

24 November 2014

Prakash Parbhoo
Principal
McKinsey & Company, Johannesburg

Dear Prakash,

Re: NMPP REPORTING

The above matter and meeting held at the TM2 NMPP site on Friday 21 November 2014 refers.

I know you are aware of the concerns I raised at the meeting last week and again this past weekend. I appreciate your commitment to resolving the issues at hand and am willing to engage formally regarding my current dissatisfaction with NMPP reporting.

It is noted that soon after I was appointed as the Chief Executive: TCP I scheduled a meeting with McKinsey and Regiments on 01 September 2014 at the McKinsey offices. My aim was to understand the scope of work and deliverables to enable us to monitor and measure our success rate. Peter Safarik and Zunaid Parker represented McKinsey.

The following deliverables were to be met after the re-baselining of the project:

1. De-risk further schedule and cost containment of the project by supporting Transnet NMPP owners' team with a control tower combined with specialized intervention teams to drive construction productivity, cost efficiency and manage interfaces and risk.
 - 1.1. My observations and finding based on TM2: I had to conduct project review schedule and there is little to non McKinsey team on the ground to even understand what is going on. The team members that are there lack experience/ expertise to drive the schedule and cost down. I had to show them that the current cost flows and suggested project timelines has potential of exceeding the allocated budget and time. I would like McKinsey to share progress to date against this deliverable.
2. Bring project transparency and visibility to allow management decision making and risks management (pro-activeness).
 - 2.1. Re-baselining completion rates and cost estimates, including risks associated with completion of the critical path items and potential claims. I haven't observed this deliverable from McKinsey and would appreciate your views on this.
3. Run control towers and collecting primary on site data for real time tracking for KPIs, e.g. schedule, on- site resources vs resource plan, efficiency indicators.

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- 3.1. It is my considered opinion that inadequate resources are being provided on site, compounded by a lack of structured processes which resulted in my requesting to be provided with a blue print. I have observed that there are only meetings procedures and that reports get compiled in a hurry without data validation.
4. Deploy targeted intervention teams to manage all critical interfaces and protect project from schedule over run. Most importantly driving cost down and schedule.
 - 4.1. My view is that nothing has been done and there is no team that has been deployed.
5. To bring best practice approaches, tools and the right people who have proven track record to distressed projects similar to the NMPP.
 - 5.1. My view is that the resources provided only run basic projects approach not petroleum or high capital intensive project.
6. I requested a control tower blue print, defining business processes, KPIs, required skills set, optimal structures and training material which could then be linked to the executive war room.
 - 6.1. My opinion is that I have neither seen a comprehensive document nor been taken through one.

Before we can engage on any way forward I would like to know what resources and skills set can be provided by McKinsey and what they have delivered to date. I also would like to get reasons why the above deliverables were not met. I also want McKinsey's commitment that they will do everything possible and within their scope in order to support TCP complete TM2 by March 2015.

Kind regards,

Herbert Msagala
Chief Executive
Transnet Capital Projects
Date:

Noted By:



Prakash Parbhoo
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