

DETAILED REPORT FROM TCTA'S PROJECT MANAGEMENT AND IMPLEMENTATION DIVISION ON OLIFANTS RIVER WATER RESOURCES DEVELOPMENT PROJECT – PHASE 2 AND MOKOLO & CROCODILE WATER AUGMENTATION PROJECT – PHASE 1

1. OLIFANTS RIVER WATER RESOURCES DEVELOPMENT PROJECT – PHASE 2 (“ORWRDP-2”)

PROJECT PHASE

ORWRDP-2 is in the Detail Design & Construction Phase.

OBJECTIVES

Addressing growing water demands in the middle Olifants River catchment through:

1. Conveying bulk raw water from the Flag Boshielo (ORWRDP-1) and De Hoop Dams (Sub-Phase 2A) to domestic and industrial users in the Middle Olifants River catchment.
2. Improving water supply to towns on and adjacent to the Nebo Plateau (2 million residents) and for expansion of mining activities in the Steelpoort - Burgersfontein area of the Bushveld Igneous complex.
3. When the Bulk Distribution System is complete, including the pipeline from the Flag Boshielo Dam to Mokopane, water will be supplied to Mogalakwena Local Municipality and mines in that area.
4. Polokwane and Lebowakgomo will also benefit from Sub-phases 2E and 2F in future.

SCOPE

1. Revised directive limits TCTA scope to implementing only Phase 2C and associated works.
2. Remaining Phases (2D, 2B, 2E, and 2F, 2G) to be implemented upon securing of additional funding.

PROGRAMME

Milestone/Deliverables	Approved Charter timelines	Actual / Forecast
Ministerial Directive	-	June 2008
PSP Contract Award & Notice to proceed	April 2009	September 2009
Prequalification complete – Phases 2C&2D	Feb-2010	May-2011
Construction tender issued – Phases 2C&2D	Mar-2010	Sep-2011
Start of construction – Phases 2C	May 2010	Mar-2012
Water Delivery to De Hoop Water Treatment Works		Sep 2013
Water Delivery – Phases 2C	Dec 2012	Sep 2014

Note 1: forecasted dates are in bold.

Programme variances:

The construction contract had to be extended by approximately six months due to land acquisition and resettlement delays. The Contractor is also running behind programme due to challenges with pipe supply and pipe laying.

The Contractor is claiming extension of approximately 6 months, due to lack of access. The Engineer is of the opinion that the lack of access to a portion of site could be overcome by re-programming, and that the real problem of the late construction is the late pipe deliveries. The Engineer has issued a draft determination for comment as part of the consultation process, following which the determination will be finalized.

PROGRESS:

1. The first construction contract was awarded in February 2012, comprising of Phases 2C and interconnections to 2H.
2. The Contractor has been granted access and the households-to-be-resettled have commenced moving into temporary resettlement structures. Sourcing of local building sub-contractors for construction of permanent resettlement housing has commenced.
3. Construction of the first 10 km of the pipeline which connects to De Hoop Water Treatment Works needed to be contractually completed by 22 January 2013, however due to delays the forecasted completion date is September 2013. The Contractor is claiming for extension of time.
4. Pipe manufacture and pipe-laying are underway, however this is running behind programme due to factory and site challenges. About 7 km of pipe has been milled to-date, 5.9 km has been delivered to site, and 3.7 km has been laid.
5. The Project Liaison Committee (PLC) consisting of community representatives has been established to oversee employment, and the recruitment centre is operational.
6. The court challenge on the contract awarded by Stefanutti Stocks was heard in the Pretoria High Court in February 2013, and judgment is expected soon.
7. DWA adopted the panel report assessing the institutional and funding options for the implementation of further phases. In February 2013 a technical task team identified a need for further planning work and the other task teams are yet to meet e.g. design task team, charter task team. A preliminary water balance reporting was scheduled for April 2013 and it is still being awaited.

FUNDING & BUDGET

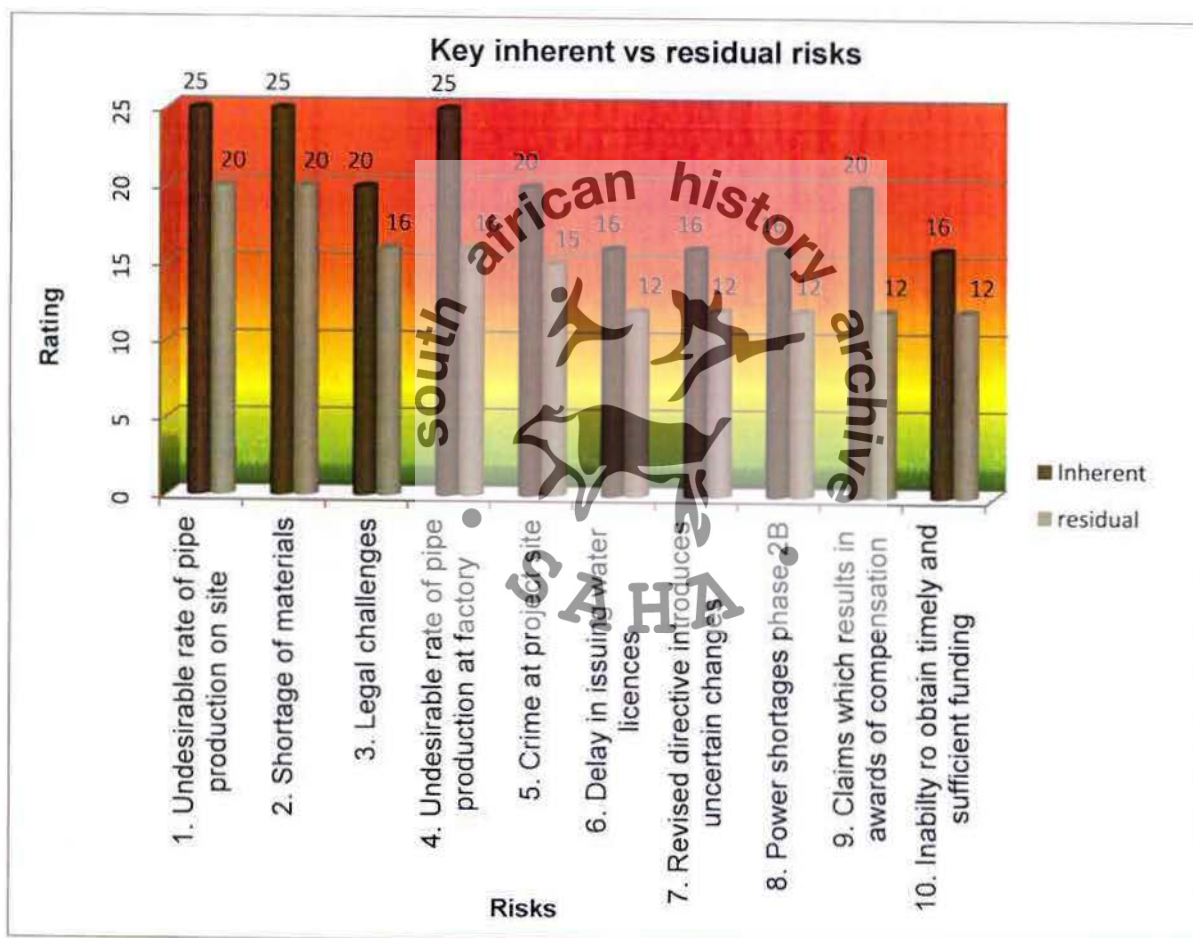
ORWRDP-2 Funding Allocated

ORWRDP-2	Funding Allocated (‘000)	Cum Actual Apr-13 (‘000)	% Spend Apr-13
Total Current Status	2 300 000	740 474	32%
Construction Contract 2C & 2D	1 282 058	441 270	34%

1. ORWRDP-2 project budget for the bulk water distribution system was originally R 7 985 million based on the original project charter approved in 2009. The project charter is being revised to reflect only Phase 2C, which will result in a project budget of R2.2bn.
2. Phase 2C&2H are being implemented within the approved Charter Budget.
 - A further R 1 480 million has been allocated in the draft MTEF for 2013/14 for ORWRDP Phases 2B and 2D. This is still under budget consideration by the Department and final outcome of allocations to ORWRDP is awaited through the ENE process. National Treasury indicated that they based the allocation on the outcome of the Panel's report.

RISKS

Top risks consist of:



Key

15-25	Extreme
8-12	High
3-6	Medium
1-2	Low

SOCIO-ECONOMIC DEVELOPMENT OBJECTIVES (SED)

1. Professional Service Provider (ANJV) is currently at 34.29% versus a target 39.92% of Black Individuals Participation at the end of the project.

2. MOKOLO & CROCODILE WATER AUGMENTATION PROJECT – PHASE 1 (“MCWAP-1”)

PROJECT PHASE

MCWAP-1 is in the Detail Design & Construction Phase.

OBJECTIVE

Augment water supply to Lephalale area in Limpopo by 30 million m3 per annum.

SCOPE

1. MCWAP-1 Phase 1 comprises of a pump station and 43 km pipeline delivering 30 million m3 per annum of water from Mokolo Dam, parallel to and tying in to existing infrastructure supplying Exxaro's Grootegeluk Mine, Eskom's Matimba power station and Lephalale Local Municipality.
2. MCWAP-1 is required mainly to supply the new Medupi Power station which is currently under construction. The existing Mokolo water infrastructure operated by Exxaro has been acquired by TCTA for incorporation into the new Government water work.

PROGRAMME

Project Milestones	Approved Charter timelines	Actual/Forecast (Note 1)
TCTA Board approve the provisional Charter	29 May 2009	29 May 2009
Initial Directive from Minister	19 May 2010	19 May 2010
MCWAP-1 revised Directive from Minister	Will not be forthcoming yet.	
TCTA Board Approval of the MCWAP-1 Charter	31 October 2011	09 February 2012
Commence engineering design	07 September 2009	07 September 2009
Environmental Authorisation (MCWAP-1)	3 December 2010	3 December 2010
Start of construction MCWAP-1	14 September 2011	14 September 2011
Water Delivery Debottlenecking (6.6 km)	11 December 2012	12 May 2013
Water Delivery Debottlenecking (10.3 km)	30 November 2012	19 June 2013
Water Delivery Date Phase 1 (RFTO)	31 August 2013	16 May 2014
MCWAP-1 Close out	31 August 2015	31 November 2015

Forecast dates are in **bold**.

Note 1: Mitigating measure introduced to overcome delay to km 10.3 debottlenecking in Supplementary Agreement 1.

Programme Variance:

- The Contractor is approximately seven months behind programme, which delay will extend to the end of construction and final water delivery (Ready for Trial Operation) is forecasted to be in 16 May 2014.
- The km 6.6 debottlenecking section will only be completed by 16 May 2013, while the tie-in at km 10.3 is forecasted to be completed by 19 June 2013.

PROGRESS

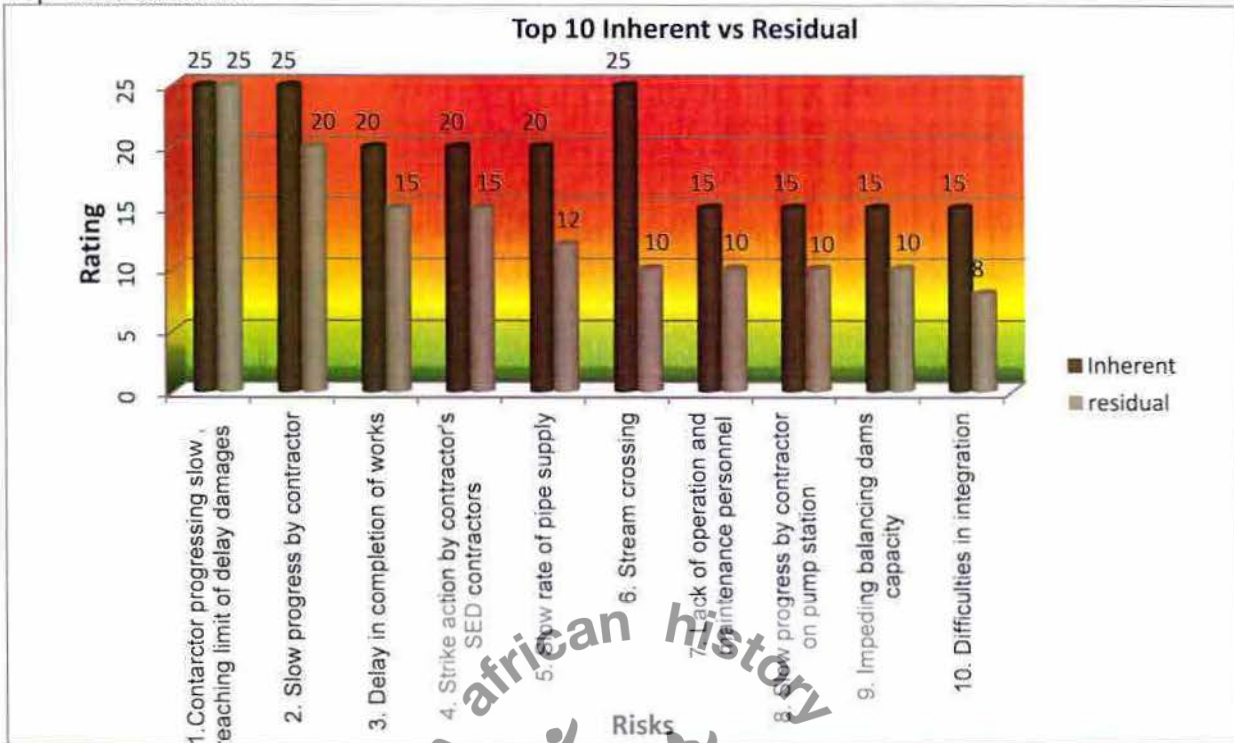
1. The Supplementary Agreement number one (SA1) was issued in September 2012, which stipulated the debottlenecking tie-ins to be achieved at 6.6 km by 14 December 2012 and on 1 March 2013 at 10.3 km. The Contractor did not achieve these milestones due to an industrial action on site during January and February 2013 and severe flooding of the works. The Contractor will achieve partial debottlenecking on 16 May 2013.
2. The km 10.3 debottlenecking milestone is forecasted for 19 June 2013. On this section, two fronts are laying pipe from both the km 6.7 and km 10.3 sides. The Contractor is currently arranging to fill the vacant posts of the Integration Manager and the Specialist Pipe Laying Manager. This has led to an unbalanced train during pipe laying and improper planning that does not forecast material requirements hence missing the milestones. Going forward, the learnings on km 6.6 is expected to result in improvement of the train balance.
3. As at 30 April 2013, 7.4 km of pipe were laid, with 6.388 km in the partial de-bottlenecking section, compared to the planned 43.0 km and this translates to a delay of 191 days.
4. In mitigating the slow pipe laying progress, the Contractor has proposed the use of alternative technology as from 27 May 2013 for joining, lining and coating 22 km of the 800mm pipe. This technology is expected to peak the pipe laying to 300 m/day compared to the current peak of 80 m/day. Another subcontractor was awarded the 900 mm 4km rising main in April 2013 and mobilisation is delayed to June 2013. The delay is due to shortage of core steel as a result of Mittal furnace which has burned down.
5. Hall Longmore has delivered 6.5 km of the subcontracted 22 km of the 800mm pipe. API has to still produce the 4km of 1100mm pipe and 4 km of 900mm pipe for the project. The management of API by the Contractor is still a problem and this has resulted in the subcontractor missing manufacturing slots and not procuring steel coils in time to meet pipe supply. Coils for 900mm pipe which were delayed due to Mittal's furnace burning down and the subcontractor not having secured steel in time are now forecasted to be available in May 2013. The Engineer is assisting with quality management at the API factory to mitigate any further delays in pipe supply.
6. In an effort to avert further industrial actions, the Contractor now includes subcontractors in the monthly Industrial Relations meetings. The Contractor has claimed an Extension of Time due to the strike and determination by the Engineer is in progress. There is a risk of further strike action due to the opening of the wage negotiations by the Construction sector.
7. The Contractor has established the batch plant for the concrete mix. The results of the 7 days trial mix will be available on by mid-May 2013 and if specification is met, full production will commence.

FUNDING & BUDGET

1. All commercial loans are effective
2. MCWAP-1 project budget is R 2 139 million at completion cost
3. Cumulative expenditure to-date is at R 718 million excluding funding costs
4. The borrowing limit with National Treasury is sufficient to cover the full budget
5. The first tariff was set and successfully negotiated with the off-takers. These tariffs are payable from completion of construction which is anticipated in the 2013/14 financial year. Ministerial approval has been granted.

RISKS

Top risks consist of



Key

15-25	Extreme
8-12	High
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1-2	Low

ENVIRONMENTAL

Natural and Social Environment

Reportable Incidents & Legal non-conformances	For the Period	Project to Date	Year to Date
Reportable to Authorities	0	1	1
Legal Non-Conformances	0	7	7
Environmental & Social Compliance	For the Period	Resolved	Unresolved
ECO Findings	3	1	2
NCR's Issued	3	1	2
Independent 6 Monthly ECO Audits	Next Audit	Most recent	Previous
Audits	Sep 2013	March 2013	/June/July 2012
Documentation	# Required	# in Draft	# Approved
EMP's	0	0	11
EA's	1	0	1
Amendments	0	0	0

I&AP Complaints	For the Period	Resolved	Unresolved
Complaints	3	0	3
Claims (loss/damage)	12	0	1
Relocations / Resettlement	Impacted	In Preparation	Relocated
Graves	0	0	0
Families or homes	0	0	0
Protected Fauna	0	70	60
Protected Flora	0	±180	31
Engagements with Stakeholders	Events for the reporting period		
EMC Meetings	N/A		
Site visits / Inspections	These are conducted on an on-going basis		
Other Key events	N/A		

Land Acquisition

1. TCTA received a copy of signed Settlement Agreement for MCPA on 12 April 2013. General meeting scheduled for 04 May 2013 was postponed due to unavailability of RLCC officials to verify membership. TCTA is awaiting notification for the new date for the General Meeting with the MCPA.
2. All servitudes required for the construction have been acquired.
3. Valuations reports were received from our two valuers on 12 April 2013 and the Senior Counsel requested a site visit to assist him in making final ruling on proposed compensations to landowners. The site visit is now scheduled for 29 May 2013.
4. Agreement between TCTA and ESKOM regarding land acquisition for the replacement Borrow Pit 11A at farm Zwartwater will be finalised after consultation with Senior Counsel as stated above.

SOCIO-ECONOMIC DEVELOPMENT OBJECTIVES (SED)

1. Professional Service Provider (MCC) is currently at 33% versus a target 36% of Black Individuals Participation in the project.
2. Enterprise development:
Enterprise development for the MNEDB on target and expenditure to-date is at 49 %. TCTA is concerned about slow progress in Training and Development to Enterprise Development beneficiaries. The recurring unprotected strikes on site may be attributed to lack of Training and Development corresponding to the business needs assessment conducted on each Enterprise Development beneficiary. AUJV has been instructed to address the matter. One of the MNEDB, EYETHU has since terminated the contract with the Main Contractor citing commercial disputes. The Main Contractor is required to meet the contractual targets despite the termination of EYETHU.
3. Preferential Procurement:
Overall, preferential procurement targets are on track. Targets for two categories of Preferential Procurement have been achieved and some exceeded. To date, two of the Preferential Procurement beneficiaries namely; Small World and Mashlap have terminated their contract on the project. The two beneficiaries cited commercial disputes with the Main Contractor.
4. Employment

827 jobs have been created to-date. The Contractor has achieved the recruitment of 100 % of unskilled labour from the local area.

HEALTH AND SAFETY (H&S)

1. H&S compliance score in March 2013 is 86%.

DECISIONS REQUIRED

2. DWA to advice on the entity that will operate MCWAP-1 as it impacts on the housing to be provided in Lephalale.



ORWRDP- 2 PROGRESS REPORT APRIL 2013

PROJECT BACKGROUND

TCTA received a directive to fund and implement ORWRDP-2 on 17th June 2008. A strong social and economic need exists for the augmentation of water resources in the middle Olifants River catchment and some adjoining areas, in the Limpopo and Mpumalanga Provinces. The water availability to most of the communities is insufficient, and at the same time significant growth in the water requirements is expected as a result of new mining developments. ORWRDP-2 is intended to address these needs. The project can provide an additional 80 million m³ per year to the system.

TCTA received a revised Directive on 12 March 2012, and is awaiting Board direction on how it should affect project systems and controls. In January 2013, the Board Technical Committee instructed that the project charter be revised to reflect the scope of the new mandate, whilst parallel processes are running to engage with DWA management and Minister on TCTA's concerns and recommendations about the new project direction. The revised project charter has been presented for approval, focusing on Phase 2C.

PROJECT FINANCE AND STRUCTURE (PF&S)

General:

TCTA was allocated funding to implement Phase 2C with connections to existing infrastructure under Phase 2H. The revised directive also limits TCTA to 2C and appurtenant works only.

National Treasury appointed a Panel of Experts to assess the implementation model for further phases as proposed by DWA/TCTA and the JWF/LWUA. In essence the DWA/TCTA proposal requires Phases 2B, 2D and incorporation of Phase 2H in the short term with 2D and 2E delayed until absolutely necessary. It further proposes a systems tariff to be introduced for the Olifants catchment whereby existing and new users will equally carry the cost of increasing the assurance of supply to the area. This is in line with most major catchments in the country. The systems tariff approach will substantially increase the viability and bankability of the BDS. TCTA will most probably be the implementing agent for this proposal.

The JWF/LWUA proposal in short intends to split the ORWRDP-2 project into two smaller sub-systems whereby Phase 2B costs will be carried by 2B users and no sharing of costs with the rest of the ORWRDP-2. Their intention is to bring more water to Flag Boshielo Dam from coal mines in eMalahleni area to increase supply to 2B users. From a water perspective this will be completely against the principles outlined in the National Water Act which is guided by sustainability, equity and efficiency. Lebalalo Water User Association will be the implementer of Phase 2B in this proposal and no further phases will be implemented beyond 2B and 2C.

At the Oversight Committee meeting of 12 December 2012, the panel report was adopted. DWA undertook to develop an action plan to implement it by 1 April 2013, and has since invited TCTA amongst other stakeholders to a workshop on 22 January 2013 for this purpose. TCTA has requested its Board to intervene in normalizing relations with DWA, as the whole panel process has once again demonstrated how poor these relations have become, which affect most if not all of our interactions. The DWA workshop was held on 29 January 2013, at which several task teams were established to further interrogate the requirements of the panel report for it to be implemented. Whilst work is continuing on this front, TCTA has communicated its concerns to DWA separately. In February the technical task team met and identified a need for further planning work around Phase 2D and Phase 2B, to confirm pipe sizing taking into account both the yield reduction of the two dams as well as the augmentation measures adopted through the ORRS.

The latest reconciliation strategy studies indicate that there is sufficient water in the system without recourse to cross-catchment augmentation. A preliminary water balance was presented to DWA by their consultant WRP in early April 2013, and a full report is expected by end-April 2013.

Funding:

TCTA packaged the construction contracts such that there is flexibility in implementing the project phases consisting of 2C, 2D and 2H (acquisition of existing Lebalelo Water Users Association scheme). In the 2012 budget process, NT made available R 2300million to implement these phases, although DWA has since re-prioritized between its programmes. The available budget is only sufficient to implement Phases 2C & 2H and not sufficient to implement Phase 2D. The other project phases are currently on hold and will be implemented once additional funding is secured and the implementation model has been considered by DWA based on the outcome of the Panel of Experts as referred to above.

A further R 1480 million has been allocated in the draft MTEF for 2013/14 for ORWRDP Phases 2B and 2D. This is still under budget consideration by the Department and final outcome of allocations to ORWRDP is awaited through the ENE process. National Treasury indicated that they based the allocation on the outcome of the Panel's report.

ENGINEERING (ENG)

Design

Design and supervision work for the project is being undertaken by Aurecon-Ndodana Joint Venture, who commenced their services in 2009.

Overall status is as follows:

	Budget	Person months
Contract	R 184, 953, 005.17	2098
Progress	R 118,110, 302.36	1159
% expended	63.9%	55.2%

The status of work by task is summarized as follows:

Project Tasks	% Completed
Task 1 – Tender Design and Documentation	91
1.1 ENGINEERING Ph 2B, 2C, 2D, 2H	97
1.1 ENGINEERING Ph 2E, 2F, 2I	87
1.2 ENVIRONMENT (Phase 2B, 2C, 2D, 2H)	90
1.2 ENVIRONMENT (Phase 2E, 2F, 2I)	72
Task 2 – Detail Design	97
2.1 ENGINEERING Ph 2B	95
2.1 ENGINEERING Ph 2C, 2D, 2H	100
2.2 ENVIRONMENT (Natural and Social)	100
Task 3 – Construction Monitoring	40
3.1 ENGINEERING Ph 2B	0
3.1 ENGINEERING Ph 2C, 2D, 2H	67
3.2 ENVIRONMENT (Natural and Social)	67

Construction:

The first construction contract, comprising of Phase 2C at this time, is being undertaken by Basil Read, who commenced construction in March 2012.

Overall status of construction is as follows:

DESCRIPTION		CONTRACTUAL	TO-DATE	PROGRESS
1	Contract period (days)	520	309	59.4%
	Original completion date	28 December 2013		
	Extended completion date	04 March 2014 (estimated) No EoT granted to date.		
	Extended ^(b)	706 (estimated) No extension granted to date.		43.6%
2	Expenditure ^(a)	R1 165 507 207.96	R209 074 010.00	17.3%
	Revised	R1 211 142 330.66		

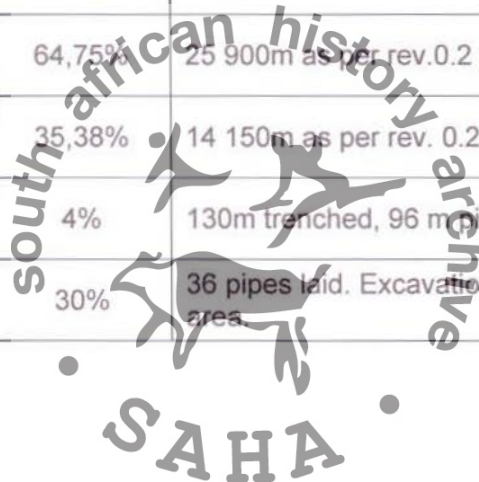
Notes:

(a) Expenditure excludes VAT, contingency, CPA and advanced payments

Status of key construction activities is summarized below:

ITEM	CONSTRUCTION ACTIVITY	PROGRESS	GENERAL COMMENTS
1	Contractor's establishment on site	90%	Telecoms are often unreliable. Tertiary Sub-sites establishment still to be completed
2	Preparation of method statements	84%	Technical CMS's progressing well. Some critical ones associated with WULA are still outstanding.
3	Preparation of Contract Program for the Works	100%	Provisionally approved by Engineer
4	Contractor's designs	80 % (est.)	Feedback and coordination to be improved.
5	Procurement of long lead items (pipes, valves, motors, fibre optic cable, transformers, VSD)	80%	Many items are well advanced in manufacturing and tests have been witnessed. 114km of fibre optic cable is on site at Aquaville.
6	Search and rescue of protected plants within the construction servitude	85%	On-going. Some permits for plant relocation outstanding
7	Temporary fencing	535%	On-going. Access roads and controls still to be finalised. 2 sub-contractors have been appointed for the haul roads' construction.
8	Drilling for blasting (km0.200 to km9.5)	85%	Pre-blast surveys to be improved as well as livestock and individual controls to be improved
9	Pipe manufacturing (API)	13%	6 Km manufactured. Pipe Mill manufacturing other clients' pipe.

10	Contractor's designs (M & E)	90% (est.)	On-going. Designs/drawings returned or accepted with comments
11	Pump station (P/S)	20%(est.)	Floor base slab complete No progress on walls.
12	Steelpoort housing	2%(est.)	Clear and grub completed. Relocation of existing services in progress. NHBRC Enrolment awaiting DWA's formal approval of house drawings. DWA ownership of land acknowledged by NHBRC.
13	Aquaville housing	3%(est.)	Construction of new services in progress. NHBRC Enrolment awaiting DWA's formal approval of house drawings. DWA ownership of land acknowledged by NHBRC.
14	Pipe installation	9.25%	Progress hampered by slow pace of backfilling and field weld joint repairs. 3 700m has been installed. Work commenced on Control Chamber 01 construction.
15	Pipe delivered to site	14,75%	5 900m
17	Planned delivery to site	64,75%	25 900m as per rev.0.2 programme.
18	Planned pipe laid	35,38%	14 150m as per rev. 0.2 programme.
19	De Hoop Dam WTW	4%	130m trenched, 96 m pipe laid.
20	Tshela Trust Pipeline	30%	36 pipes laid. Excavation started in De Hoop Dam area



Programme variance report - April 2013

a) Time for completion

Milestones / critical path	Contractual Completion Date	Claimed Contractual Completion Date	Mar13 Progressed StatusApr13	Rev. 0.0 VARIANCE (working days)	Rev. 0.2 VARIANCE (working days)	MITIGATION MEASURE
Procurement of Pipe up to WTW Offtake (300d)	22 September 2012	22 August 2012	03 July 2013	-203 (9.5 months)	-225 (10.5 mnths)	Additional pipe suppliers being pursued.
Pipeline installation up to WTW Offtake (RFO 300d, 1st 10 Km)	22 January 2013	1 July 2013	08 October 2013	-185(8.6)	-71 (3.3)	Deploying additional resources, setting up additional (sub) work-fronts; evaluating river abstraction to supply WTW due May13
Procurement of Pipe up to Steelpoort PS (520d)	05 July 2013	29 May 2013	06 January 20142014	-132 (6.2)	-166 (7.7)	Alternative and/or additional pipe suppliers being pursued.
Pipeline installation up to Steelpoort PS (RFTO 520d, 40 Km)	29 August 2013	25 February 2014	03 June 2014	-199 (9.3)	-70 (3.3)	Accelerate by deploying additional resources when pipe delivery commence.
Steelpoort & Lebalelo Pumpstation: M&E Procurement of Long Lead Items	14 June 2013	25 September 2013	14 March 2014	-195 (9.1)	-121 (5.7)	Will arrive before Civil Construction ready to accept. Provide suitable off-site storage.
Steelpoort & Lebalelo Pumpstation: Civil & Structural Work	29 August 2013	07 December 2013	10 July 2014	-200 (9.3)	-154 (7.2)	Investigate acceleration. Would be difficult to achieve.
Complete Trial Operations (RFO 640d)	24 December 2013	24 June 2014	30 October 2014	-221 (10.3)	-91 (4.3)	Investigate acceleration. Would be difficult to achieve.

b) Production

Activity	Planned Progress		Actual Progress		Rev. 0.2 VARIANCE	
	Rev. 0.1	Rev. 0.2	Mar-Apr '13 Progressed Status	Rev. 0.0 VARIANCE		
RFO 300d Pipe Delivery	9769	9769	5949	-3820	-3820	7 Km milled, 2.5 Km outstanding
RFTO 520d Pipe Delivery	35600	38400	5949	-29651	-32451	
RFO 300d Pipe Installation	9769	8400	3780	-5989	-4620	2.1 Km available for laying on site
RFTO 520d Pipe Installation	26900	8400	3780	-23120	-4620	

Progress:

Despite the delays associated with Access to the Site and the supply of pipe, the Contractor's rate of installing the available pipe has been far less than the tendered production rate. This low production rate has further contributed to the lack of progress on this Contract.

Progress with pipe laying is being monitored on a daily basis. Since this detailed monitoring commenced on 1 March 2013, the tendered average rate of production (68m/day/front) has not been achieved. It is clear that the 300-day milestone for the supply connection to the De Hoop Water Treatment Works will be delayed.

The delay in the supply of steel coil for the 1600mm diameter pipes between km0.000 and km0.186 and for pipes that have been rejected (31 No.) in the first 10km, poses a further risk and contributor for a delay to the 300-day milestone.

Works on the Steelpoort-Lebalelo pumpstation are behind schedule. The Contractor will be entitled to an extension of time for Completion on this section of the Works due to late access to the Site and disruptions from the local community.

An action plan has been requested from the consultant and the contractor to catch up with planned progress, including recommendations for management intervention where their mitigation measures fail at the contractual level. The Contractor's CEO has met with TCTA's CEO, and the plan is to make such engagements more regular in future to assist in removing any bottlenecks.

Claim for an Extension of Time for Completion due to Delayed Access to the Site:

The Engineer is of the opinion that the lack of access to a portion of site could be overcome by re-programming, and that the real problem of the late construction is the late pipe deliveries. The Engineer has issued a draft determination for comment as part of the consultation process, following which the determination will be finalized.

Compliance Issues:

Despite numerous alerts by the CRE regarding issues of compliance, the contractor is continuing to disregard certain specifications and compliance obligations. Activities such as continuous excavation of trenches without laying pipes and backfilling outside the appropriate required limits are continuing.

Other compliance issues raised are blasting methods and techniques against which the community has raised complaints regarding damage to their properties. This particular concern is however receiving attention of late.

Compliance with environmental (biophysical and social) obligations continues to be a challenge. The Contractor is under resourced and is therefore experiencing difficulties in this regard.

Work stoppages:

No work stoppages were reported in the reporting period.

Safety & Quality issues:

The Contractor has repaired the damaged fence along the Fibre Optic Cable (FOC). The sections that eroded due to poor construction methods have now been stabilised to protect the site against further erosion and damage to neighbouring properties.

The CRE has issued the Contractor with a Site Instruction to reduce the length of open trench and to increase the rate of backfilling. This action mitigated the risk to community safety, but because of the close proximity of houses and general community activities (access to Steelpoort River) in this section of the alignment, the securing and provision of access across the servitude are paramount. Unfortunately, the Contractor is still continuing to clear and strip topsoil in areas where the servitude has not been secured. These actions expose the community to unnecessary risks. The CRE has instructed the Contractor to cease all activities in these areas until the servitude is secured.

Procurement process for resettlement housing:

TCTA staff on site put effort into ensuring that the right processes were followed in securing building services for the resettlement housing. The Contractor's tender documents were reviewed by TCTA and reissued to the bidders with appropriate addenda. The process is nearing completion and only 4 bidders returned the tender documents by close of the tender period.

Ancillary infrastructure:

A budget quotation from Eskom for the Steelpoort-Lebalello Lebalelopump-station has been accepted and TCTA has made a payment of R66m to Eskom. The substation is expected to be commissioned in September 2013.

The De Hoop Dam water treatment works are expected to be commissioned by June 2013.

Status of interventions:

The chart below highlights coil supply. Several interventions have been pursued by the Contractor after progress meetings with the Engineer and Employer, covering three main categories of Coil Supply, Pipe Supply and Pipe Laying.

Coil Supply:

The required coil related to the fabrication of pipes up to the Jane Furse WTW offtake is available, except for the following:

- The coil associated with the rejected 31 pipes, 1800 mm and 13 mm wall thickness. An option might be to replace these pipes with 12 mm wall thickness pipes.
- 500 tons of 12mm manufactured already, delivery start 9May. This for the completion of 300 day milestone including replacement of pipes previously rejected...
- The delivery of 9mm coil bound to commence end May 2013.
- 3000 tons of 8 mm coil on order from MacSteel (JSW India), due for delivery in Durban port 20 May 2013.
- The coil associated with the balance of the requirement for the two parallel pipes, just below the De Hoop Dam is on order as well.

Pipe Supply:

Pipe supply has been very problematic at the onset, and it led to the rejection of 31 pipes (1800 mm die and 13 mm wall thickness), largely associated with substantial weld defects that occurred. All the pipes are supplied by API, and the rate of supply is far less than required to meet contractual timelines. The status of pipe supply is as follows:

- 1800 mm diameter; pipe released: 5871m, pipe delivered utilising oto site 5352m. The total requirement is 9517m.
- All the 600 mm diameter pipes for the WTW offtake are on site.
- All the stainless steel pipes required for the stream crossing have been released.

Both Hall Longmore and Group Five Pipe have been approached, with the view of utilising them as additional sources of pipe fabrication and supply. Formal responses has been received by Basil Read, and the Group Five proposal looks more promising, both in terms of if time frame for pipe supply as well as from a cost perspective to the Contractor.

Pipe Laying:

Pipe laying is monitored on a daily basis. The primary problem noted to date relates to the fact that there exists a substantial lag between the various activities associated with pipe laying in general terms. This is illustrated below:

Pipe laying activity	Progress (1800 dia pipes)
Length of site / servitude ready for construction (m)	7900
Excavated (m)	4619
Pipe Bed (m)	4180
Pipe laid (m)	3725
Pipe Coating repaired (m)	2683
Internal joint repairs	58
Selected Backfill (m)	342
Rehabilitation (m)	0

The major challenges experienced lies in the fact that:

- The pipe laying work front trains must progress as a unit.
- Internal lining repairs fell far behind, but a second team / sub-contractor was appointed recently to address this matter.
- More plant are mobilised on site to address the backlog related to the selected backfill.

ENVIRONMENTAL & SOCIAL (E & S)

Authorisations:

The revised 2F alignment triggered a listed activity that required an environmental basic assessment to allow authorisation in terms of the National Environmental Management Act. The Department of Environmental Affairs issued an Environmental Authorisation on 18 April 2012 for the revised route. The appeals period revealed no appeals. Important to note is that the Environmental Authorisation will lapse within three years of the date of the Environmental Authorisation if construction activities do not commence within that period.

The Department of Mineral Resources has also issued mining licences for all borrow pits. These mining licences will lapse within two years of issuing, but opportunities to renew these for another two years exist.

The EMC meetings are held in conjunction with Phase 2A, and TCTA's Environmental Control Officer (ECO) has been mobilized (Nemai).

The 22nd ACC meeting was held in the DWA District offices in Polokwane. No issues of note were reported.

The first EMC meeting for 2013 was held on 25 February 2013 at the De Hoop Dam. No significant issues came out of the ECO reports.

DWA is close to having the remaining three families relocated that is still housed in the dam basin. The second EMC meeting for 2013 was held on 30 April 2013 at De Hoop Dam. This was the first meeting at which the TCTA ECO and Chairperson took full control of the proceedings.

A number of meetings have been held with DWA regarding the water use licence application. A meeting was held on 11 February 2013 with representatives from DWA Head Office and the Mpumalanga Regional Office to finalise outstanding information. The design of the project was presented and discussed with Mr Kelvin Legge of DWA on 22 February 2013 and 25 February 2013, respectively. At this meeting DWA said that the Groothoek Reservoir design cannot be supported / approved for the following reasons:

- The lining system will not last for 40 years.
- The spill way overflow will be released at super critical flows. The liner will not cope with these flows.
- The liner system will be negatively affected by wave action.
- The liner system will seep which will result in the loss of expensive water.
- A number of examples exist where this liner system has failed.

Additional information and assistance were provided to the Mpumalanga Regional Office in Lydenburg on 26 February 2013.

The DWA Lydenburg office was provided with tables that list all river crossings with farm names and beginning and end coordinates after a request was received during March 2013.

Socio-Economic Development:

TCTA Socio Economic Development requirements are included in the consultancy and construction contracts. After some start-up problems, the PLC is now running application forms and drop-in boxes have been dispatched to designated places and the recruitment centre is operational. Approximately 1400 job applications were received, most of which were for jobs in the unskilled labour category.

Community improvement projects are to be aligned to existing municipal planning, and engagements have commenced with the district as well as the local municipality in this connection. Implementation will be in collaboration with the Contractor's and Consultant's CSI plans.

We also facilitated another meeting with the Ngwaabe Moletsi Business Forum about tender opportunities, for local business, on the project. BR presented the database and how it will be used going forward to ensure that local business benefit from the project. They were also requested to look into potential opportunities for local business within their identified sub-contractors.

Local contractors from the BR Database of suppliers attended a briefing session for the construction of replacement houses for the to-be-resettled families.

Stakeholder Engagement:

A new strategy for progress reporting with the land owners, particularly the Traditional Authorities is underway. This aims to remove the Traditional Leaders from the current Joint Stakeholder Progress Report Sessions to observe the protocol around the traditional leadership and attain their maximum participation. The District Municipality will run this forum.

Ngwaabe Business Forum reported good relations with Basil Read,; a welding team from Nexor is scheduled to be on board by the end of May. A progress report session is planned with the District Municipality representatives to conclude their intervention process on local business opportunities.

The previously excluded Magoshi (Makua, Mampuru, Maphopha, Masha Ntake, Phasha and Ratau) have been awarded 4 employment opportunities per jurisdiction. Basil Read is engaging the traditional authorities individually on the employment process as they do not have representation in the Project Liaison Committee.

New Claimants (Bakgatla ba gaMosehla and Moretsele Community Trust) for farm portions Belvedere and Kennedy's Vale have come to the fore. Consultations are on-going with the claimants; they request to be included in the project activities such as employment and compensation for the claimed land. Compensation matter has been escalated to TCTA Land Acquisition. The resolution will inform their participation in the project activities.

ANJV and Basil Read are partnering to roll out a pedestrian safety programme which will include safety awareness around the construction site. Programme kick off is aimed for the last week of May.

Land Acquisition:

Outstanding title deeds: The title deed for Portion 3, Spitskop 333 KT, has been located and the expropriation process in respect of the affected property will be proceeded with shortly. Regarding Portion 21, Belvedere - new info at our disposal suggests that this portion was actually meant to be a consolidation of two existing portions, namely, Portions 18 & 19. Since consolidation was never registered, it follows that Portion 21 is actually non-existent. Aurecon has been asked to obtain title deed docs for the constituent portions (Portions 18 & 19) so that the expropriation process can be undertaken in respect thereof. As at the time of this report, only the matter regarding Portion 27, Spitskop 333, remained unresolved, though little info at our disposal seems to suggest the property is owned by Xstrata South Africa.

Goudmyn RE 6: Revised LA maps have been received from ANJV. The maps show there is definitely an impact on the RCC property, albeit very small. Plans are under way to engage with RCC with the view to signing compensation agreement with them.

Spitkop 333 KT, Portion 3

Title deed for this portion has since been obtained. PAJA notice is being prepared, after which it will be sent to Samancor for comment. Expropriation will follow thereafter.

Compensation for servitude rights on communal properties: As at the time of this report, 3 chiefs [Magolego, Masha (Kgoshigadi),Ranthal] whose communities share residence in affected communal land (Apjesboom RE & 1, Steelpoortdrift RE) agreed to take their respective share of compensation offered by TCTA and signed Servitude Agreements. Consultations with the two chiefs (Male Kane and Masha) that have not signed are on-going. It is worth recording, however, that the issue of non-signing chiefs has had no effect whatsoever on access to the affected communal land, access thereto very much depends on the success or otherwise of the conclusion of compensation agreements with affected land users.

Potential hot spots

An on-going appraisal of the situation by LA has identified the following problem areas, many of which have the potential to seriously threaten continued work progress on the project. These are reported on as and when they arise.

Steelpoortpark 366 KT, RE1 & RE2

- TCTA directed by RLCC to withhold payment of compensation monies to the CPA, until registration of transfer of properties in the latter's name.
- CPA general membership is unhappy, and wants to stop work unless CPA gets paid compensation monies immediately.
- With help from CPA Exco, the situation is under control, at least for now.
- Plans currently underway to have compensation monies kept into a trust account managed by Olifants attorneys, Ledwaba Mazwai, to be paid over to the CPA once registration of transfer has been effected.

- The plans have already been sounded out to the CPA Exco, which will try to get buy-in from the general membership. Exco has however cautioned against over optimism. Feedback is keenly awaited.

Belvedere, Kennedys Vale properties

- All of the expropriated Belvedere and Kennedys Vale properties are subject of land claims.
- As none of the land claimants are resident on subject properties, TCTA, in accordance with legal requirements, applied to RLCC (which represents the interests of non-resident land claimants) for consent to acquire land on subject properties. The consent was duly granted by RLCC.
- TCTA is worried by a rising trend of non-resident, land claimants who demand to participate in consultative processes relating to subject properties, and, then, threaten to stop work if their demands are not acceded to.

It is worth noting that in all these situations, TCTA has done everything to comply with legal requirements. Unfortunately, we have to contend from time to time with forces in communities, who have come to learn that they can force the hand of developers by engaging in disruptive, unlawful actions. We continue to monitor the situation. We continue to monitor the situation.

Resettlement Action Plan:

Resettlement working groups have been established, and the concept of temporary resettlement has been introduced to affected households. The households to be resettled have accepted this on condition that they receive an inconvenience allowance of R5000 when being moved into temporary resettlement housing, and another R5000 when being moved into permanent resettlement housing. Socio-economic and asset surveys have been concluded and the information included in the revised compensation sheets. An inconvenience allowance of R4000 was made for the individuals whose residential plots will be impacted by the pipeline.

Total number of the impacted Winterveldt (Mahlakwena) individuals is 12

	Signed	paid
12 partially impacted	8	0

The RAP implementation in Mahlakwena has commenced early 2013. Thus far, assets and infrastructure survey has been completed for the Mahlakwena village impacted individuals. The signing of individual agreements is scheduled to be completed in the month of May 2013.

Total number of the impacted Steelpoort Park individuals is 878

	Signed	paid
60 partially impacted	6060	51
10 to-be-resettled	10	9
33 vacant plots		
5 recently coming forward	2	0

In the light that there are individuals coming forward to claim ownership of the vacant plots and plots that were not clearly marked, the number of impacted individuals has risen from 74 to 78. There are 33 individuals outstanding to sign their individual agreements. These are the newcomers. These individuals have granted access for the construction to carry on simultaneously with their compensation process. The three individuals that wanted to seek legal advice have since come back satisfied and have signed their individual agreements.

The Architect has been mobilized, and the erection of the 8 temporary housing structures is near completion. The 8 temporary housing structures, instead of 9, are as a result of one family since mentioned that they do not need the temporary housing in the meantime.

The Architectural plans were signed off by the households in January 2013, and were subsequently submitted to the local municipality for approval in February 2013. The municipality has approved the housing plans in March 2013.

Baseline Studies:

Four spoil sites along the 2C alignment have been identified. These were assessed by various specialists and after some minor modifications were found to be suitable for use.

The Contractor has started spoiling on the site closest to the pump station and has started with site preparation at the spoil site within the first 10km of the alignment.

Baseline Studies:

Four spoil sites along the 2C and 2D alignment have been identified. This was assessed by various specialists and after some minor modifications was found to be suitable for use.

Basil Read had started spoiling on the site closest to the pump station site.

Environmental Obligations of Contractor:

The ANJV Environmental Monitor undertakes daily inspections. The site has been subdivided in the "fronts" to allow one inspection per site per week. Daily inspection reports are prepared and summarised in weekly reports. This information is used as mitigating or aggravating circumstances during the monthly Environmental and Social Audit.

The monthly ANJV Environmental and Social Audit took place on 6 and 7 March 2013. During this audit 10 Non Conformances were raised, some of these being of a recurring nature. This brings the total Non Conformances to 41. The Contractor has been instructed to close out these non-conformances effectively without delay.

The Contractor appointed an External Auditor as required in terms of the contract specifications, although four months late. The audit results were submitted in a report format within two weeks as required by the contract specifications. The External Auditor raised 69 non-conformances. Most of the non-conformances are system related. This demonstrates that the Contractor's Environmental Management System, a contract specification requirement, is not operational and / or functional onsite. The Contractor has submitted a status report and action plan to close out these non-conformances. The second external audit was due in March 2013, and it was agreed with the Contractor that the scope of this audit should focus on gaps. Unfortunately, the Contractor failed to initiate the second external audit, and ANJV was required to issue a Site Instruction, instructing the Contractor to appoint the external auditor without delay.

The Contractor's Environmental Officer resigned during December 2012. An interim arrangement was agreed with the Contractor which included the appointment of an external Professional Services Provider, Ecoleges, which made a qualified and relatively experienced individual available full time onsite to fulfil the role of the Environmental Officer. This individual is actively supported by senior personnel from Ecoleges twice a week onsite. The Contractor has identified and interviewed a number of potential candidates for this post. A recommendation was made to ANJV, which was accepted. The preferred candidate has not accepted the offer and ANJV awaits the Contractor's new recommendation.

PUBLIC RELATIONS (PR)

No engagements in the reporting period. Media watch is being maintained.

RISK REGISTER

Rank	Top Risks	Residual Risk Ratings	Action plans
1	Slow rate of progress on site due to Contractor's and Engineer's capacity. The risk might result in delays in project implementation.	20	Daily monitoring of progress rates, alternatives considered, interventions elevated
2	Shortage of material and equipment supplies (Pipes, pumps and bedding material) due to demand exceeding supply and local manufacture capacity. This risk might result in delays in construction and decreased quality.	20	PSP and Contractor to consider alternative supply options for long lead items
3	Legal challenges against TCTA due to TCTA being alleged to have wrongly awarded the tender to Basil Read. This risk might result in delays in project implementation and Reputational damage.	16	TCTA to provide all necessary evidence when required.
4	Slow rate of pipe production at pipe factory due to pipe supplier not having capacity to produce at required rate. The risk might result in delays in project implementation.	16	Daily monitoring of production rates, alternatives considered, interventions elevated.
5	Crime at the project site due to site remoteness, inadequate security and protests by community. This risk might result in injury or death of project staff and Theft.	15	Include awareness programme as part of site induction process. Interaction with local community leaders.
6	Delay in issuing of water licenses due to oversubscription of water resources, government internal decision processes and yield reduction. This risk might result in changed funding and implementation model.	12	Follow-up on DWA process
7	Revised directive introduces uncertainties. This risk might result in TCTA possibly eliminated from phase 2B and further augmentation phases.	12	Follow-up with DWA on the TCTA letter issued.
8	Power shortages during and after construction for phase 2B (particular issue for commissioning) due to lead time required by Eskom to implement power supply. This risk might result in operational delays and commissioning	12	The Eskom quotation has expired, and Eskom has advised TCTA and DWA that they will need to start from the beginning if they want to apply for power in future.
9	Claims which result in award of compensation to contractor due to adverse weather conditions, project variations and site not provided to contractor on time. This risk might result in increased project costs, potential delays and legal battles.	12	Claims to be assessed and variations instructed timeously.

10	Inability to obtain sufficient and timely funding from national treasury for social portion of the project due to competing government priorities, MTEF inflexible disbursement arrangements and insufficient government budget. This risk might result in reduced project scope, TCTA being excluded from other phases of the project and delays in commencement of other phases of the project.	12	Re-apply for funding through MTEF for the other phases of the project.
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PROGRAMME

The project programme is being updated on a monthly basis. The latest update shows water delivery by 2014 for Phase 2C, but delayed delivery for other phases.

Milestone/Deliverables	Approved Charter timelines	Actual/Forecast
Ministerial Directive	-	June 2008
PSP Contract Award & Notice to proceed	April 2009	September 2009
Prequalification commenced – Phases 2C&2D	Mar-2010	May-2011
Construction tender issued – Phases 2C&2D	Mar-2010	Sep-2011
Start of construction – Phases 2C	May 2010	Mar-2012
Water Delivery to De Hoop Water Treatment Works	-	Sep 2013
Water Delivery – Phase 2C	Dec 2012	Sep 2014

Programme variances:

Start of construction has been delayed by close to 2 years from the charter timeframes due to challenges with respect to institutional arrangements and funding. The first construction contract commenced Mar-12, as opposed to the envisaged charter date of May-2010.

Late access to site has created further delay and the Contractor has submitted a claim for extension of time of 188 days and additional payment of R 96 million, due to delays in land acquisition and resettlement. The Engineer is assessing the claim, following recent submission by the Contractor of a compliant programme. It is expected that the extension of time will be granted, whilst the cost exposure may be mitigated by the Contractor's own lack of readiness to commence due to parallel challenges with pipe supply, method

PROJECT BUDGET - MANDATED PHASES

This budget is for the originally mandated phases which are 2B, 2C, 2D and 2H. A revised project charter is being presented for approval to keep to the new scope of Phase 2C. Project costs are updated on a monthly basis. The latest available update is shown below:

ORWRDP	Cost at Completion			Cum Actual Apr-13 ('000)	Status Complete Apr-13 %
	Charter escalation isolated ('000)	Charter ('000)	Budget Dec-12 ('000)		
Construction	3 552 058	5 350 564	5 986 690	452 650	8%
Core Infrastructure	3 345 058	5 075 884	5 086 910	441 270	9%
Ancillary Infrastructure	207 000	274 680	899 780	11 380	1%
Engineering	371 527	534 531	454 117	169 892	37%
Infrastructure	329 792	469 840	417 049	160 935	39%
Support Services	41 735	64 691	37 069	8 957	24%
Environmental	133 488	198 648	161 871	4 331	3%
Natural	39 300	59 438	47 882	1 162	2%
Social	73 868	109 491	89 440	0 719	1%
Land Acquisition	20 320	29 720	24 548	2 450	10%
Health & Safety	0 000	0 000	1 266	0 000	0%
Health & Safety	0 000	0 000	1 266	0 000	0%
Administration	202 854	302 187	312 169	113 601	36%
Staff Cost			86 389		
Governance			21 575		
Public Relations			9 099		
Facilities			77 689		
Financial Services			17 423		
Sub Total			6 916 113	740 474	11%
Project Contingency	1 064 982	1 596 983	1 068 800		
Project Escalation	2 660 005	<i>included</i>	<i>included</i>	<i>included</i>	
Project Total	7 984 913	7 984 913	7 984 913	740 474	
			<i>Budget Dated Dec-11</i>	Budget Available 7 244 439	



HEALTH AND SAFETY (H & S)

Recordable Case Rate (RCR)		
	Previous report	This report
RCR to date	0	0
Recordable cases	0	2

RCR = 0 meaning no recordable incidents up to this period
Recordable Case Rate (RCR)

- TCTA has appointed ANJV as the OHS Agent for the Client.
- Nemaï, as the OHS Monitor on behalf of TCTA, conducted the second audit on the 15 April 2013. The project achieved a score of 81%, which is 2% more than the score attained in March 2013.
- Two accidents were reported.
- Main concerns in April were the same as with the March 2013 report.
- Urgent matters (require immediate action) identified were:
 - During the auditing event no load testing certificates were available for the side-boom and pipe layers in use. Also, proof of quarterly inspections by a competent person was not available for the lifting equipment in use on site.
 - There are a large number of sub-contractors without letter of good standing available on site.
 - A conveyer belt was found uncovered whilst operational at the batch plant on 16 April 2013. The contractor must ensure all moving parts of machinery are covered to protect employees.

These findings have been communicated to the Engineer for his action and follow-up with the Contractor.

SOCIO ECONOMIC DEVELOPMENTS

Professional Service Provider: Aurecon Ndodana Joint Venture (ANJV)

TCTA has seconded one engineer-in-training and an environmental intern to the Consultant Aurecon Ndodana Joint Venture (ANJV), for a formal training programme which will include mentoring such that the Trainees can attain professional registration at the end of the project.

Socio –Economic Objectives	At Contract Award	Progress
BBBEE rating score card	Level 4	Level 3
Black Individual Participation as % of Total Manpower Resources	39.92%	34.29%
Number of Engineering Interns Seconded to ANJV	-	1
Number of Environmental Interns Seconded to ANJV	-	1

Construction Contractor: Basil Read

Enterprise Development

Category	Target	Cum Expenditure	Progress
MNEDB	R 142 563 076.00	R 24 784 978.36	17.39 %

Note: All three MNEDBs have established on site.

Preferential Procurement

Enterprises	Target	Cum Expenditure	Progress
Black Owned Enterprises (BOE)	R 301 923 076.00	R 48 128 233.60	15.94 %
Black Women Owned Enterprises (BWOE)	R 154 923 076.00	R 32 339 160.75	20.97 %
Black Owned Local Enterprise (BOLE)	R 78 923 076.00	R 8 995 905.51	11.4 %
Black Women Owned Local Enterprise (BWOLE)	R 78 923 076.00	R 8 995 905.51	11.4 %

Employment

Employment	Black	Non Black	Female	Male	Youth	Military Veteran	People with Disability	Local	Other
Unskilled	194	0	33	162	149	0	0	194	0
Semi-skilled	249	6	17	238	116	13	0	87	168
Managerial	12	36	4	44	8			6	42
Supervisory	28	18	3	43	13			10	36
Technical	31	26	9	48	35			10	47
Administration	26	25	22	29	23			9	42
TOTAL	540	111	88	554	344	13	0	316	335

EMPLOYMENT CATEGORY	TARGET %	ACTUAL NO.	ACTUAL %	VARIANCE
Unskilled local labour	100.00%	192	100%	0.00%
Unskilled labour: local black women	15.00%	33	17%	2.19%
Semi-skilled labour - black people	80.00%	249	98%	17.65%
Semi-skilled labour - black women	15.00%	17	8%	-6.67%
Semi-skilled labour Limpopo province	15.00%	87	34%	19.12%
Skilled labour: black people	10.00%	97	48%	38.02%
Youth – local	10.00%	265	59%	49.28%
People with Disability	2.00%	0	0%	-2.00%
Military Veterans – local	3.00%	13	3%	-0.09%

Training and Skills Development

TYPE OF TRAINING OFFERED	Amount	Progress spent to date
CETA approved training unskilled labour	R 2 227 000.00	R 36 657.86
CETA approved training semi-skilled labour	R 2 030 000.00	R 13 069.00
CETA approved training skilled labour	R 1 043 000.00	R 551 152.00

Learnership	R 2 790 850.00	R 0.00
Internship	R 1 920 000.00	R 0.00
Mentorship	R 1 414 000.00	R 25 233.35
Bursary scheme	R 1 048 000.00	R 36 657.86
Sub-Total 1	R 12 472 850.00	R 664 790.82

Training and Skills Development

TRAINING STATS PER EMPLOYMENT CAT	Total	Local	Black	Non Black	Female	Male	Youth	Other	Black	Non Black	Female	Male	Youth
CETA approved training unskilled labour	38	38	38	0	6	31	26	0	0	0	0	0	0
CETA approved training semi-skilled labour	44	40	40	0	17	23	22	4	4	0	0	4	0
CETA approved training skilled labour	1	0	0	0	0	0	0	1	1	0	0	1	0
Learnership	32	32	32	0	6	26	32	0	0	0	0	0	0
Internship	4	1	1	0	1	0	1	3	3	0	1	2	0
Mentorship	0	0	0	0	0	0	0	0	0	0	0	0	0
Bursary scheme	9	9	9	0	3	6	9	0	0	0	0	0	0
TOTAL	128	120	120	0	33	86	90	8	8	0	1	7	0



MCWAP-1 PROGRESS REPORT APRIL 2013

PROJECT BACKGROUND

The water supply to the Waterberg Coal Fields in the Lephalale area in Limpopo requires augmentation in order to meet the future water requirements of the expected growth, as a result of the coal reserves in the area. The growth is in response to the Country's energy needs by developing further electricity generating capacity by Eskom and Independent Power Producers (IPPs) as well as a possible plant to produce liquid fuel from coal by Sasol and the associated mining activities. The water requirements in the area were expected to increase by ten times the 2008 use within the following 15 to 20 years.

The project was envisaged to be implemented in two phases; MCWAP Phase 1 comprising of a pump station and 46 km pipeline delivering 40 million m³ per annum of water from Mokolo Dam, parallel to and tying in to existing infrastructure supplying Exxaro's Grootegeluk Mine, Eskom's Matimba power station and Lephalale Local Municipality. MCWAP 1 is required mainly to supply the new Medupi power station currently under construction. The existing water system is co-owned by Eskom and Exxaro and operated by Exxaro and will be acquired and incorporated into the new Government water work.

TCTA implementation activities are limited to MCWAP-1 as the further phases of MCWAP have been delayed due to the Department of Energy's Integrated Resource Plan 2010, resulting in the envisaged MCWAP Phase 2 water demands not materialising as expected. An initiative to proceed with MCWAP-2 has started again with the establishment of a Water Users Forum that is proceeding independently from MCWAP-1.

The Minister's Directive to TCTA in terms of Section 103(2) of the National Water Act to co-finance and implement MCWAP was received on 19 May 2010. It contains some inaccuracies and out-dated time frames, which TCTA has advised DWA to correct.

The MCWAP-1 Project Charter and Implementation Plan were approved by the Technical Committee on 1 September 2011 and the Charter subsequently by the Board on 9 February 2012.

PROJECT FINANCE AND STRUCTURE (FF&S)

Water Supply Agreements (WSA's):

- The Implementation Agreement with DWA and Water Supply Agreements with the commercial off-takers are effective.
- The WSA was signed by Lephalale but DWA DG requested the inclusion of estimated ROA tariff details in Annexure C. The whole agreement was resubmitted to Lephalale and then to the DG for signature together with the rest of the agreement.

Funding:

- The Fitch credit rating report issued on 19 January 2012 confirmed an AA+ long term rating for MCWAP-1 funding. All TCTA projects had a credit rating downgrade in January 2013 to AA due to the realignment with Governments rating which was reviewed to AA+. The impact of this on funding cost was negligible.
- All the commercial loans are effective.
- The first tariff was set and successfully negotiated with the off-takers. These tariffs are payable from completion of construction, which has been successfully negotiated with the off-takers for the 2013/14 financial year when water delivery is envisaged. Ministerial approval has been granted.
- The borrowing limit is effective and sufficient to cover the forecast debt.

- MCWAP 1 project budget is R 2 139 million at completion cost.
- Cumulative expenditure to date is at R 718 million excluding funding costs.

ENGINEERING (ENG)

- The Contractor (Aveng (Africa) Ltd and Umbutho Civil and Electrical cc ("AUJV")) mobilised on Site as from 14 September 2011.
- MCC has obtained approval of all the technical authorisations/way-leaves from Eskom, RAL, SANRAL and Telkom. Extension of RAL has been granted.
- Manufacturing for the remaining 6 km of 1100 mm pipe started in March 2013, and to date 10.426 km of the required 16 km of 1100 mm pipe is delivered to site. This is enough to complete the km 10.3 debottlenecking milestone.
- The 1000mm pipe was milled, and site delivery is effected.
- As at 30 April 2013, 358 pipes (approximately 6,5km) of 800 mm pipe from Hall Longmore has been delivered to site, and is currently strung along the pipe route.
- The 900 mm pipe will be manufactured at API, manufacturing to commence June 2013, when steel coil is delivered.
- Coating for the stainless steel pipes sourced from China is finished, and the pipes are on site.
- All 6 388 m of pipe was laid in the part Debottlenecking milestone. The km 6.6 Debottlenecking milestone target of 25 April 2013 on the progress program was not met. This was due to extensive coating damage in the pipe, caused by storm water damage of 25 March 2013. Wolfontein balancing dams overflowed and water got onto the pipe. This overflow was caused by Operations and Maintenance personnel installing an alarm system, aimed at alerting them if there is overflow of the remaining dam, when the first one is emptied. Water and silt had to be cleaned inside the first 3 km of pipe that was already holiday tested, thus delaying the milestone. Pressure testing is scheduled for 06 May 2013, and milestone achievement on 12 May 2013.
- As at 30 April, 7 400 m of pipe were laid, which includes 1000 m of the required 3,915 km on the full debottlenecking section. The remaining rate of pipe laying required to achieve this milestone is 130m/day. Only one subcontractor was laying pipes at a rate of 2 per day, and the second pipe laying team will start from 01 May 2013 on this section, after completing on km 6.6.
- The 7 400 m pipe layed compared to the planned 43 km on the entire project, translates to a delay of 6 months. The subcontractor for the 22km of the 800mm portion will mobilise from Mid May 2013. The Subcontractor will be using alternate welding technology, which will peak the pipe laying to about 300m a day. Delivery of this technology was delayed for arrival on 20 May 2013.
Another subcontract for work on the 4km 900 mm pipe size rising main was concluded in April 2013, subcontractor mobilisation delayed to June 2013, due to pipe availability. These measures are aimed at mitigating the pipe laying delay.
- Work on the Balancing Dams started on 30 April 2013. Vortex inhibitor was installed in Dam no 2 and tested, and found to be working effectively. Dam No2 has been emptied to effect the repair work to the leaking wall, construction of new outlet works as well as the inlet works. This work is scheduled to be completed in July 2013.
- Following the delay on the Pump Station owing to concrete mix design issues, the Contractor completed installation of their own batch plant on Site, and 7 day trial mix results will be available on 07 May 2013. The Contractor is currently planning to implement double shift work for the concrete works at the Pump Station to recover lost time. Of the required 2600 m³ of concrete, about 1200m³ is still outstanding, which is for the completion of the High Lift section base, walls beams, roof and slabs.

- Final formalisation of the O&M operations centre at the Zeeland water treatment works awaits TCTA Legal Services finalising the agreement with Exxaro.
- DWA needs to confirm the operating entity of MCWAP-1. Discussions on the way forward for operations and maintenance of the scheme has commenced within DWA. Furthermore the establishment of the JPC has commenced to address the National Key Point requirements of which housing will be impacted by.

ENVIRONMENTAL & SOCIAL (E & S)

Natural:

- The approved EIA EMP is being used by the ECO to monitor environmental compliance. The project scored 97.74% (EMP) and 97.23% (Environmental Authorisation) compliance respectively in the ECO's March 2013 monthly compliance report. The April 2013 scores will be reported in the next reporting period.
- The Engineer conducted annual environmental performance assessment of the approved EMPR's by DMR, which is a requirement from the MPRDA, to submit reports to the DMR annually. TCTA is still waiting for revised report from MCC for submission to the Authority.
- The second ECO's 6-monthly audit, which was scheduled for January 2013 was conducted on 05-06 March 2013 due to the strike on site. TCTA received the draft report on 22 April 2013. The project achieved preliminary score of 92.78% on the Environmental Authorisation and a score of 84% on compliance to the EMP. This is a significant decline in terms of EMP compliance and this can be attributed to the long unprotected strike experienced on site and slow progress by the Contractor to address findings made in previous audits.
- DWA confirmed that the WUACC Committee held on 30 April 2013 recommended MCWAP-1 WUL applications to the DG for approval, after a delay from the WUACC querying the design review process by DWA was clarified. TCTA is awaiting the final approval by the Acting DG of DWA.
- 8 Marula trees will be relocated from Borrow Pit 11A to screen off Borrow Pit 10 at the farm Zeeland 526.
- The next Environmental Panel of Experts site visit is scheduled for 20-21 June 2013. All contractual arrangements are now in place.
- The issues of concern with regard to the Contractor's performance with the Environmental Specifications have slightly improved, with a concerted effort given to address handling of hazardous waste, concrete waste and hydrocarbons throughout the entire site. Areas which still require more effort are:
 - Handling of hydrocarbons and spills
 - Dewatering trenches and stream crossings

Social:

- Continuing effort is directed to ensure the Contractor adheres to the specifications and commitments reached with specific landowners.
- The contractor keeps a social register, which is monitored on a regular basis, and incidences addressed. Most incidences involve open or damaged gates and fences that must be fixed. A new fencing company, a fencing manager and a new security company were commissioned on the project with the sole aim of addressing these issues. Progress is now evident since this introduction.

Land Acquisition:

- RLCC informed TCTA that the new Settlement Agreement for the Morongwe Community Property Association was signed with the chairperson of MCPA, and a copy was received on 12 April 2013. TCTA awaits a date of the meeting after the 04 May 2013 was postponed due to unavailability of RLCC.
- TCTA received valuations reports for all properties, and submitted Notes to Counsel on 15 April 2013. TCTA's Senior Counsel will visit site, with all valuers in May 2013, to finalise the process.
- Agreement between TCTA and Eskom regarding acquisition of land for the replacement Borrow Pit 11A at farm Zwartwater is at an advanced stage, pending the visit to site by Senior Counsel to finalise the valuation process.

CRITICAL RISKS

The project risk register is being reviewed. The current most significant risks are:

	Top Risks	Residual Rating	Action plan
1	Contractor progressing slow due to reaching limit of delay damages, whilst delaying TCTA's income stream	25	Engaging the Contractor CEO on reputational damage to TCTA and Contractor if delay is not mitigated.
2	Slow progress by contractor due to lack of advance planning and under estimation of contractual requirements, delaying debottlenecking.	20	Monitor implementation of the recovery plan on a weekly basis, and mitigate debottlenecking by tie in at km 10.3. Continuous meeting between TCTA and Contractor. Discussion of reporting dashboard between TCTA CEO and Contractor CEO
3	Delays in completion of works due to inadequate control of sub-contractors by AUJV. This may result in delays in implementation of the project	15	Bi-monthly meeting between contractor and subcontractors. High level meeting between MCG and Contractor Managing Director
4	Strike action by Contractor's SED contractors due to Industrial Relations (IR) Management and the Fluid situation emanating from the Medupi labour issues. This may result in delays in implementation of the project	15	Monitoring compliance to SAFCEC IR Forum between contractor and subcontractors.
5	Slow rate of pipe supply at the factory due to quality issues, and commitments by the pipe supplier above his visible production rate	12	Weekly meeting and monitoring of the pipe supplier's quality process and throughput by the Engineer and the Contractor to address the problem. All pipes for debottlenecking at 10.3km are secured and are on site. All 800mm diameter pipe given to another supplier. Contractor approached Highveld Steel to secure coils due to disruptions at Mittal.
6	Contractor failing to cross stream crossing at Riet 2 on km 9.5	10	Monitor activities. Experienced contractor in dewatering mobilised on site in February 2013.

7	Lack of project operations and maintenance personnel on commissioning due to DWA not sufficiently resourced to takeover project operations and maintenance. This risk may result in asset not having operators, and thus providing an inefficient service to the water users.	10	DWA regional office to renew operations and maintenance contract with Exxaro to include maintenance of new infrastructure.
8	Slow progress by contractor on pump station due to non-compliance with specification and incorrect concrete design mix. This risk may result in delays in water delivery	10	Site batch plant established, and trial mixes results awaited. Implement double shift on concrete pouring to mitigate delay.
9	Balancing dam's capacity due to one dam working whilst the other is being repaired. This may result in risk on current water delivery	10	Effective planning, intensive stakeholder communication engagement, and having available material timeously to complete the work in time.
10	Difficulties in integration of manufacturing and construction process due to delays in manufacturing and delivery of specials and chambers. This risk will result in Delays in implementation of the project	8	Mobilisation of an integration manager from the Contractor's side by June 2013 to effectively manage this risk.

PUBLIC RELATIONS (PR)

TCTA attended a meeting requested by the Lephalale Local Municipality Mayor and the Municipal Manager, and project progress was shared with them.

PROJECT MANAGEMENT

Scope:

- The project is being implemented in accordance with the scope as defined in the WSA's and IA and as approved in the Project Charter and Implementation Plan.

The implementation of MCWAP-2, which was suspended due to uncertainties regarding future water demands and off takers, were revived, with the water stakeholder meetings held on every Tuesday, and demands from stakeholders being finalised. TCTA is working with DWA and MCC to deal with the process.

Time:

- The tie-in at km 6.6, which will result in a 37% increase in water supply, is forecasted for 08 May 2013. The delay was caused by extensive repairs that needed to be done due to weather damage of March 2013, and the need to clean after effects of the leak from the Balancing dam.
- The water Debottlenecking milestone, for tie-in at km 10.3, which will result in 57% water supply increase completion, is forecasted for 19 June 2013.

- Penalties will be levied against the contractor for not meeting the milestone of commissioning the km 6.6 and km 10.3 debottlenecking section in line with the SA1 agreement. These penalties will be effected after the full extent of the delay is realised, and all Extension of Time claims are determined. Notification was issued to the Contractor and the Engineer in this regard.
- The current milestones are reported below (Actuals in bold).
- The Contractor takes a long time to make decisions that will impact the project positively, and this concern is highlighted in the biweekly management meetings between the TCTA PM, MCC PM and the Contractor's MD. This decision making has not improved, despite the Contractor's COO being part of the biweekly meetings. The Contractor's CEO will meet the TCTA's CEO on 23 May 2013, to account on what mitigations are being taken to contain the program.

Project Milestones	Approved Charter	Actual Current Target
TCTA Board approve the provisional Charter	29 May 2009	29 May 2009
Initial Directive from Minister	19 May 2010	19 May 2010
MCWAP-1 revised Directive from Minister	Will not be forthcoming yet.	
TCTA Board Approval of the MCWAP-1 Charter	31 October 2011	09 February 2012
Commence engineering design	07 September 2009	07 September 2009
Environmental Authorisation (MCWAP-1)	03 December 2010	03 December 2010
Phase 1 Water Supply Agreements concluded	31 March 2011	28 November 2011
Phase 1 Implementation Agreement concluded	31 August 2011	20 December 2011
Water Use Licences issued	30 June 2011	10 November 2011
MCWAP-1 Finance Procured	15 September 2011	15 July 2012
Start of construction MCWAP-1	14 September 2011	14 September 2011
Water Delivery Debottlenecking km 6.6	30 November 2012	12 May 2013
Water Delivery Debottlenecking km 10.3		19 June 2013
Water Delivery Date Phase 1 (RFTO)	31 August 2013	16 May 2014
MCWAP-1 Close out	31 August 2015	31 November 2015

Note1: forecasted dates are in bold.

Resources:

- The TCTA project team is adequately resourced. The resignation of the Land Acquisition Manager had an impact on the land owner issues, but the project team is mitigating the exposure. The Project Environmental Manager is the responsible person in this regard, supported by the Project Engineer and the Project Manager. The project coordinator who supported the Land Acquisition Manager is working closely with the Environmental Manager and the project Social team to manage these issues.

Quality:

- MCC is applying the Project Quality Plan as approved and AUJV is implementing their plan that governs manufacturing and construction activities.
- Consistent quality problems experienced with the lining and coating repairs are being successfully mitigated. No pipe that fails quality test is accepted to leave the factory. No pipe that fails quality is allowed to be put in the trench. All relevant quality management plans are in place to ensure quality management on the project.

PROJECT BUDGET

MCWAP1	Cost at Completion			Cum Actual Apr-13 ('000)	Status Complete Apr-13 %
	Charter escalation isolated ('000)	Charter ('000)	Budget Dec-12 ('000)		
Construction	1 143 500	1 336 642	1 326 894	410 604	31%
Core Infrastructure	966 000	1 138 556	1 142 921	372 471	33%
Ancillary Infrastructure	177 500	198 087	183 973	38 132	21%
Engineering	300 150	341 928	340 324	202 130	59%
Infrastructure	287 500	327 249	327 581	195 846	60%
Support Services	12 650	14 679	12 742	6 284	49%
Environmental	45 500	52 690	30 043	2 583	9%
Natural	5 100	6 001	5 767	0 752	13%
Social	8 400	9 910	1 334	0 086	6%
Land Acquisition	32 000	35 778	22 942	1 745	8%
Health & Safety	0 360	0 431	0 592	0 328	55%
Health & Safety	0 360	0 431	0 592	0 328	55%
Administration	197 000	225 778	186 289	102 883	55%
Staff Cost			111 405		0%
Governance			10 775		0%
Public Relations			5 898		0%
Facilities			45 348		0%
Financial Services			12 864		0%
Sub Total			1 884 142	718 528	38%
Project Contingency	154 070	181 166	254 493		
Project Escalation	298 055	<i>included</i>	<i>included</i>	<i>included</i>	
Project Total	2 138 635	2 138 635	2 138 635	718 528	
			<i>Budget Dated Dec-11</i>	Budget Available 1 420 107	

HEALTH AND SAFETY (H & S)

- No new statistics was provided for March 2013 therefore the November 2012 statistics still remains.
- No lost time injury was incurred by TCTA, MCC and AUJV during the last month and only one incident since the project commenced. At end of February 2013 the MCWAP1 RCR =0.10
- Incident since the project commenced. At end of February 2013 the MCWAP1 RCR =0.10

MCWAP1- Combined Recordable Case Rate (RCR)		
	Previous report	This report
RCR to date	0.14	0.10
Recordable cases	1	1

TCTA RCR = 0.0 for a total PMID of 13,668 person hours.

MCC RCR = 0.93 for a total of 231,184 person hours.

AUJV RCR = 0.0 for a total of 1 855,193 person hours.

- TCTA has made the required delegated/mandatory appointments to AUJV as Principal Contractor/Mine Manager in terms of the Occupational Health and Safety Act and the Mines Health and Safety Act.
- The Health and Safety Monitor has conducted the March 2013 audit and the compliance score has improved to 86% from 85% in February 2013. The improvement made is huge and approaching the 90% acceptable limit.
- No Safety statistics were provided and balances remains as follows:
 - Lost time injury total remain at 2.
 - No Restricted work cases have been reported on the project to date.
 - Medical Treatment beyond first aid cases (MTC/MTBFAC) total is 12.
 - First Aid cases total remains at 38 cases.
- The three major areas of concern identified during the auditing event are the following:
 - The contractor's document control procedure not being finalised, communicated, implemented and monitored.
 - All employees not being trained on all the relevant project documentation e.g. risk assessments, safe work procedures, method statements, emergency plan, etc.
 - The contractor's internal monitoring does not seem effective. Instructions for rectification are issued by various parties but actual monitoring/ confirmation of
 - Rectification thereof does not reflect.
- There is one issue identified that falls under the category called Urgent (require immediate attention) that was picked up by the Monitor. Issue is as follows:
 - Spect was observed working inside the pipeline at CH0274 without having any of the required emergency rescue equipment available at the entrance to the pipe.



SOCIO ECONOMIC DEVELOPMENTS

Mokolo Crocodile Consultants:

- TCTA has seconded one engineer-in-training to the Engineering Consultants, Mokolo Crocodile Consultants (MCC) for a technology/skills transfer programme which will include mentoring such that the trainee can attain professional accreditation at the end of the contract.

Professional Service Provider: Mokolo Crocodile Consultants (MCC); JV between Aurecon, Goba, PD Naidoo and Associates, Vela VKE Consulting Engineers and Worley Parsons

Socio –Economic Objectives	At Contract Award	Progress
BBBEE rating score card	Level 4	Level 3
Black Individual Participation as % of Total Manpower Resources	36%	32%
Number of Engineering Interns Seconded to MCC	-	1
Number of Environmental Interns Seconded to MCC	-	0

Construction Contractor: Aveng (Africa) Ltd and Umbutho Civil and Electrical cc JV (AUJV)

Enterprise Development:

Category	Target	Cum Expenditure	Progress
MNEDB	R 35 009 831.00	R 17 101 495.86	49%
EDB	R 21 240 670.75	R 18 410 531.59	87%

Construction Contractor: Aveng (Africa) Ltd and Umbutho Civil and Electrical cc JV (AUJV)

Preferential Procurement:

Category	Target	Cum Expenditure	Progress
Black Owned Enterprises (BOE)	R 67 133 986.80	R 58 679 723.62	87.41%
Black Women Owned Enterprises (BWOE)	R 12 528 033.00	R 15 227 450.88	121.55%
Black Owned Local Enterprise (BOLE)	R 21 425 000.00	R 12 487 438.51	58.28%
Black Women Owned Local Enterprise (BWOLE)	R 2 500 000.00	R 8 570 993.81	342.84%

NB: Main Contractor has identified additional preferential procurement beneficiaries resulting in an additional allocated amount to preferential procurement.

- Rates for Preferential Procurement beneficiaries' scope of works was agreed with AUJV before commencement of the subcontract. To date, two Preferential Procurement beneficiaries, namely Small World and Mashlap have terminated their contracts with AUJV on this project citing low rates contracted. Efforts to resolve the matters with affected subcontractors failed and their contracts have automatically been terminated as they abandoned the site

Employment:

Employment Group	Origin		Gender		Ethnic Group		Total	Totals	
	Local	Elsewhere	Females	Males	HDI	NON-HDI		Target	Progress
Unskilled local	349	0	64	285	349	-	349	100%	100 %
Semi-skilled black	140	226	28	339	336	17	370	80%	95 %
Semi-Skilled local black								15 %	38%
Other (skilled & Staff)	2	90	4	87	53	39	811	N/A	N/A
Subtotal	493	316	96	712	738	56	719		
TOTAL	809		809		809		809		

Training and Skills Development:

Training Stats per Employment Cat	Origin		Ethnic Group			Youth	Totals	
	Local	Elsewhere	Black Females	Black males	Other		Target	Progress
CETA approved	252	2	43	210		205	339	254
Learner ship	1	14	0	1	4	1	15	15
Internship	0	5	0	5	0	0	3	5
Induction							829	1958
MNEDB training							27	0
Additional							775	374

- Currently 98% of learners on CETA skills programmes are local, but none of the learners on learnerships are local and this concern has been raised by TCTA. (The number of local learnerships required is not specified in the SED specification). TCTA has also requested that AUJV include local beneficiaries in the internship programmes but this is not a specification requirement and all the contractually required internships are currently in place. This absence of local learners on learnerships and internships exposes the project to criticism by local political leadership and the Lephalale Local Municipality. However, this can be offset by the high percentage of local learners on CETA skills programmes. The Contractor has been requested to fast track to identify local candidates for the remaining learnerships that still need to be filled.
- There has been a lack of progress on the training of MNEDBs. This has resulted from the business plans for MNEDBs being revised when the SAFCEC enterprise development programme was implemented incorporating revisions to the training plans for MNEDBs. However, MNEDBs are now receiving mentoring on many areas of construction management and operations. The Contractor has engaged the MNEDB's by getting in agreements to pay their workers directly, and deduct this payment from their payment certificate. The Contractor was instructed to supply and implement a subcontractor management strategy to deal with labour issues that are disrupting the site progress.