



CORPORATE BROCHURE

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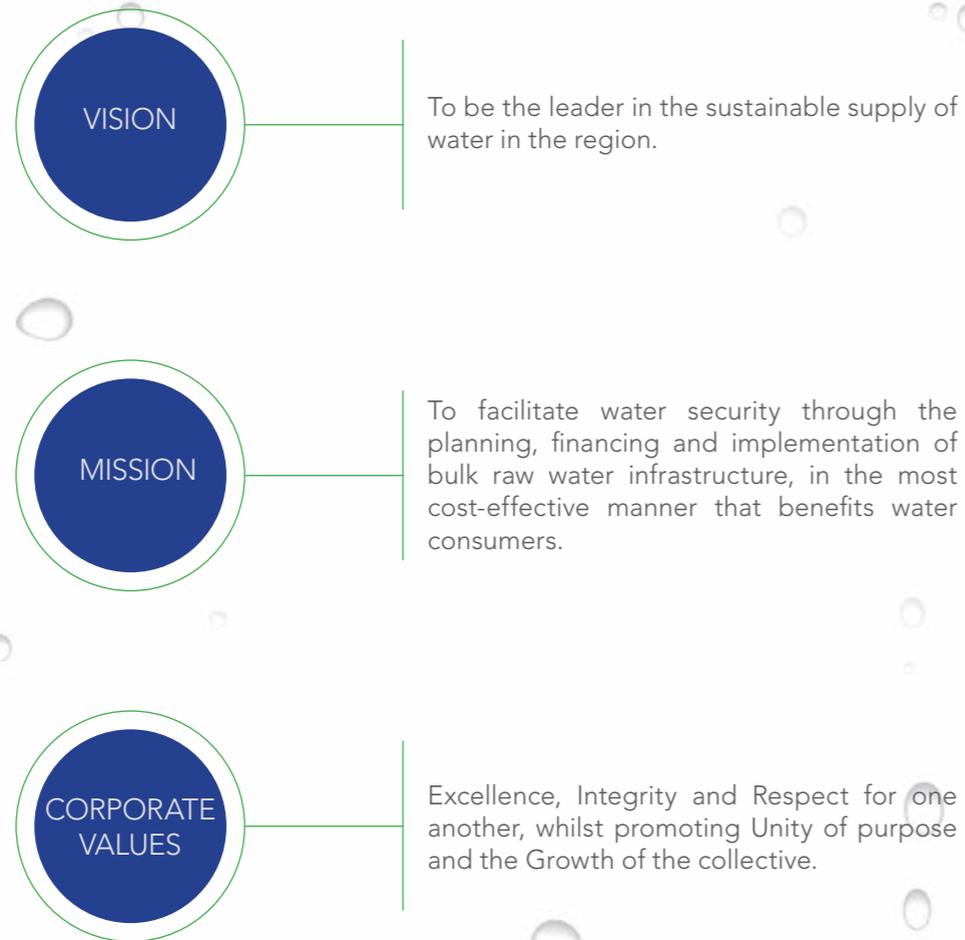
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The National Government, through the Minister of Water and Sanitation, has overall responsibility for the nation's water resources, as well as authority over it. This includes their use, equitable allocation of water for beneficial use, redistribution of water and international water matters. To fulfil this responsibility, the Minister, through the Department of Water and Sanitation, builds and manages water resource infrastructure to store water and transfers it to where the demand arises.

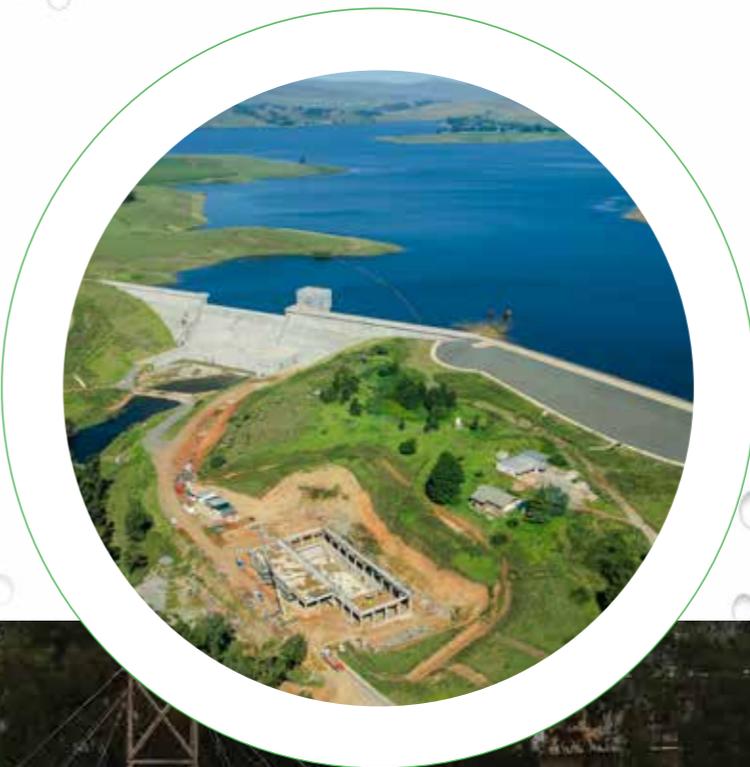
Previously this infrastructure was built on-budget by the National Government. TCTA was originally established as a Special Purpose Vehicle to fulfil South Africa's Treaty obligations in respect of the Lesotho Highlands Water Project. Its establishment was in line with Government policy and practice to seek off-balance sheet funding options for infrastructure projects that can recover their costs through the end-user tariffs.

The purpose of constructing projects off-budget is two-fold:

- To ensure that the cost of the infrastructure is paid for by the benefiting end-consumer and not by the entire tax base.
- To reduce the Government borrowing requirements.

Since the original mandate, TCTA has received further directives as reflected on page 7.

The **Trans-Caledon Tunnel Authority (TCTA)** was established in 1986, by Notice 2631 in *Government Gazette No. 10545*, dated 12 December 1986, to finance and build the Delivery Tunnel North of the Lesotho Highlands Water Project (LHWP). In 1994 a directive was received to fulfil the financial obligations of the Government of South Africa, in terms of the Treaty, on the water transfer component in Lesotho. On 24 March 2000 the Notice of Establishment was again amended by Notice 277 in *Government Gazette No. 21017*, to include the 1994 directive and to allow for the Minister, in terms of Section 24 (d) of the notice, to issue directives to TCTA in terms of Section 103(2) of the National Water Act (Act No. 36 of 1998).



TCTA is a multidisciplinary organisation specialising in **project financing, implementation and liability management**. Our business model is guided by the fundamental need to conduct our business:

- within an acceptable risk framework; and
- in the most cost-effective manner that benefits water users.

a) Project management and implementation of bulk raw water infrastructure

- Project design
- Project construction
- Environmental compliance
- Land acquisition
- Operation and Maintenance (Outfall tunnel North of LHWP and AMD)

b) Debt management

c) Structuring and raising project finance

d) Knowledge management

e) Risk management

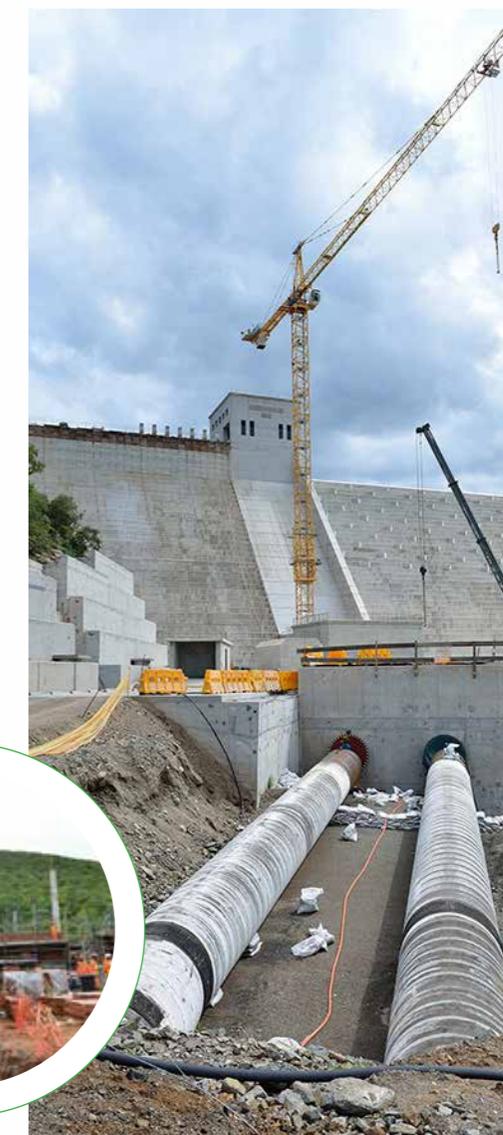
f) Operation and maintenance

g) Socio-economic transformation

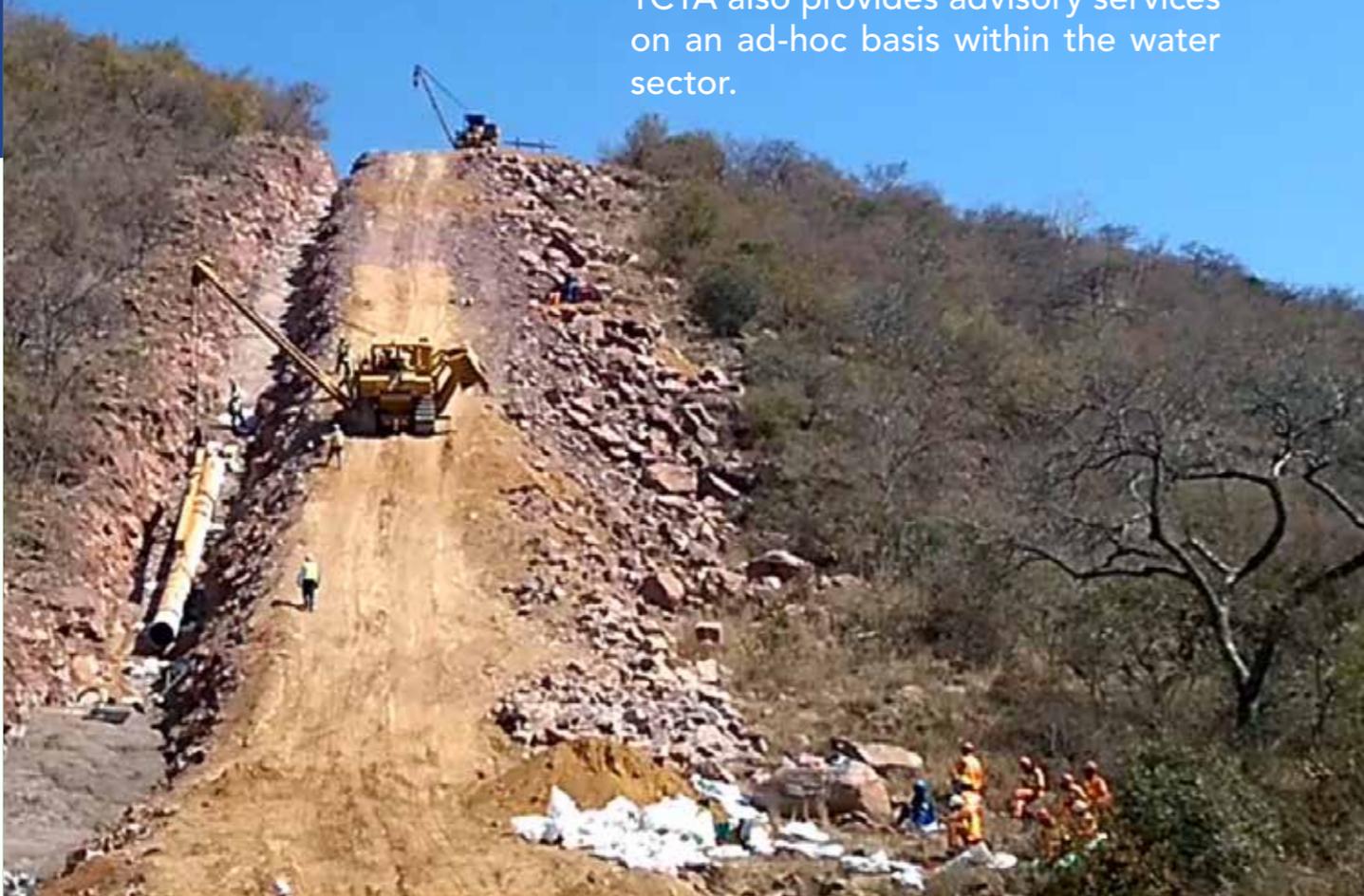
h) Tariff setting



- **Established track record** in preparation, funding and project management of major water infrastructure projects
- Demonstrated ability to optimise development impact (**sustainable job creation**, social responsibility initiatives, skills development in construction and tourism, BBBEE initiatives)
- **Fitch Credit Ratings of AA +** (zaf) long term and **F1 +** (zaf) short term
- **Excellent risk governance** and risk management philosophy
- Funding philosophy with focus on tariffing principles that ensure **affordability to water users** and payment of debt within an agreed repayment period
- **Risk allocation** on internationally accepted project finance principles throughout legal agreements
- Implicit government guarantees which ensure recourse and **optimal security funders**



Since inception, TCTA has received the following mandates and directives. These projects were implemented under specific directives from the Minister of Water and Sanitation. TCTA also provides advisory services on an ad-hoc basis within the water sector.



- Lesotho Highlands Water Project (LHWP) – South Africa portion of the Delivery Tunnel North
- Berg Water Project (BWP)
- Vaal River Eastern Subsystem Augmentation Project (VRESAP)
- Mooi-Mgeni Transfer Scheme Phase 2 (MMTS2)
- Komati Water Scheme Augmentation Project (KWSAP)
- Olifants River Water Resources Development Project – Phase 2C (ORWRDP-2C)
- Mokolo and Crocodile River (West) Water Augmentation Project (MCWAP1&2)
- Acid Mine Drainage Short-term Intervention (AMD)
- The Strategic Integration Projects 3 and 18 (SIP-3 and SIP-18)



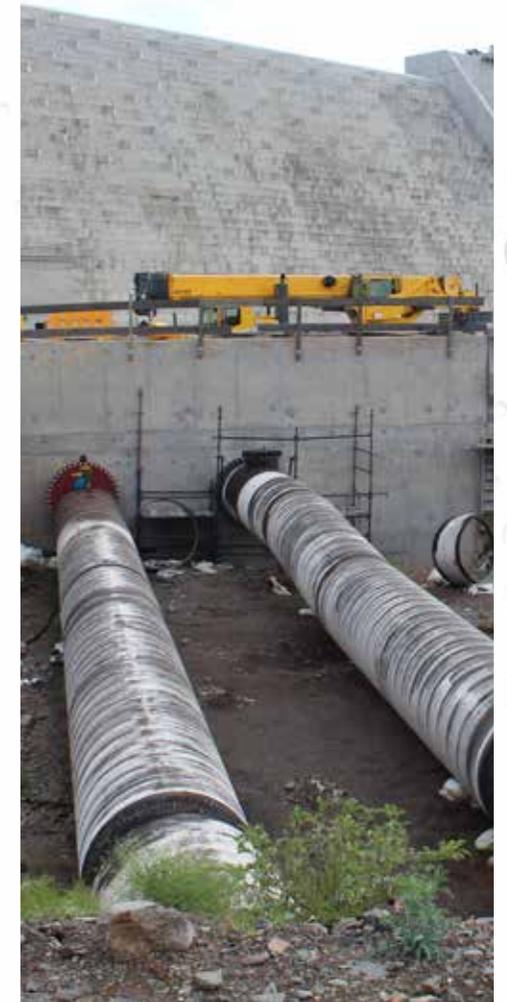
The **Lesotho Highlands Water Project (LHWP)** was instituted as a bi-national project spanning the borders of South Africa and Lesotho in accordance with a treaty signed in 1986. This engineering feat diverts water from the Senqu River System in Lesotho to South Africa's economic hub, the water-stressed Gauteng region.

The year 2003 saw the completion of the project's Phase 1B. TCTA was responsible for the section of infrastructure development under Phase 1A. TCTA is now fully accountable for the debt management and funding of the water transfer portion of the project as well as the operation and maintenance of the Delivery Tunnel North. The LHWP's primary infrastructure for Phases 1A and 1B encompasses building of three dams, Katse, Muela and Muela; an intake tower; transfer tunnel; a delivery tunnel; and a hydropower station.



The **Vaal River Eastern Subsystem Augmentation Project (VRESAP)** takes water out of the Vaal Dam and discharges it into Trichardsfontein or Bosjesspruit Dams, from where it is abstracted by Eskom and Sasol. The project has been delivering water since June 2009 as an integrated component of the VRESS, and revenue has been received from this date.

The **Komati Water Scheme Augmentation Project (KWSAP)** effectively forms a continuation of VRESAP as it abstracts water released from Trichardsfontein Dam at Rietfontein Weir for use at Matla, Duvha and the future Kusile Power Stations. Both VRESAP and KWSAP form part of the Vaal River Eastern Subsystem that supplies water to Sasol and Eskom's power stations on the Highveld. The primary purpose of KWSAP is to ensure a secure second feed to Duvha Power Station, as the original feed from Witbank Dam could no longer be used due to the acidity of the dam water and to provide water for the new Kusile Power Station. The project was declared operational on 4 June 2013 when it was handed over to DWS to operate and maintain.



Further down the Olifants River is the **Olifants River Water Resource Development Project (ORWRDP)**. The project area of the ORWRDP extends across the central parts of the Olifants River catchment. This includes the Steelpoort River catchment, and extends into the upper parts of the Mokgalakwena River and Sand River catchments, to broadly cover the band of new mining and power generation developments on the Eastern Limb and Northern Limb of the Bushveld Igneous Complex. It includes the towns of Mokopane, Burgersfort, Steelpoort, Roossenekal, Jane Furse, Polokwane, Lebowakgomo as well as the rural communities of the Lepelle-Nkumpi, Fetakgomo, Makhuduthamaga and Greater Tubatse municipalities. The entire project area falls within the basin of the Limpopo River, upstream of the Kruger National Park.

Phase 2 of the ORWRDP is a multi-purpose project incorporating both economic and social development objectives to cater for the water demands of commercial and social users. Phase 2 comprises a number of sub-phases which include a 194 kilometre bulk water distribution network. TCTA has been directed by the Minister of Water and Sanitation to implement and partially fund Phases 2B, C, D, E and F.



The **Mokolo-Crocodile Water Augmentation Project Phase 1 (MCWAP-1)** comprises a pump station and a 43-km pipeline from Mokolo Dam, parallel to and tying into existing infrastructure supplying Exxaro's Grootegeluk Mine, Eskom's Matimba Power Station and Lephale Local Municipality. The augmentation is necessary to increase the capacity of the scheme in order to supply water to the new Medupi Power Station.

In KwaZulu-Natal, the **Mooi-Mgeni Transfer Scheme (MMTS-2)** is aimed at increasing the water supply by 60 million m³ per annum to the Durban and Pietermaritzburg areas. The project comprises of a 5MW pump station, 15-km transfer pipeline, 37-m high dam and refurbishment of the existing transfer scheme (ie pump station and transfer pipeline).

Only the Western Cape water supply system, where the **Berg Water Project (BWP)** is located, is not linked to the rest of the country through the existing National Water Resource Infrastructure. This dam and supplementary scheme

were built to increase water supply to the City of Cape Town and the surrounding municipalities. The project was officially inaugurated in March 2009 and it is currently operational, delivering water to the City of Cape Town as planned.

The **Acid Mine Drainage Project (AMDP)** is aimed at implementing the immediate intervention for the Western Basin, and short-term intervention for the Central and Eastern Basins of the Witwatersrand Goldfields, as recommended to the Inter-Ministerial Committee by a panel of experts. The immediate and short-term action plans were to stop decant in the Western Basin and to protect the Environmental Critical Level (ECL) in the Central and Eastern Basins respectively. The project entails the construction of infrastructure comprising water treatment plants, pumps and pipelines to pump AMD; treat it, and release the treated water into the natural river system for each of the basins.

The **Metsi Bophelo Borehole Project** was a DWA-initiated project, aimed at making clean drinking water accessible to poor rural areas in a sustainable manner, with a broader goal of improving communities' health and livelihoods. The project was implemented in six provinces – Eastern Cape, Free State, Limpopo, Mpumalanga, North West and KwaZulu-Natal.

The **Strategic Integration Project 3** is primarily aimed at unlocking economic opportunities in the Eastern Cape by supporting industrialization, agriculture development, tourism, mining and the automotive sector. TCTA is in the role of Programme Coordinator, on behalf of the Presidential Infrastructure Coordination Commission (PICC). SIP-3 encompasses nine major projects, all strategic and catalytic in nature, and in various stages of development, which includes inter

alia the Manganese Rail Upgrade, the Ngqura Container Terminal, the Kalagadi Manganese beneficiation projects, the Mzimvubu project and the N2 Wild Coast Highway project.

TCTA also coordinates the **SIP-18 program**, which is a nation-wide, sector-specific program dedicated to water and sanitation projects along the entire water value chain. SIP-18 projects will provide for new infrastructure, rehabilitation and upgrading of existing infrastructure, as well as improving the management of water and sanitation infrastructure. The program encompasses four clusters, namely: National water resources infrastructure, regional bulk infrastructure, municipal infrastructure and water boards capital projects.



Key project finance principles

- **Create** institutional and contractual arrangements which promote a holistic and integrated approach to project management
- **Maximise** the transfer of risk to those parties best suited to manage the risk
- **Ensure** that internal structures promote centralised and direct control, strong governance, as well as strong quality control and review processes
- **Develop** stakeholder structures which promote participative and consultative project implementation

While funding for the projects is raised through the local and international financial markets, the related financial risks are managed actively by TCTA. This involves active participation in the money market, capital market, forex market and derivative market where necessary. TCTA more specifically, raises funding through the issue of WS-bonds and an actively managed Commercial Paper Programme.



- Technical reviews of planning designs ensure the implementation of cost-effective and appropriate structures
- Review of alternatives
- Value for money (optimisation of infrastructure type, structures)
- Appropriateness of structures (configuration, layout and physical conditions)
- Compliance of design criteria with international best practice and benchmarks (standards, stability analysis, safety factors)
- High degree of certainty in construction tender documentation (lower potential risk for claims)
- Maximum risk transfer to the private sector within acceptable cost and time constraint framework
- Comply with international best practice and benchmarks within the South African context
- Use infrastructure effectively after completion of construction

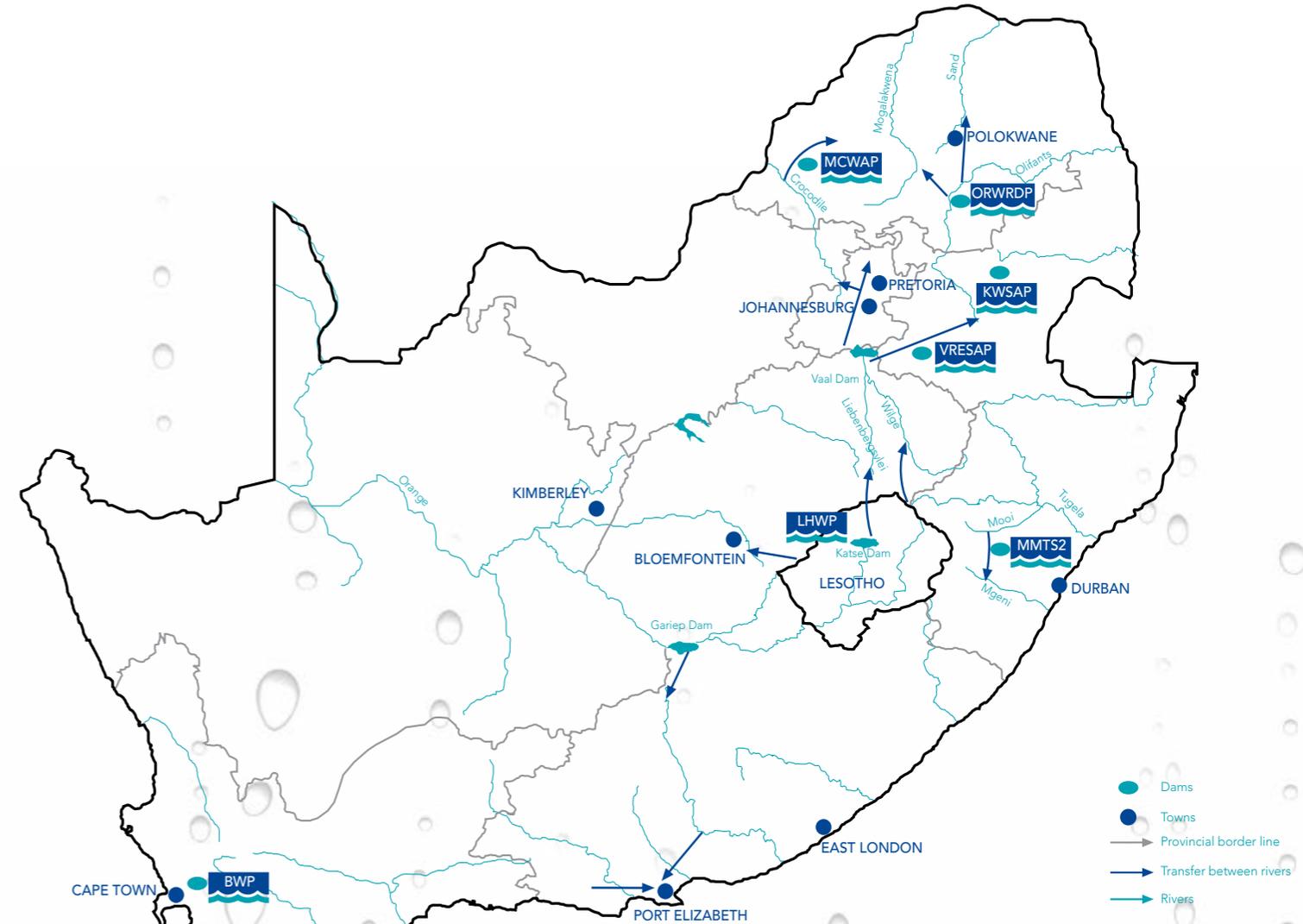


- Compliance with environmental legislation, approval conditions, international environmental management best practice and benchmarks
- Community involvement through effective public participation programmes
- Maintenance and facilitation of open channels of communication between role players, interested and affected communities and other role players throughout the project life cycle
- Application of relevant lessons learnt from previous projects to current ones
- Support demand management principles in planning, design, implementation and tariffing of bulk water projects

Supporting Government's transformation and sustainability initiatives

Transformation and sustainable development are essential to the manner in which TCTA implements and manages its projects. The organisation has approached and implemented transformation according to Government policies and regulations, and has creatively found ways of utilising the projects as catalysts for change.

We consider ourselves an instrument of social purpose, formed within society to accomplish social objectives. Consequently, we are obligated to create new patterns, processes and strategies to tackle complex socio-ecological issues. As a developmental agency, TCTA has committed itself to the progressive ideals and principles of sustainable development and their integration into various aspects of our business processes, giving us an opportunity to create value for all stakeholders, including social, economic and environmental facets.



EXCELLENCE + INTEGRITY + RESPECT + UNITY + GROWTH