

# Transnet locos lag in local content

Two years after Transnet signed a historic R50bn deal with four manufacturers for 1,064 locomotives, it has hit a snag. The South African Bureau of Standards (SABS) says it has not yet received satisfactory information from the manufacturers, as it prepares for local content verification of the project.



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It is understood that China South Rail Zhuzhou and China North Rail, which won 56% of the tender, are the main culprits. This is the first time local content verification would be done on rolling stock, says the SABS.

Canadian firm Bombardier, General Electric (GE) from the US and the two Chinese companies - which have since merged into China Railway Rolling Stock Corporation - are the suppliers.

Last year, Transnet became the first state-owned company to secure significant financing from China with a R30bn loan agreement from the China Development Bank to fund the locomotive programme over 15 years. The locomotives are needed to increase capacity in Transnet's general freight business, the most important area of its strategy to shift rail-friendly cargo from road to rail.

## A waiting game

This week two of the four manufacturers - GE and Bombardier - offered details of their progress on localisation to the SABS. But the Chinese manufacturers, which are ahead in terms of the number of locomotives produced, have not responded. GM of government services at SABS, Desmond Govender, yesterday said it had been trying to get information from manufacturers for four weeks, without naming the errant ones.

The local content target was more than 69%, said Transnet. If targets were not met penalties would become payable. "We have engaged with the winning bidders and response has not been satisfactory.

"We are still waiting for certain information to even start local content verification," said Govender last week at a rail industry summit.

Yesterday he said that e-mail addresses for the Chinese manufacturers were not in use when the SABS had tried to make contact. This could have been due to the merger, he said.

## **Localisation targets**

Govender said the SABS, Transnet, the Treasury and the Department of Trade and Industry had to meet to ensure localisation targets were being met. Transnet executive manager for enterprise and supplier development, Mmadiboka Chokoe, said at the summit that localisation was currently at 9%, which was in line with expectations. There would be a ramp-up as the project continued.

GE spokeswoman Thulisile Phiri said the company had agreed to provide the required information to the SABS. "GE is currently in the process of signing a nondisclosure agreement with the SABS and this should be complete by next Friday," said Phiri. GE was approaching 55% local content, she said. It is expected to manufacture 233 locomotives and six had already been built at its US facilities. The remaining 227 would be built locally with 30 completed.

Bombardier has set up a facility in SA to build its share of the 240 locomotives. "Bombardier has for several years had ongoing discussions with Transnet and the DTI (Department of Trade and Industry) regarding local content and is now engaged with SABS on the topic," said spokeswoman Sandy Roth.

A representative for China South Rail Zhuzhou and China North Rail did not respond to requests for comment. At least 40 of their 591 units have already been built in China.

*Source: Business Day*

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