The Long-term OEM sourcing strategy

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• Transnet Port Terminals a division of Transnet SOC Limited core business is providing cargo handling services to a wide spectrum of customers, including shipping lines, freight forwarders, and cargo owners.

• Operations are divided into four major business segments, namely; containers, bulk, break bulk and automotive. Container terminals handle containers through the utilization of Ship-to-Shore Cranes, Rubber Tyred Gantry Cranes and Straddle Carriers. Bulk terminals handle the cargo through the utilization of ship loaders, stacker reclaimers, conveyors tipplers, etc.
TPT requires reliable freight handling equipment and infrastructure for optimal operational efficiency. The company is facing ongoing challenges with equipment reliability, availability, and overall asset performance.

Transnet is developing a long-term collaborative strategy with OEMs to acquire cost-effective assets, reduce ownership costs and ensure efficient support through their life span.

OEM’s will be appointed per each of the nine (9) categories of port equipment, this will be for the design (where applicable), manufacture, supply, delivery, testing and commissioning [acquisition phase] and thereafter the Asset Life Cycle Management (ALCM) phase for the design life of these individual pieces of equipment.
## STRATEGY

### VISION

To sustainably transform Transnet Port Terminals into a global industry leader, leveraging smart port technologies that delivers enhanced value to our customers and strengthening the competitive position of South Africa.

### GOAL

A long-term collaboration with OEM's for the supply of (Acquisition) and thereafter Life Cycle Management support on port operational equipment.

- This will improve the performance and reliability of the equipment over its Life Cycle for TPT and our customers.
- This will enhance the investment and job and manufacturing opportunities into South Africa for the fiscus.

### OBJECTIVES OF THE STRATEGY

This long term collaboration seeks to

- Enhance reliability and availability of revenue earning equipment over the life of the assets;
- Ensure optimized sourcing;
- Cost savings through bulk purchasing (economies of scale);
- Enhanced supplier development and localization opportunities;
- Enhance the ability of TPT to participate within the space of Port Equipment through partnership with the OEM for Manufacturing and Fabrication. Through the years of partnership with the OEM, TPT will gain the insight that is required to reduce the reliance on OEM's on specific services (e.g. Structural Assessments, Manufacturing/Fabrication of Spares and Components, etc…)
- Standardization of equipment and spares;
  - This will be achieved at two levels namely Types of OEM Machines and Sub – Component level e.g. Engines, Drives, Motors etc.
  - Two RFP's will be issued, one for Renewal of Equipment (main drive to standardize) and the second RFP (support remaining life of existing equipment)
- Implementation of the latest technology; and
- Ensuring timeous availability of spares and OEM support.

A tender (RFP) has been issued to market for the acquisition of the equipment and Asset Life Cycle Management (ALCM) requirements for all categories of port operating equipment required by TPT. The review and selection process will follow, and based on the requirements the preferred contractors (OEM’s) will be nominated. Spares and component manufacture will be targeted as the first phase of localization as port equipment is of a specialized and complex nature with OEM’s holding the Intellectual Property Rights for key components.
In order to ensure that the Principles of the LTOEM and the supplemental benefits were able to be realized TPT conducted a Request for Information (RFI) process.

The intention of the RFI was to enable business with regards to:

- Development of equipment specifications and drawings
- Determination of spare parts and maintenance requirements
- Determination of local supplier empowerment by the DTI through TE; and
- Determination of budget

The RFI was conducted as follows:

- Advertisement date – 30 March 2022
- Closing date and time – 29 April 2022 at 10h00
- Closing time extension – 29 April 2022 at 16h30
- Proposals received – 19
- Proposal Evaluation – 05 May 2022 to 13 May 2022
- OEM’s invited for presentation – 07
- OEM’s Presentation – 24 May 2022 to 30 May 2022
- Scope development feedback – 20 June 2022
The benefit of the OEM partnership relationship to TPT?

- Access to the latest Technology (Automation)
- Innovation
- Economies of scale, reducing the cost of doing business
- Extending the lifetime of TPT's equipment availability of spares
- Availability of Spares (activation of consignment stock)
- Training / skills transfer to Transnet employees
- Supplier Development Initiatives – local manufacture of spares/components
- Set up of local industry to become net exporters of port equipment components
- Transnet Advanced Manufacturing partnership
LOCALISATION BENEFITS

- Partnership between OEM’s, Transnet Engineering and Local Suppliers for Manufacturing of spares and components in South Africa
- Investment in manufacturing and assemble Plant in South Africa
- OEM’s will share Intellectual Property/Technology Transfer
- Export promotion for Local Companies
- Sustainable Job opportunities
- Skills Transfer by OEM to Local Businesses and Employees
- Transnet Partnership with NAACAM/NEF (SD Partners) for Local Manufacturing
- Partnering with Department of Trade, Industry and Competition (DTIC) on NIPP
  - Applicable for all procurement packages with an imported content equal to or greater than $5 million:
    - NIPP obligation created is 30% of the imported value
    - The discharge period is 7 years and monitored by DTIC
HOW ATTRACTIVE IS THIS STRATEGY TO THE OEM MARKET?

- Long term contract (10-year acquisition)
- OEM will be responsible for their own equipment's maintenance and spares supply up to 20 years (*dependent on the equipment’s lifespan*) asset lifecycle management contract
- Reduces the long RFP process and documentation that the OEM prepares for each RFP issued by TPT for acquiring equipment (piece-meal approach)
- Production/manufacturing projections for OEMS
- Economies of scale
- Expanding footprint by establishing manufacturing plant in South Africa
THANK YOU