by the municipality provides door-to-door collection service to the receptacle at such terms as the partners may agree. The contractor will provide his/her own transport –donkey cart, van, tractor–trailer and supply households with 85lt plastics bags and promote public awareness of the service.

The approach has the potential to create 10 entrepreneurs, each at least with one assistant. On the whole work, 20 permanent jobs could be created. The same people may branch into recycling of waste and composting.

Alternative 2: Food for Waste Programme

Through food for waste programme, waste may be collected from rural areas. The table below provide a comparative analysis of both options for rural waste collection:

Private Collection	Food for Waste
Contracted to GTLM less management oversight	Collectors are beneficiaries of funding arrangement between local municipality and National Municipality of Public works
Door to door collection	Door to door collection
Less management oversight	Strong management oversight
Capital cost of bins	Capital cost of bins
Payment in monetary terms	Payment in food parcels
Minimal labour	Labour intensive
Municipal funding	Municipal and external funding

Servicing Villages

There are 166 villages in the GTLM. As per the State of Environment Report 2006, a typical village in the Municipality comprises on average 120 households, which are occupied by an average population of a village is approximately 720 people. As a result the total of population of the village communities in the GTLM is 119 520 people.

The total waste generated by the villages for a seven days week is a total of 1255 tons. Based on the tonnages and on the assumption that 6m³ skip bins are used, the total number of skips required per week will be 209.

Storage facilities for village

Average household per village	120
Average number of persons per village	6
Average per capital waste generation per person per day	1.5kg
Total population per village	720
Total number of villages	166
Total population of village	119 520
Total volume generated per village per day	1080 kg/1 ton
Total volume generated all villages per day	179 tons
Total volume generated for all villages per week	1253 tons
Total 6m skip bins required to store all villages waste	209

The supply of 209 x 6m³ bins strategically placed at the for example shops, schools, clinics and taverns implies that every millage will at least have access to the use of one skip bin as a storage container where a total of 40 x 6m³ skip bins may be used in the internal settlements or urban areas.

Alternatives for Collection Waste to the 6m Skip Bins

Altrenative1: Contractor Appointed by the Municipality

A once off a week collection Service in 19m³ compactor truck will link the routes to the truck will link the routes to the service points and the mines.

Alternatives 2: Food for Waste Programme

The following table is a comparative analysis of both options for village waste management.

Supply of Storage Facilities	Food for Waste Programme
No door to door collection	No door to door collection
No labour required	Labours intensive
Capital cost of bins	Capital cost of bins
No labour costs	Food parcels costs
Minimal municipal oversight	Extensive municipality oversight
Municipal funding	Municipal and external funding

Storage Facilities in Rural Areas

The Municipality does not provide any waste management services in rural areas including the allocation of storage facilities.

Collection in Rural Areas

There are no collection services offered by the municipality in all rural areas within the GTLM.

Waste Management in Villages

There are 166 villages in the GTLM. As per the State of Environment Report 2006, a typical village in the Municipality comprises on average 120 households which are occupied by an average of six persons per household making the total population of a village approximately 720 people. As a result the total of population of village communities in the GTLM is 119 520 people.

The total waste generated by all villages per day is therefore approximately 179 tons.

Collection services in Village Areas

The municipality does not provide any waste collection service throughout the 166 villages across the GTLM as is the case with rural areas.

Waste Management Services in the Service points

The municipality has split its waste management service areas into five different service points entailing Burgersfort as the central service point, Mapodile, Praktiseer, Steelspoort and Ohrigstad.

Storage Facilities at Service Points

The municipality has allocated 29 x 6m³ skip bins in the service points with 18 of these placed in the main area of Burgersfort, 11 at the business district while the other six are placed at the four other service points.

Collection at Service Points

As the industrial and business centre of the GTLM, Burgersfort is the highest waste generating point in the municipality. The collection service is daily for the business and residential areas in this service point and once a week at all other service points. The collection service is done by three compactor trucks two of which belong to a private service provider and one to the Municipality.

Servicing the Mines

The mines use a total of fifty nine (59) 6m³ skip bins to store and dispose their general waste. All the skips used for general waste in the mines are supplied by the three private contractors Multi Waste, Go Waste and Matuba Reclaim. However on the basis of 120 tons generated by the mines per day (as per the records at the Burgersfort Landfill) the mining community requires a total of twenty (20) 6m³ skip to provide effective storage facilities for all the mines in the municipality, logically mines should continue to provide for their own storage facilities where the municipality only provide collection and disposal services

Currently, the mines are paying about R1500 for a compactor trip to remove storage bins from the mine to the disposal site in Burgersfort.

The cost of the supply, removal and disposal of the skip waste contents at the landfill is R 750 per load. One compactor truck makes 2-3 trips per day to the landfill and a skip loader 4-5 loads per day.

Daily it is costing all the mines approximately R 34,500 to remove waste. This cost excludes the cost of disposal which for general waste of 48 tons per day is approximately R 3,840, on the assumption that the disposal cost for general waste for a Municipality of this size is R80 per ton.

The rate for general waste disposal for metros is currently R106 per ton. The cost of general waste disposal in Thulamela is currently R66 per ton.

These assumptions points to the following lost opportunities by the municipality.

- R 34,500 per day, revenue, for the removal of waste from the mines.
- R 3,840 per day, revenue, for disposal from the mines
- R 42,180 is the total revenue for collection and disposal per day.

Currently, disposal of waste at the landfill is free, due to absence of the weighbridge. A loss of income for the Municipality

The revenue loss is even higher if the cross-border disposal is factored into the equation. The monthly revenue loss for the Municipality not providing the collection service and for disposal by the mines is approximately R 929,968 per 22 days working month.

Based on the distances between the mines and the landfill site in Burgersfort, as illustrated annexure 5, this service is an over-kill for the mines in terms of the required number of vehicles and the volumes handled.

Servicing the Informal Settlements

The three main informal settlements in the GTLM are in the three towns of Praktiseer, Ga-Motodi and Ribacross. The settlement in Praktiseer has the highest population density of approximately 18000 people and the other two settlements of Ga-Motodi and Ribacross have a population of 13000 and 9000 respectively.

The State of Environment Report 2006 describes a household in an informal settlement as comprising an average of five persons and based on this average, these settlements will approximately 8 000 households. It is against this background that 60 tons of the general waste, generated per day would require 10 x 6m³ skips bins for storage purposes.

There is a possibility that now as in the future there may be after small settlements that might arise. Due to the nature of how these communities are formed, it is envisage that the collection of waste will be linked to the service points, mines and villages and therefore accommodated in the number of skip bins provided for the storage solutions for villages (2008 bins)

The table below provides details on tonnage generated by the three main settlements as well as the resultant number of bins required for storage.

Informal Settlement	Praktiseer	Ga-Motodi	Ribacross	Total
Total Population	18 000	13 000	9 000	40 000
No of households	3 600	2 600	1800	8 000

Average per capital generation	1.5kg /day	1.5kg /day	1.5kg /day	4.8kg/day
Total waste generation per week	189 tons	136 tons	95.5 tons	420 tons
Total no of 6m Skip required per day	4	3	3	10

Servicing the Commercial/Business areas

The total tonnage generated by 180,748 people of the service points per day is 361 tons and business waste represents 216 tons. Burgersfort is the highest waste generation service point within the GTLM and as a result most of the storage facilities available within the GTLM are concentrated in Burgersfort.

The majority of the business own 240lt bins which they use for temporary storage purposes. The GTLM supplies a total of 23 x 6m³ skip bins as storage containers in the service centres. Of the 18 x 6m³ skip bins placed in the Burgersfort service centre, 11 are assigned to business.

The waste generation volume per capita is 2kg per person per day. The total waste generated by the service points is therefore 361,496kg which equates to 361 tons per day or 2,527 tons per week.

The Municipality supplies a total of 23 x 6m³ bins as storage containers at strategic areas in the different commercial centres. Of the 18 x 6m³ skip bins placed in the Burgersfort service centre, 11 are assigned to business, which represents a shortage of 241 x 6m³ skip for the business community in Burgersfort. However, this shortage has been offset by the acquisition of 240lt bins by businesses throughout the commercial centre. Even then, the placement of extra 6m³ skips will create a space and location problem

The current collection frequency, which is recommended going forward, in Burgersfort's is once daily, and once a week in Mapodile, Praktiseer, Steelspoort and Ohrigstad. However, due to the distance between Ohrigstad and the Burgersfort disposal facility, a transfer station is required.

Servicing the Commercial Areas

The current collection at businesses in the GTLM is linked to the collection cycle in the service points. The collection frequency in Burgersfort's is once daily, once a week in Mapodile, Praktiseer, Steelspoort and Ohrigstad.

In terms of the volumes produced at all the other service points except for Burgersfort, it is recommended that the cost effective collection frequency of once a week from the service point to the disposal site be retained.

Ohrigstad and the Transfer Station

The geographic makeup of GTLM makes the concept of transfer stations very relevant to the GTLM. The distance between Ohrigstad and the landfill in Burgersfort makes it impossible and costly for any waste disposer to comply. Therefore to promote compliance, transfer stations provide an incentive for waste practitioners to conveniently dispose at transfer stations as temporary measure where after the GTLM will collect

from the transfer station and transport to the landfill. This approach also has an impact on the collection frequency and associated costs for the GTLM.

The development of a transfer station, just like the landfill, is subject to a permit application. A less mechanized transfer station will be the most ideal type for an area of the size of Ohrigstad. In view of the fact that the trip from Burgersfort to Ohrigstad and back is 72km and the nearest cluster villages are 26km away, makes the development of a transfer facility a cost effective disposal approach. The waste from the service point and cluster villages can be temporarily stored for a week at the facility and then transferred to the disposal site.

The nearest mine to Ohrigstad is the Saringa Selete mine, outside the GTLM. The villages that are in the vicinity of the service point are clustered as Gautswane and Leboneng cluster villages, situated 26km away from Ohrigstad.

Ohrigstad service point is an area where a transfer station is required. Due to the distance between Ohrigstad and the Burgersfort disposal facility, the municipality collects waste from households and business three times a week and stores it at a dumping site. The one skip bin from the residential and business areas is collected and transported for disposal to the Burgersfort landfill. Once a week, the collection of the skip is done through the emptying it into a 19 cubic meter REL compactor that transport the waste to the landfill.

The bins are filled by the tractor trailer system that does a door to door collection and dispose at the bins. The tractor trailer system is not a reliable waste management service as it is slow and tractor maintenance is also costly. Tractor parts are not readily available and in the event of a breakdown, the legitimate expectation of the residents to have their waste collected would not be met. The proximity of most residents and business in Ohrigstad to the current dump site is very close.

To provide a cost effective waste management service in the service point the collection service from the villages to the transfer station may be outsourced to a local village contractor once a week. The collection of the waste from these cluster villages will influence the increase in tonnages for the service point and will make the development of an un-mechanized transfer station viable.

The development of the current dump site into a transfer station is the most cost effective way of providing a service to the residents and businesses in Ohrigstad. The current volumes will substantially increase and the waste storage and collection service will be extended to village communities that never had access to the service. This will necessitate the use of a compactor truck that will collect more waste than the current 7 tons per week, and residents will have a better facility to dispose at.

Below is a comparison of Tractor trailer and Transfer Station.

Comparison of Tractor trailer and Transfer Station

Tractor Trailer	Transfer Station
Access to limited communities	Extend access to villages
Prone to breakdowns	No mechanical breakdowns
No backup in the event of breakdown	Introduces control

Tractor parts not readily available

Affordable maintenance

The table below depicts once off- costs associated with the development of the transfer stations (based on the use of the current site being developed).

Once –off Costs of Developing a Transfer Station

Activity	Costs
Permit Application	R 200,000
Fencing	R2 000,000
Site infrastructure	R 2 000,000
Containers	R 150,000
TOTAL	R4,350,000

Human Resource Requirements for the Collection Service

Responsibility	Quantity	Costs
Managers	2	R 148 per hr
Supervisors	2	R 95 per hr
Team leaders	4	R 25 per hr
Drivers	3	R 19 per hr
Runners	18	R 12 per hr
TOTAL	30	R 299 hrs

Street Cleaning

In terms of the contract between the Service Provider and the GTLM, street cleaning is provided; however, the performance of the Service Provider is not monitored as this service is not adequately carried out in Burgersfort. The contract with the Service Provider shall terminate at the end of October 2009; it is recommended that the 24 general workers currently employed by the GTLM be utilized for this purpose.

Servicing the Service Points

Burgersfort

The average distance travelled by the private collector per day is 75km of internal collection and the trip to the disposal site. The collection is once a day with targeted

areas per day. Based on the distance covered by the compactor per day, the average consumption will be 50lt for every 100km.

The service centre accounts for 21 tons of the 27 tons disposed at the landfill per day. One compactor truck is sufficient to handle such volumes. The storage option recommended the supply of 208 bins for the villages and the informal settlements. The option for the service points excluding commercial centres is 45 186 x 240lt bins.

The suggested solution is an integrated waste collection service where areas in the GTLM are linked to render an efficient service. The current frequency of once a day collection must be retained based on the 1011 tons per week volume

The volumes will increase with the service extended to collection of 240lt bins from households therefore an extra 19m³ compactor truck is required for that purpose with the collection frequency of once a day over a five day week

Burgersfort can be linked to the following areas:

Modikwa mine is 36km to and from Burgersfort and the volume is 70 tons per week

The villages are Driekop, Matimatsatsi and Mantashoek

The service link will also include the **Dilokong Chrome** which generates 126t/w

The surrounding villages are Maroga, Aragopola, Legabeng and Driekop

The logical collection frequency will be once a day per week with a 19m³ compactor in a six day week

The recommended solution is the extension of the service to Modikwa Mine, Dilokong Chrome mine, the surrounding villages and the addition of a 19m³ compactor to the existing private one or the purchase of two compactor trucks with one replacing the service provider's.

Steelspoort

The service point accounts for 15 tons per week and the current collection frequency is once a week. The service point is 16km from Burgersfort. There are mines that are situated closer to the service point and these are:

- Tubatse Ferrochrome – in Steelspoort and generate 252t/w
- Xstrata Vantech-15km from Steelspoort and generate 21t/w
- Dwars Rivieren -25km from Steelspoort and generate 28 t/w
- Twee Reviere -25km and generate 14t/w.

The above mines are in the proximity of the Steelspoort service point and have the following villages around them: Eerstegeluk, Tukakgomo, Pasha, Mampuru, Phala, Malekene, Tubatse residential, Dithamaga and Masha

The current service frequency of once a week caters for the service point only and excludes mines and the villages. The recommended solution is to provide a linked service between the service point, the mines in the area and the surrounding villages. The average volume per week of general waste for all the areas linked is approximately 330t/w. On the basis of these volumes 17 loads of 19m³ capacity are required per week which is an average of two loads per day once a week or two days collection per week. The most efficient use of waste vehicles is to get more than one load to the landfill per day and in view of that we recommend the following.

- Collection from Steelspoort, Dwars Rivieren, Xstrata Vantech, Twee Revieren and

Tubatse Ferrochrome and the close villages be linked on a once a week collection frequency with the existing 19m³ compactor truck.

Praktiseer

Praktiseer is located about 18km from Burgersfort. It is one of the growth points in the GTLM and as a result there informal clusters developing around it. The biggest informal settlement in the GTLM is in Praktiseer. The GTLM provides a selective waste management service in this service point as some areas of the service point like Praktiseer 2 are not serviced.

Samancor Eastern Chrome (Tubatse Ferrochrome) is the nearest mine to this service centre and the attraction in terms of job opportunities which has led to the development of the informal settlements.

The nearest villages are Bothashoek, Madiseng, Ribacross, Ga-Motodi. The current service frequency is a once a week collection with the 19m³ compactor truck. The total weekly volume is 7 tons. The mine has been linked to the collection at Praktiseer.

On the basis of the above, the most logical service provision will be to extend the collection service to the villages and the collection of skip bins at strategic locations in the informal settlements. We recommend that the once a week collection is maintained with the existing 19m³ compactor with the extension of the service to the villages and the informal settlements.

ANNEXURE E: BID SECURITY

ANNEXURE F PROJECT RISK MATRIX