



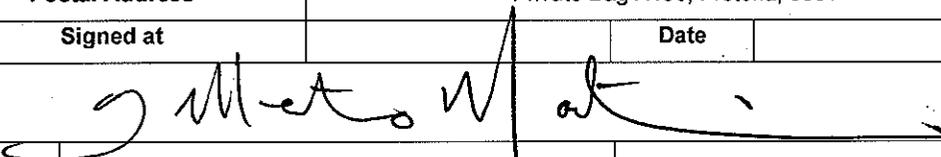
SERVICE LEVEL SCHEDULE

Contract RT58/2012CVCV

**INSURANCE AND ADMINISTRATION OF THE SUBSIDISED MOTOR TRANSPORT
SCHEME OF THE STATE FOR THE PERIOD
1 APRIL 2012 TO 31 MARCH 2017**

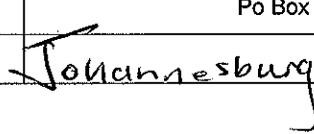
between

**THE GOVERNMENT OF THE REPUBLIC OF SOUTH AFRICA
acting through its National Department of Transport ("the State")**

Physical Address	The Forum Building, 159 Struben Street, Pretoria, 0001		
Postal Address	Private Bag X193, Pretoria, 0001		
Signed at		Date	
			
Name	GILBERTO MARTINS		who warrants that they are duly authorised to sign
Office	CHIEF OPERATING OFFICER		

and

Mmela Financial Services Pty (Ltd) ("Service Provider")

Physical Address	181 Jan Smuts avenue, Rosebank, Johannesburg		
Postal Address	Po Box 2140 Saxonworld, 2132		
Signed at	Johannesburg	Date	18 th February 2013
			
Name	MKHOSI RAMATSETSE		who warrants that they are duly authorised to sign
Office	Managing Director		

This Agreement comprises the Agreement and Schedules attached hereto.



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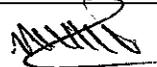
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1. Definitions and Interpretation

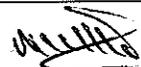
In this Contract, the following words or expressions shall have the meanings hereby assigned to them, except where the context otherwise requires.

- 1.1. **Accounting Officer** – bears the same meaning as defined in the Public Finance Management Act or the Municipal Finance Management Act;
- 1.2. **BBBEE** – means Broad Based Black Economic Empowerment
- 1.3. **BEE** – means Black Economic Empowerment
- 1.4. **Consortium / Joint Venture** – means an association of persons for the purpose of combining their expertise, property, capital, efforts, skills and knowledge in an activity for the execution of a contract;
- 1.5. **Contingency Policy** – means an insurance policy that covers specified risks.
- 1.6. **Contract-** means the agreement that results from the acceptance of a Bid by any organ of State;
- 1.7. **Contract Management** – The unit within National Treasury that is responsible for the management of the procurement process.
- 1.8. **Driver** – means an Official / employee that has qualified for and partakes in the Subsidised Motor Transport Scheme and is in possession of a valid unendorsed driver's licence which enables them to drive a specific category of vehicle;
- 1.9. **Fleet Responsibility Manager / Fleet Manager** – means an Official designated by the Accounting Officer or his/her delegate to assume responsibility for the management of the Subsidised Vehicle fleet of the relevant department;
- 1.10. **FSB** – means the Financial Services Board

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- 1.11. **Government Payroll Systems-** means The Persol and Persal systems or the system of preference as used by the majority of government end user departments as identified in the special conditions of the contract;
- 1.12. **Maintenance** - means all work undertaken in terms of a vehicle that is included in the normal service plan of the vehicle and as set out in the manufacturers manual/ owner manual or vehicle service handbook or any other repairs as required due to normal wear and tear;
- 1.13. **Merchant / Supplier** – means any legal entity which contracts with the Service Provider to provide goods or services to the State;
- 1.14. **Municipal Finance Management / MFMA** – means the Municipal Management Act No.56 of 2003;
- 1.15. **National Credit Act** - means National Credit Act 34 of 2005 as amended.
- 1.16. **Official** – an employee of the State that is an authorized subsidized vehicle user
- 1.17. **RT57** – means the contract between the State and various vehicle manufactures for the procurement of vehicles annually.
- 1.18. **RT62** – means the Subsidised Vehicles Maintenance Contract
- 1.19. **RT68** - means the Vehicle Finance and Administration contract
- 1.20. **SASRIA Cover** - a standard inclusion in most insurance policies and covers the holder of the policy against any damage that may occur in terms of "*any riot, strike or public disorder, or any act or activity which is calculated or directed to bring about riot, strike or public disorder.*"
- 1.21. **Service Plan** – means a service that is procured during the purchasing of the vehicle, where the service plan is included in the RT57 Contract price and will cover all cost in

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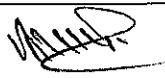


terms of normal services as set out in the vehicle's owner manual or handbook up until specified kilometres or time period;

- 1.22. **Service Provider** – means the successful bidder who is awarded the contract to administer the insurance for the Subsidised Vehicle fleet to the State as specified in the special conditions;
- 1.23. **SMS**- Short Message Service or a cellular phone text message
- 1.24. **Spares** – means any parts fitted to a vehicle ensuring that the vehicle is fully operational and functional and from time to time requires replacement due to the damage incurred during an accident or incident;
- 1.25. **Subsidised Vehicle** – means a vehicle procured from the RT57 vehicle contract, financed by the service provider as appointed under Contract RT68 and maintained through Contract RT62;
- 1.26. **Subsidised Vehicle Owner**- means a government employee who was allocated a vehicle in terms of Scheme A of the Subsidised Motor Transport Scheme;
- 1.27. **State** – means for the purpose of this Contract the National and Provincial government departments and institutions participating in this Contract and that make use of the Government Payroll Systems Persal and Persol;
- 1.28. **Transport Officer** – means an officer appointed by the Accounting Officer in writing to, inter alia, administer the department's State vehicles either at a sub-office within a region, within a region or within a department;

2. Participants to the Contract

- 2.1. All national and provincial government departments partake in the Contract with the exception of the South African Police Services. The system requirements of the Contract require that the participants to the Contract make use of the Government Payroll Systems as per the definition.

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2.2. Constitutional institutions as per Schedule 1 of the PFMA, national and provincial public entities as per Schedule 3A and 3C of the PFMA and Local Authorities e.g. municipalities that makes use of the Government Payroll Systems as per the definition are permitted to participate in this Contract, only once formal requests have been submitted to, and formal approval has been obtained from Contract Management, National Treasury.

3. Period of Contract

3.1. The Contract will be for a period of (5) five years commencing the 1st of April 2012 to the 31st of March 2017.

4. Value Added Tax

4.1. The Contract price as included in Schedule 1 is inclusive of 14% Value-Added Tax.

5. Pricing

The pricing for this Contract is contained in Schedule 1 as approved by the National Treasury in the award of the Contract.

5.1. Price Adjustments

5.1.1. Applications for price adjustments must be accompanied by documentary evidence in support of any adjustment claim.

5.1.2. The following price adjustment formula will be applicable for calculating contract price adjustment (CPA) for the Contract administration fees only.

5.1.3. Any fee adjustments as being made under these specifications will be applicable to all vehicles in the Subsidised Motor Transport Scheme from the date that such an increase has been approved. On the dates applicable as referred to below.

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$Pa = (1 - V)Pt \left(D1 \frac{R1t}{R1o} + D2 \frac{R2t}{R2o} + D3 \frac{R3t}{R3o} + \dots + Dn \frac{Rnt}{Rno} \right) + VPt$		
Pa	=	The new adjustable price to be calculated
V	=	Fixed portion of the Contract price (15% or 0.15)
Pt	=	Original Contract price. Note that Pt must always be the original Contract price and not an adjusted price
(1-V)Pt	=	Adjustable portion of the Contract price (85% or 0.85).
D1 – Dn	=	Each factor (or percentage) of the Contract price, e.g., material, labour, transport, overheads, etc. The total of the various factors (or percentages) D1 – Dn must add up to 1 (or 100%).
R1t – Rnt	=	End Index. Index figure obtained from the index at the end of each adjustment period.
R1o–Rno	=	Base Index. Index figure at the time of bidding.
VPt	=	15% (or 0.15) of the original Contract price. This portion of the Contract price remains fixed, i.e. it is not subject to price adjustment.

5.2. Formula Component Definitions

5.2.1. Adjustable amount

5.2.1.1. The adjustable amount is the portion of the Contract price which is subject to adjustment. In this Contract the escalatable amount is 85% (eighty five percent) of the original Contract price. For example, if the bid price is R1000 then only R850 will be subject to adjustment

5.2.2. Fixed Portion

5.2.2.1. The fixed portion represents those costs, which will not change over the adjustment period, and does not represent the profit margin. In this Contract the fixed portion is 15% of the original Contract price. Using the



same example as above, it would amount to R150 which will remain fixed over the Contract period.

5.2.3. Cost Components and Proportions

5.2.3.1. The cost components of the Contract price usually constitute the cost of materials (raw material or finished product), cost of direct labour, cost of transport and those other costs which are inclined to change. The proportions are the contribution to the Contract price of each of these cost components. In this bid the following cost components will be used to calculate the CPA.

Cost Component	% Contribution
D1- CPI Financial services	100%
TOTAL (Cost components must add up to 100%)	100 %

5.2.4. Applicable indices / references

5.2.4.1. The applicable index refers to the relevant market index, which is a true reflection of price movement(s) in the cost over time. In this Contract the following indices or reference will be applicable:

Cost component	Index Publication	Index Reference
Financial Services	STATS SA Statistical release P0141 (CPI Publication)	Table E financial services



5.2.5. Base Index Date

5.2.5.1. The base index date applicable to the formula is defined as the date at which the price adjustment starts. In this Contract the base index date is September 2011.

5.2.6. End Index Date

5.2.6.1. The end index dates are the dates at predetermined points in time during the Contract period. In this bid the end indices are defined below.

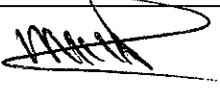
5.2.7. Price Adjustment Periods

5.2.7.1. Adjustment to Contract prices may be applied for at the following dates:

Adjustment	CPA application to reach the office at the following dates	End Index Date	Dates from which adjusted prices will become effective	Dates until which adjusted prices will be effective
1 st Adjustment	1 March 2013	31 January 2013	1 April 2013	31 March 2014
2 nd Adjustment	1 March 2014	31 January 2014	1 April 2014	31 March 2015
3 rd Adjustment	1 March 2015	31 January 2015	1 April 2015	31 March 2016
4 th Adjustment	1 March 2016	31 January 2016	1 April 2016	31 March 2017

5.3. General

5.3.1. Unless prior approval has been obtained from the State, no adjustment in Contract prices will be made.

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- 5.3.2. Applications for price adjustment must be accompanied by documentary evidence in support of any adjustment.
- 5.3.3. CPI applications will be applied strictly according to the specified formula and parameters above as well as the cost breakdown supplied by bidders in their respective Contract documents.
- 5.3.4. In the event where the supplier's CPI application, based on the above formula and parameters, differs from Contract Management's verification, Contract Management will consult with the supplier to resolve the differences.
- 5.3.5. An electronic price adjustment calculator will be available on request from Contract Management.

6. Service requirements

- 6.1.1. The Service Provider is required to manage and administrate insurance for Subsidised Vehicles under Scheme A of the Subsidised Motor Transport Scheme.
- 6.1.2. The Service Provider will be required to share information with other service providers appointed to manage other aligned or related vehicle contracts. The sharing will be done as agreed between the parties involved in consultation with the National Department of Transport.
- 6.1.3. The functions required from the Service Provider in terms of this Contract can be summarized into the following functions:
 - 6.1.3.1. All processes related to the collection of insurance premiums through the Government Payroll Systems.
 - 6.1.3.2. The management of all insurance related claims processes.
 - 6.1.3.3. The compilation and distribution of management reports.

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- 6.1.3.4. Communication of the correct information to the various role players within the scheme including a SMS or text message.
- 6.1.3.5. Function to Officials or any other electronic means of communication that may be required.

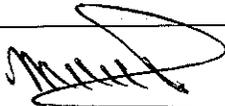
7. Background

7.1. Insurance Background

- 7.1.1. Government is utilizing a Contingency Policy to insure their Subsidised Vehicle fleet.
- 7.1.2. The premiums are determined annually based on the actuarial analysis of the performance of the fund in the previous Contract year (1 April to 31 March). This process is done in consultation with the National Department of Transport preceding the commencement of new Contract year.
- 7.1.3. A number of risks are re-insured through the Contingency Policy as well as the payment of all annual fees such as SASRIA cover and the underwriter's fees.
- 7.1.4. The actual requirements of the cover, the amounts thereof and the determination of the premiums will be done in consultation with the Service Provider appointed in terms of contract RT58/2012.
- 7.1.5. The Service Provider will be required to provide the State with a comprehensive insurance solution for the Subsidised Vehicle fleet.

7.2. Related Contracts

- 7.2.1. The effectiveness and efficiency of the Subsidised Motor Transport Scheme requires the Service Provider to work together in the sharing of information and the development of their own internal management systems. Government does

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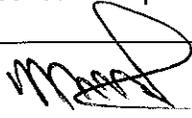
not have its own system for the administration of the Subsidised Motor Transport Scheme but are reliant on the various service providers appointed for the various related contracts.

7.2.2. The various related service providers need to ensure the seamless flow of information between them and the relevant end users. Other contracts in terms of the Subsidised Vehicle Scheme are:

7.2.2.1. **RT57 – Vehicle procurement contract** - Vehicles are procured directly from the motor manufacturers and delivered to the dealership as identified in the application process. The Service Provider appointed in terms of Contract RT58 for Insurance of Subsidised Vehicles must establish relationships with the various suppliers in terms of the RT57 Contract to ensure that all information in terms of the warranties of the vehicles and the other relevant information can be obtained. Contract RT57 is an annual Contract and provision will therefore need to be made to accommodate changes in models and the possible addition of new suppliers.

7.2.2.2. **RT68 – Financing of Subsidised Vehicles** - The Service Provider appointed for the Financing of Subsidised Vehicle manages the ordering process of the vehicles from the suppliers on Contract RT57 after the application was received from the end user department. The information collected during the application process also forms the basis of the database to be used by the Service Providers appointed in terms of contracts RT62 for the Maintenance of the Subsidised Vehicles and Contract RT58 for the Insurance of the Subsidised Vehicles. The insurer will need to confirm the insurance cover of a vehicle prior to the delivery of a vehicle to an Official through an automated process as mutually agreed to with the Finance Service Provider. The Service Provider will be required to set up a standard process with the Finance Service Provider (RT68/2010) for the settlement of accounts where a total loss occurs.

7.2.2.3. **RT62 – Maintenance of Subsidised Vehicles** – The Service Provider will be required to communicate with the Maintenance service provider as

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appointed in terms of contract RT62 related to repairs of vehicles as maintained by the RT62 Maintenance Service Provider as it may effect warranties of vehicles or future maintenance claims.

7.3. Subsidised Vehicle Procurement Processes

- 7.3.1. The processes have been implemented to manage the Subsidised Motor Transport Scheme. The Service Provider will need to fulfil its role in terms of these processes as well as introduce modifications and improvements on the current systems whilst at the same time ensuring that all control measures as implemented remain intact. The typical life cycle of a vehicle ordered through the Subsidised Motor Transport Scheme can be summarized according to the following steps:
- 7.3.2. **Step 1:** The Official applies within his/her department for a Subsidised Vehicle. This application is not vehicle specific but for a certain type of vehicle such as a sedan or a light delivery vehicle with a specific engine category (Approved Benchmark). The end user department will approve such an application based on the fact that the Official adheres to the minimum requirements for the participation in the scheme as well as the most economic solution for the provision of appropriate transport as set out in Transport Circular 5 of 2003.
- 7.3.3. **Step 2:** After the department has approved the application for the Subsidised Vehicle, the application will be sent to the Finance Service Provider appointed in terms of Contract RT68. The Finance Service Provider will do the credit and affordability checks as required by the National Credit Act.
- 7.3.4. **Step 3:** The Finance Service Provider, once the applications has been approved will send the application back to the end user department for verification of the vehicle make and model as ordered by the Official.
- 7.3.5. **Step 4:** Upon verification the application will be send back to the Finance Service Provider that will place the vehicle order with the relevant supplier in terms of contract RT57 for the procurement of vehicles.

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- 7.3.6. **Step 5:** The supplier in terms of contract RT57 will deliver the vehicle to the identified dealership and invoice the Finance Service Provider accordingly.
- 7.3.7. **Step 6:** The Official will do an inspection of the vehicle and sign the finance agreement with the finance service provider after a confirmation of insurance was received from the insurance Service Provider appointed in terms of contract RT58.
- 7.3.8. **Step 7:** When the Officials signs the finance agreement and take delivery of the vehicle, the following processes will commence:
- 7.3.8.1. The Finance service provider is required to pay the vehicle supplier as per contract RT57.
 - 7.3.8.2. The Finance service provider needs to instate the monthly deductions from the Official's salary for the payment of the capital of the vehicle.
 - 7.3.8.3. The vehicle is insured with immediate effect as per Contract RT58.
 - 7.3.8.4. The collection of the insurance premiums is instated. All premiums are collected upfront for the full financial year.
 - 7.3.8.5. The Maintenance service provider is responsible for any maintenance required on the vehicle.
 - 7.3.8.6. The Maintenance service provider needs to instate the deductions for the maintenance premiums through the Government's Payroll Systems.
 - 7.3.8.7. The Maintenance service provider needs to process all fuel claims and log the payments thereof through the Government's Payroll Systems.

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- 7.3.8.8. The Insurance Service Provider will be required to cover any damage to the vehicle and settle the Finance Service Provider in case of total loss.
- 7.3.8.9. Once the vehicle has reached the required kilometres (160 000km), or the required time period elapses as set out in the finance agreement (32/36/42/48/60 months) or for any other reasons such as the resignation from government by the Official, the Official passing away or the Official being promoted, the vehicle is withdrawn from the scheme.
- 7.3.8.10. The insurance Service Provider as appointed on contract RT58 will be required to make a pro-rata refund of the insurance premium to the end user department.
- 7.3.8.11. Insurance cover for the vehicle needs to remain intact until the last calendar day of the month that the Official's Contract was terminated.
- 7.3.8.12. Apart from the above functions, the Service Provider will need to assist government in the application and enforcement of the current Subsidised Motor Transport Policy. (Transport Circular 5 of 2003) that is subject to amendments by the national Department of Transport.

8. Capacity

- 8.1. The Service Provider must ensure that it has the necessary human resources in terms of the number of staff employed to provide the services that falls within this Contract and that the appointed staff will have the required levels of knowledge and skills to ensure that government's fleet is managed effectively and efficiently in terms of the services as set out in this Contract.
- 8.2. The Service Provider will be required to submit a valid FSB certificate on an annual basis as part of the revision of the fund performance.

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9. Copyright and Ownership of Document

- 9.1. All documents produced by the Service Provider and its agents, in the fulfilment of the terms of this Contract shall be and remain the sole property of the State.
- 9.2. All copyright and ownership of documents shall vest with the State. The Service Provider, including its employees and agents, shall, on an email or written request from the State, submit any documentation and materials to the State within 24 (twenty four) hours of such request.
- 9.3. Should the Service Provider receive the request referred to in Clause 9.2 on a day that is not a Business Day, the email or written request shall be deemed to have been received on the next Business Day preceding the day on which the email or written request was received.

10. Security and Confidentiality of Data

- 10.1. The Service Provider must undertake to disclose information relating to the Contract only to the parties stipulated in the contract, both during the Contract period and subsequently.
- 10.2. Information may only be disclosed to outside sources with the prior, written approval from the National Department of Transport or the Provincial Transport Departments.
- 10.3. In the event that any information is requested from the Service Provider in terms of the Promotion of Access to Information Act (PAIA) Act 2 of 2000, the service provider shall notify the National Department of Transport in writing of such a request, within 48 hours of receiving it.
- 10.4. To protect the database relating to State's fleet contract, the Service Provider must have in place, and shall maintain, suitable back-up procedures and disaster plans to protect data. The Service Provider shall back-up all electronic data on a daily basis. Any costs associated with the recapture and processing of data for whatever reason will be borne by the Service Provider.



11. Ownership of Data

- 11.1. The State is, and remains, the sole owner of all data generated by the execution of this contract. The Service Provider is required to provide the data to the State or a third party only upon written request in paper and/or electronic format, upon approval from the National Department of Transport or the Provincial Transport Departments.
- 11.2. The Service Provider will under no circumstances be permitted to make use of personal information of Officials obtained through the execution of the Contract for any other purpose than the execution of the Contract including but not limited to any marketing during or after the Contract has expired.

12. System Enhancements

- 12.1. The Service Provider shall constantly seek to enhance its systems and shall evaluate any new technology designed to curb fraud and abuse.
- 12.2. The Service Provider's management information systems shall throughout the Contract period have the capability to be enhanced / customised or provide for newly specified reporting in order to accommodate the State's changing business requirements. This may include a transition from the current Payroll Systems in use to a new system during the Contract period.
- 12.3. The costs associated with such systems enhancement shall be borne by the Service Provider.
- 12.4. The State shall be consulted before any significant changes to systems are effected and such enhancements should furthermore not change any of the requirements of the State.
- 12.5. Should the State at any time require the use of any new technology in the market that has not been included within this specification, such can be sourced on the request of the State in line with the Change Control procedures as set out in this specification.

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13. Implementation

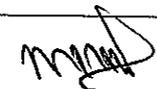
- 13.1. The implementation plan of the Service Provider is to start upon receipt of the letter of award from the National Treasury and needs to be completed within a maximum period of 2 (two) months. The contract needs to be fully operational in terms of all the deliverables by 1 June 2012.
- 13.2. The implementation plan of the Service Provider may be altered after consultation and agreement with the National Department of Transport.

14. Contracting Parties

- 14.1. Separate service level agreement schedules may be implemented for the State's User Departments with unique requirements.
- 14.2. A transversal Contract will be entered into by the National Department of Transport on behalf of the State stipulating common contractual requirements.
- 14.3. Only after consultation and approval by the National Department of Transport will end users be allowed to enter into separate service level agreement schedules. The Service Level Schedules with the identified end users will need to include the attachments specifying the differences in services to be rendered to the different users on the Contract as Schedules to the Contract.

15. Channels of Communication

- 15.1. For matters having any potential financial impact to the Contract, the Service Provider should communicate with the National Treasury. Prior to such communication the Service Provider will be required to consult the National Department of Transport.
- 15.2. For operational queries, the Service Provider shall communicate with the relevant department, the provincial departments of transport or if necessary, the National Department of Transport.

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16. Inspection and Audit

- 16.1. The State reserves the right to inspect and audit any document pertaining to this Contract within five years of the date of expiry of the contract. This may also include queries and complaints. The Service Provider shall provide any assistance free of charge that may be required in this regard.
- 16.2. The cost of inspections and audits shall be borne by the Service Provider.
- 16.3. The State reserves the rights to conduct performance and financial audits on the status of the Contract and the Service Provider shall provide any assistance free of charge that may be required in this regard.
- 16.4. Should any audit or inspection reveal that the Service Provider has not complied with any of the terms of this contract; the Service Provider shall be responsible for the cost of any losses incurred by the State associated with such non-compliance.

17. Insurance and Indemnity

- 17.1. The Service Provider must obtain and maintain professional indemnity insurance for an amount of R 100 million whereby the State is indemnified against any claim of whatever nature and however arising out of any wilful or negligent action or omission of the Service Provider its employees, subcontractors, and assignees.
- 17.2. The Service Provider hereby indemnifies, defends and holds harmless the National Department of Transport from and against any and all Losses, regardless of when same is incurred, but incurred during the duration of and while the National Department of Transport is exercising its rights in terms of this Contract, which may be suffered or incurred by any person, directly or indirectly as a result of, or connected with the conclusion and execution of this Contract and without in any way derogating from the generality of this expression, to include Losses resulting from providing the Services, whether or not the Contract may be attributable to any defect or cause and regardless of when same arose.

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17.3. The Parties hereby waives and abandons whatever claims for Losses it may have against the other Party and which claims arose during the duration of this Contract.

17.4. For avoidance of doubt, the Parties record their intention that:

17.4.1. the National Department of Transport shall be indemnified and held harmless from any and all forms of loss, damages or liability whatsoever arising while the Service Provider is exercising its rights in terms of the Contract or the negligence of an employee of Government acting in the course and scope of his employment, but excluding only wilful conduct or gross negligence or omission of the National Department of Transport;

17.4.2. The Service Provider shall be liable to the National Department of Transport for any and all forms of loss, damage or liability, whatsoever arising, while the Service Provider is exercising its rights in terms of this Contract;

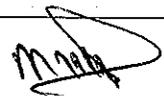
17.4.3. Any and all claims of the Service Provider other than provided for in this Contract, against the National Department of Transport are to be waived.

17.4.4. The Service Provider must provide documentary proof of existing Professional Indemnity and Fidelity Guarantees on an annual basis upon review of the premiums.

18. Training

18.1. The Service Provider will provide a training programme within six (6) months of the tender being awarded.

18.2. The final training programme will be agreed upon between the State and the appointed Service Provider prior to the training being provided to the relevant the end user departments.

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18.3. During the period of the contract, the Service Provider must provide training on an ad-hoc basis countrywide, to mainly but not limited to, staff from Government Motor Transport sections or as recommended by these sections.

18.4. Training courses shall address all related systems and specifically the application of management reports and the actions required from the end user department to rectify any areas of concern. It will furthermore cover at least the following:

18.4.1. General risk management concepts;

18.4.2. The purpose and method of accessing management reports;

18.4.3. The implications of any system changes;

18.4.4. Reporting of accidents and losses;

18.4.5. Passive training of the vehicle user

18.4.6. Risk management.

18.4.7. Operational processes

18.5. The training programme needs to be finalised with the Service Provider within 3 (three) months post award.

18.6. The Service Provider shall provide the State with a manual on all systems and procedures related to the Contract.

18.7. The Service Provider shall provide a dedicated training officer with competency in general risk management, operational processes related to the Contract and the use of any systems made available for end user of the Contract.

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18.8. The State will not require the Service Provider to pay for any vehicle user training (in terms of the practical training in the application of the vehicle) but will be required to provide training on how to prevent accidents.

18.9. The Service Provider will not be required to pay for any refreshments during the duration of the courses or training sessions.

19. Consultancy Function

19.1. The Service Provider must participate in State forums held on a monthly basis as coordinated by the provincial transport department or when requested to do so. Pro-active participation and reporting at these sessions is required.

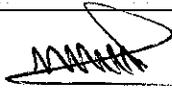
19.2. The Service Provider shall present a critical evaluation of the State fleet on at least a quarterly basis. The presentation, in a format and manner to be agreed with the respective organ of the State must deal with and shall not be limited to aspects such as loss ratio's, accident prevention, payment of claims, claims administration or any other recommendations to improve the overall service.

19.3. The Service Provider must provide an effective and efficient fleet management consultancy service to reduce losses and ensure vehicle availability.

20. Risk Management

20.1. The Service Provider's systems and procedures should incorporate both preventative and detective safeguards capable of preventing and detecting fraudulent transactions related to claims registered with the Service Provider as well as merchants that it does business with.

20.2. The Service Provider is required to report in writing by facsimile or electronic mail (e-mail) to the National Department of Transport and the respective end user department any suspected irregularities involving an Official, a merchant or any other person immediately upon the suspicion arising.

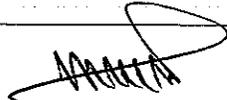
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- 20.3. Information provided by the Service Provider shall be sufficient to enable the State to institute investigations and / or take corrective action or institute disciplinary action against employees in the employment of the State.
- 20.4. The Service Provider will need to avail any of its staff at no additional cost to the State to assist in any investigations.
- 20.5. Where fraud related to a claim or the repair of the vehicle can be proven, the Service Provider has the right to recover any losses from the companies or individuals involved. Steps relating to the recovery of losses are outlined within Treasury Regulations 11 and 12 to which all State departments must conform with.
- 20.6. Should fraud of any kind against any merchant as utilized by the Service Provider be proved, the Service Provider shall:
- 20.6.1. Remove such a merchant from the database of approved merchants.
 - 20.6.2. The merchant shall remain suspended until a full report is received from the Service Provider that addresses all corrective and preventative measures that was taken.
 - 20.6.3. All corrective and preventative measures must be approved by the National Department of Transport in consultation with the end user department / Provincial Department of Transport prior to the implementation thereof.

21. Equipments and Materials

- 21.1. The Service Provider will provide all equipment, materials, sundry items stationery, incur any delivery charges, postage, telephone, facsimile, photocopy costs and the like that may be required for purposes of the contract, as part of the cost of the Contract and will not be able to claim any of these costs against the fund.
- 21.2. Equipment and materials of the Contract will include a handbook setting out all the processes related to any insurance claims. For this purpose, the Service Provider will be

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allowed to compile such a handbook in conjunction with the service providers appointed on Contract RT68 for the Financing of Subsidised Vehicles and the Maintenance Service Provider appointed in terms of RT62 and share the subsequent cost thereof.

22. User Satisfaction Survey

- 22.1. To enable the Service Provider to provide an efficient service to the end user departments of this Contract and to identify shortcomings in any service deliveries, the Service Provider will be required to conduct a user satisfaction survey.
- 22.2. The contents of the user satisfaction survey can be altered after consultation with the National Department of Transport or the end user departments.
- 22.3. The user satisfaction survey can be done telephonically after consultation with the National Department of Transport and may be outsourced to an independent third party specialising in user satisfaction surveys.
- 22.4. The State can also require the user satisfaction survey to be done manually should the impression exist that the user satisfaction survey as was conducted on the web base system or telephonically is not representative.
- 22.5. The outcome of the survey needs to be made available to all Provincial Departments of Transport and the National Department of Transport to ensure that the shortcomings as identified in the survey are addressed.
- 22.6. The Service Provider shall conduct the approved user satisfaction survey in writing annually or as otherwise agreed during the Contract period for a sample size of the data base as agreed with in consultation with the State and needs to be geographically representative.
- 22.7. The user satisfaction survey, which should be included in a six monthly report to the State and should be done in terms of:

22.7.1. Merchants

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22.7.2. Government user departments

22.7.3. Provincial Departments of Transport

22.7.4. Officials partaking in the Subsidised Motor Transport Scheme

23. Financial Considerations

23.1. The State will not authorize any payments for any amounts that are not reflected in terms of the pricing schedule included hereto as Schedule 1.

23.2. The Service Provider cannot in the execution of the Contract make use of any additional pricing or fee structures that are not included in Schedule 1.

24. Insurance Cover and Structure

24.1. The State requires the Service Provider to set up a Rent-a-captive or contingency insurance policy and manage the policy in consultation with the State.

24.2. This policy shall constitute a government owned fund.

24.3. This fund will need to be managed in line with all norms and standards of the insurance industry as well as those set out in this Contract.

24.4. All money remaining in the fund at the end of the Contract period, once all obligations have been met, will be returned to the state as set out in this Contract.

24.5. As part of the Rent-a-captive or contingency insurance policy, the Service Provider will be responsible to ensure that at least the following requirements related to the cover are met.

24.6. The State retains the right to adjust the cover required based on the consultation with the Service Provider and any trends related to the expenditure from the insurance fund.

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24.7. The Service Provider will be responsible to source the required cover as agreed to between the Service Provider and the State during its consultation in the most economical and efficient manner.

25. Re-insurance cover

25.1. Single Event Catastrophe Cover

25.1.1. Should the damage incurred during a single event exceed R1 million, all damage exceeding the amount of R1 million will be covered by the single event catastrophe cover including third party liability in excess of the R5 million limit.

25.1.2. The first million will be payable from the fund.

25.2. Own Damage Self Retention Protection

25.2.1. The Service Provider will be responsible to source self retention protection as the fund will only cover the specified risks as follows:

25.2.1.1. Own damage self retention to a single event is currently set at R300 000, 00. Should the loss in one incident or accident exceed the amount of R300 000, 00 the difference must be covered by the own damage self retention protection policy as sourced by the Service Provider.

25.2.1.2. The current own damage self retention protection includes a total protection of R10 million on the overall fund. Therefore, should the total expenditure against the fund, exceed the total amount of R110 million for which the premiums were collected an additional R10 million must be available to service claims up to the amount of R120 million

25.2.1.3. Should the risk exceed this specified risk, the own damage self retention policy will cover the additional cost incurred.

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25.3. Third Party Liability

25.3.1. The Service Provider will be responsible to source on behalf of government third party liability ground up cover with no excess to the amount of R 5 Million per incident.

26. Standard Industry Cost

26.1. Insurers or Underwriters Fees

26.1.1. The Service Provider will be responsible to ensure that an underwriter's fee that will be in the best interest of government is negotiated. This underwriter's fee will need to be based on the total premiums payable into the fund and not per unit.

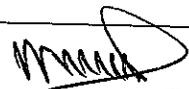
26.2. SASRIA Cover

26.2.1. SASRIA cover is a standard inclusion in most insurance policies and covers the holder of the policy, in this case, all Subsidised Vehicle owners against any damage that may occur in terms of *"any riot, strike or public disorder, or any act or activity which is calculated or directed to bring about riot, strike or public disorder."*

26.2.2. The government will require standard SASRIA cover that is set as a standard requirement within the insurance industry. The amount will include a standard broker fee of 7.5% that will need to be deposited into the fund as well as the commission to the insurer. The SASRIA fee will be based on a per unit price.

27. Insurance Cover and Inclusions

27.1. The following services will be included as part of the insurance function required by end user departments at no additional cost to the State in the structure and format of a contingency or rent-a-captive policy.

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27.2. The insurance of the Subsidised Vehicle need to include amongst others, any factory fitted standard accessories that were either added on by the Official or fitted by the manufacturer of the vehicle, including those that have been financed as part of the finance agreement with the service provider of Contract RT68 for the Financing of Subsidised Vehicles or has been approved by the end user department as a requirement to enable the Official to properly execute his/her duty.

27.3. The cover required will be for the entire Subsidised Motor Transport fleet and will not only be limited to the new vehicles on the scheme.

27.4. The state requires insurance cover that conforms to the following requirements:

27.4.1. The insurance cover needs to make provision for covering the vehicle within the borders of the Republic, Namibia as well as out of the borders of the Republic including, Botswana, Lesotho, Mozambique, Swaziland, Zimbabwe, Malawi and Zambia.

27.4.2. The vehicle insurance should amongst others include the following:

27.4.2.1. Loss of or damage to the vehicle or spare parts caused by accidents or incidents;

27.4.2.2. Theft, hijacking and/or total loss;

27.4.2.3. Vandalism, explosions, riot damage, fire;

27.4.2.4. Falling objects (from buildings, other vehicles or otherwise);

27.4.2.5. Damage to third party property;

27.4.2.6. Liability to third parties resulting in death or injury to third parties;

27.4.2.7. Accessories as financed through the Finance Service Provider as appointed in terms of contract RT68/2010 or as otherwise specified or declared.;

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- 27.4.2.8. Hail, snow or any other damage caused by natural disasters termed as "acts of God";
- 27.4.2.9. Towing and storage cost to the approved repairer;
- 27.4.2.10. Loss or damage caused by or in connection with war, civil war and/or martial law;
- 27.4.2.11. Loss or damage caused by, or in connection with, civil commotion, labour riots strikes and/or mutiny;
- 27.4.2.12. Loss or damage caused by or in connection with politically inspired uprising, riots and terrorism;
- 27.4.2.13. Radio/CD/Hands free car kits covered up to a limit of R3000.00 with a maximum excess of R500.00.
- 27.4.3. The vehicle shall be insured for the full period that the vehicle forms part of the Subsidised Vehicle fleet of the State. The vehicle will need to be covered for a period of 60/48/42/36/32 months or 160 000km whichever comes first. The cover for the last month of the Contract shall be up to the end of the calendar month in which the Official's Contract expires.
- 27.4.4. Windscreen cover with the Official paying the excess per event as determined by the National Department of Transport and the Service Provider.
- 27.4.5. Cover is required for any lost or stolen keys but will not include any broken keys or any part thereof such as remotes etc.
- 27.4.6. Passenger liability cover with a limit of R2.5 million
- 27.4.7. The Service Provider is required to implement an automated system in consultation with the National Department of Transport and the Finance Service provider in terms of Contract RT68/2010 for the Financing of Subsidised Vehicles

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to ensure that confirmation of cover can be provided prior to the delivery of the vehicle. This process needs to be structured in such a manner as to ensure that this will not delay the delivery of the vehicle.

27.4.8. In the event of a total loss, the Service Provider shall calculate the amount payable out of the fund to either the Official or the finance service provider on:

27.4.8.1. The vehicle purchase price (Not RT57 price) and the market value needs to be used to calculate the percentage depreciation of the vehicle value up to the time of the total loss occurring.

27.4.8.2. This % depreciation will then be applied on the initial RT57 purchase price of the vehicle to calculate the amount to be paid out in the event of total loss.

27.4.8.3. Any amount to be paid out should at least cover the financial shortfall of the Finance Service Provider.

27.4.8.4. Additional cover up to market value is required as an optional for Officials that select to purchase this cover for the vehicle replacement at market value.

28. Insurance Exclusions

28.1. All costs related to any of the following would need to be covered by the Official and will not be paid out of the fund.

28.1.1. A vehicle that is not roadworthy

28.1.2. Any misrepresentation, incorrect description, by the Official or individual that was driving the vehicle at the time of the incident/accident or time of total loss.

28.1.3. Should the Official or driver of the vehicle not be in possession of a valid driver's license or where the licence has been endorsed.

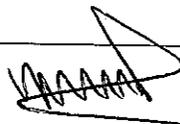
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- 28.1.4. The vehicle be used outside the borders of South Africa with the exception of Namibia, Botswana, Lesotho, Mozambique, Swaziland, Zimbabwe, Malawi and Zambia.
- 28.1.5. Items covered under the Road Accident Fund
- 28.1.6. Where the driver of the vehicle was driving under the influence of alcohol or drugs.
- 28.1.7. Any claims related to the maintenance of the vehicle will not be the responsibility of the Service Provider and will be covered by the service provider appointed for contract RT62/2010. This includes damage to the wheels, rims, tyres and driving shaft of the vehicle that can be contributed to road conditions, such as potholes.
- 28.1.8. Consequential damage unless covered under the provisions for non-standard insurance requirements.

29. Car Hire

- 29.1. The Service Provider will need to make provision for the rental of a stand-in or relieve vehicle should the vehicle of the Official not be available due to an incident or accident.
- 29.2. The stand in or relieve vehicle for a Subsidised Vehicle owner should adhere to the following minimum requirements:
- 29.2.1. The vehicle for Subsidised Vehicle Owners must be the similar type of vehicle that the Official procured under the scheme. For example, should the Official drive a sedan, a sedan must be supplied as a replacement vehicle, should the Official drive a LDV, a LDV should be supplied as a relieve vehicle.
- 29.2.2. Even though the vehicle must be the similar type of vehicle, the engine category of the vehicle does not need to be the same.

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- 29.2.3. A minimum of a 1400 sedan with air-conditioning and a 2l LDV with air-conditioning will be required.
- 29.2.4. A maximum period of 2 (two) calendar months, unless the repairs of the vehicle was delayed through inefficiencies by the Service Provider in which case the Service Provider will be responsible for any additional cost for the provision of the stand-in or relieve vehicle.

30. Premium Determination, Collection and Refunds

30.1. Premium Determination

- 30.1.1. One set premium will be determined for all vehicles partaking in the Subsidised Motor Transport scheme, irrespective of the vehicle make, model or purchase price.
- 30.1.2. This premium will be negotiated between the National Department of Transport and the appointed Service Provider and will be based on the actuarial analysis of the previous Contract year and other historical data.
- 30.1.3. The premium will be determined prior to the start of the collection process for each Contract year that commences on the 1st of April each year.
- 30.1.4. An additional fixed fee will be applicable to all end users that opted to procure a vehicle that is in a different (higher or more expensive) category than was approved by the end user department. (buy-up) or that opt to ensure the vehicle at the market value.

30.2. Collection of premiums

- 30.2.1. The Service Provider will need to ensure that the full premium per annum can be collected through the Government's Payroll Systems and that it will conform to the audit processes as determined through the Government Payroll Systems.

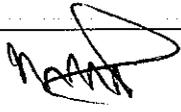
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- 30.2.2. Premiums cannot be collected at the end of the previous financial year for the new financial year. The Service Provider will only be able to collect premiums for the new Contract year after 1 April each year.
- 30.2.3. The Service Provider will need to make provision for the payment of any claims prior to the collection of the premiums during the inception of the contract.
- 30.2.4. Should the compilation of the payment files be outsourced to an independent third party, the details of any such agreements will need to be provided to the State upon request.
- 30.2.5. The Service Provider will be allowed to submit a new payment through the Government Payroll Systems for any vehicle that will start on the scheme throughout the Contract year. The premiums for these vehicles will be calculated proportionally to the number of months remaining in the contract year.
- 30.2.6. The State will not authorize or allow any other method of the collection of premiums for the Subsidised Vehicle Scheme other than through the Government Payroll Systems due to the tax implications on the Officials partaking in the scheme.
- 30.2.7. The Service Provider will be required to report on the collection of all premiums under the scheme with reference to the number of premiums that was collected, the total number of premiums to be collected as well as the value of these premiums.

30.3. Refunds

- 30.3.1. The Service Provider will be required to reimburse the State for any vehicle that did not partake in the subsidised Motor Transport Scheme for the full financial year. This will include officials resigning from their positions, vehicles that were written off or any other reason that prevents the Official from partaking in the scheme for the full contract year.

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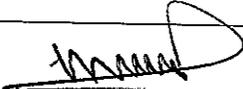


- 30.3.2. The Service Provider will ensure that the vehicle remains covered till the last day of the calendar month in which the cover of the Subsidised Vehicle was terminated.
- 30.3.3. The Service Provider will be required to make any payments to the end user department preferably by electronic fund transfer or should it be required by cheque.
- 30.3.4. The Service Provider will need to, at the times of the payment being made, supply the end user department with the exact details of the payment. This must include reference to the vehicle, the Official, the Official's payroll number and the period for which the payment was made.

31. Customer Support Services

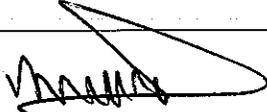
31.1. Call Centre

- 31.1.1. A call centre facility must be established by the Service Provider at no additional cost to the State for the logging of claims and the answering and resolution of queries.
- 31.1.2. The call centre facility needs to fulfil at least the following:
 - 31.1.2.1. Operated 24 hours a day, 7 days a week (no cell phones allowed)
 - 31.1.2.2. A toll free line will need to be made available to all end users of the Contract to request road side assistance or to log a claim.
 - 31.1.2.3. A shared call option will need to be made available for departments contacting the Service Provider.
 - 31.1.2.4. Shared call option will need to be made available for all suppliers and merchants contacting the Service provider.

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- 31.1.2.5. All calls between the State and the Service Provider will need to be recorded for quality and training purposes and the State should have access to such recordings within 48hrs of an incident occurring.
- 31.1.2.6. The Service Provider shall ensure that 95% of all calls be attended to within 1 (one) minute in person. An automated telephone answering service does not constitute a call being "attended to".
- 31.1.2.7. Call centre operators must at least be conversant in English and in at least one of the other Official languages.
- 31.1.2.8. The call centre must be provided at no additional cost to the State.
- 31.1.2.9. The Service Provider will need to establish a provincial office to support the call centre and would need to assist the provinces with the daily management of the contract. This includes the administration of claims, feedback related to the repairs of a vehicle, the collection of premiums, the refund of premiums and other contract administration as required and needs to fulfil the needs of the relevant end user departments.
- 31.1.3. The call centre will need to be fully functional at the time of the commencement of the contract.
- 31.1.4. The Service Provider shall be capable of generating meaningful electronic call centre reports for feedback to the State (this will include, but are not limited to average call waiting time, call duration, calls dropped etc.) – This information will need to be available per province and for the country as a whole and would need to be reported on, on a monthly basis within the first seven days of the month either in electronic or in hard copy format as preferred by the individual clients and should only be relevant to calls logged by users of this contract;

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31.2. End User Communication Requirements

31.2.1. The State requires continuous communication to the following stakeholders within the Subsidised Motor Transport Scheme to ensure efficiencies. The Service Provider is required to communicate to the Official via SMS in terms of the following:

31.2.1.1. Once the details of the Official has been loaded onto the system of the Service Provider a SMS needs to be sent to the Official indicating the call centre numbers to be used should the Official be involved in an accident or for any other administrative query.

31.2.1.2. In the event that the Official contacts the call centre and a claim was registered on the system of the Service Provider, an SMS should be sent to the Official that contains the claim reference or tracking number as well as the time and date of the claim being logged.

31.2.1.3. A further SMS should be sent to the Official indicating the requirements of the Service Provider that needs to be fulfilled by the Official, such as the filling in of claim forms or the submission of any documents required from the departmental transport officer.

31.2.1.4. A SMS needs to be sent to the Official during the repair process of the vehicle to inform the Official of any other developments on the claim such as the amount of the excess, the anticipated repair date of the vehicle or any delays experienced in the repair process.

31.2.1.5. The Service Provider will be required to follow up with the merchant that repairs the vehicle on at least a weekly basis and communicate the progress to the Official via SMS.

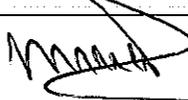
31.2.1.6. Once the Official has received back the vehicle from the merchant responsible for the repairs of the vehicle, a SMS needs to be sent to the Official to ensure that the vehicle has been satisfactory repaired.

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31.3. Provincial Offices

- 31.3.1. Within a period of two months from the commencement of the contract, the Service Provider is required to have established physical presence in all provinces at the location agreed on with the province. A dedicated individual for all the national departments will also be required. The cost for these offices and the individuals will be that of the Service Provider and will not be payable out of the fund.
- 31.3.2. Failure by the service provider to appoint a dedicated individual for this Contract per province can be construed as breach of Contract and will allow the State to take the required action.
- 31.3.3. The dedicated service consultants, must at least be able to perform the following tasks:
- 31.3.3.1. Assist departments and resolve issues that arise with the day-to-day operation of the Contract;
 - 31.3.3.2. Pro-actively analyse the State's fleet management costs as well as administration and provide risk management advice and assistance to the State;
 - 31.3.3.3. Assist Departmental Transport Control Officers and Transport Officers on the reports generated;
 - 31.3.3.4. Act as nodal point for the collection of all documents related to the insurance and administration functions of the contract.
 - 31.3.3.5. Obtain knowledge of the State's business principles and accordingly assist with the optimisation of its fleet. Consequently, the Service Provider will be contractually required throughout the contract period to provide recommendations in order to optimally manage risks related to the fleet.

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32. Types of Reports / Information

32.1. The Service Provider is required to have Help manuals on the purpose and use of reports.

32.2. It is the responsibility of the Service Provider to supply accurate and relevant management information on a continuous basis to allow for the management of the fleet's requirements. Given this fact, the Service Provider shall have and maintain an IT system that allows the State to access and retrieve accurate and relevant management information from the Service Provider within 24 hours.

32.3. In the event of termination or breach of contract, the Service Provider shall provide its entire database containing the up-to-date information in respect of the State's fleet contract, in electronic format, within 24 (twenty-four) hours of such termination or breach, to the State. The cost of such transfer of information will be for the account of the Service Provider.

32.4. The Service Provider should upon request from the State be capable to alter, change or create new reports as and when requested.

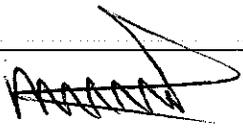
32.5. The Service Provider must have proven IT capability to provide management reports in hard copy and electronically from the date of the award of the Contract.

32.6. The Service Provider shall ensure that vehicle history and transaction data relating to any vehicle is retained for the period of the contract even in the case where the agreement for the individual has been terminated or cancelled.

32.7. The Service Provider's information system shall have the facility to provide information relating to the fleet at various levels, an needs to make provision for reporting on the following levels:

32.7.1. The entire fleet.

32.7.2. The fleet per province.

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32.7.3. The fleet per department.

32.7.4. Per category/ type of vehicle

32.7.5. Per vehicle and per end user/driver

32.8. The system shall allow for the printing of on-line / electronic reports by all parties who have authorised access to reports.

32.9. The user departments/provinces or divisions should first approve the electronic format of reports.

32.10. Reports and reporting systems shall be user friendly:

32.10.1. Each report shall have a narrative heading which indicates the nature of the report and clearly identifies the information required and for which level it is applicable. (province, department etc.)

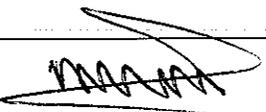
32.10.2. The reports / data required in an electronic format and hard copy shall be easily accessible through an efficient, user friendly menu system compatible with at least Microsoft Windows operating system;

32.10.3. The Service Provider must supply the State with a system/application in order for the State to analyse electronic downloaded data where required;

32.10.4. All reports must be exportable to at least a Microsoft Windows application;

32.10.5. The purpose of, and suggested usage for, each report shall be documented in "help" manuals and shall be addressed during training sessions conducted by the Service Provider throughout the contract;

32.10.6. Electronic reports that are required monthly shall be provided within 7 (seven) working days of the cut-off date of that month;

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32.10.7. Electronic reports that are required weekly shall be made available within 24 hours of the cut-off date for that week.

32.10.8. The minimum required management reports that must be provided by the Service Provider are required at the stated frequency, in the stated form and to the stated parties. Information supplied in the relevant reports should be sufficient to enable the State to institute investigations or take corrective action. The user departments can request a report on any combination of the following information as set out below as this information is essential for the deliverables stated in this Contract.

32.11. The Service Provider is required to capture the following information on its system:

In terms of the Official:

- 32.11.1. Name and surname
- 32.11.2. Government payroll number (Persal or Persol)
- 32.11.3. Contact details of the Official
- 32.11.4. Province
- 32.11.5. End user department
- 32.11.6. Contact details of the Departmental Transport Officer
- 32.11.7. Finance Service Provider account number
- 32.11.8. Contract start date
- 32.11.9. Contract end date
- 32.11.10. ID number
- 32.11.11. Contract early termination date as provided by the end user departments or generated from the Government Payroll System or as informed by the Finance Service provider appointed in terms of Contract RT68 or the Maintenance Service Provider in terms RT62.
- 32.11.12. Reason for early termination (where applicable)

In terms of the vehicle:

- 32.11.13. Vehicle registration number
- 32.11.14. Engine number

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- 32.11.15. VIN number (Chassis Number)
- 32.11.16. Vehicle make
- 32.11.17. Vehicle model
- 32.11.18. Vehicle type
- 32.11.19. Approved accessories fitted to the vehicle
- 32.11.20. Non-approved accessories fitted to the vehicle

In terms of fuel administration

- 32.11.21. Government payroll centre
- 32.11.22. Government payroll centre number
- 32.11.23. Vehicle category as approved by end user department
- 32.11.24. Actual vehicle category
- 32.11.25. Approved rate of insurance allowance
- 32.11.26. Approved rate for insurance deduction

In terms of insurance

- 32.11.27. Warrantee of vehicle
- 32.11.28. Warrantee on replaced parts
- 32.11.29. Serial numbers of fitted parts
- 32.11.30. Kilometre reading at time of accident/ incident
- 32.11.31. Vehicles standing at a merchant for longer than a specified period
- 32.11.32. New and old engine numbers where engines have been replaced
- 32.11.33. Preferred supplier listings
- 32.11.34. Description of work undertaken
- 32.11.35. Total amount paid for repairs
- 32.11.36. Details of repair cost for labour and parts

In terms of the Merchant and other information

- 32.11.37. The merchant name
- 32.11.38. A list of all merchants
- 32.11.39. The number of transactions per merchant
- 32.11.40. The value of the transactions per merchant
- 32.11.41. The BEE status of the merchant
- 32.11.42. Report in terms of all storage fees

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- 32.11.43. Reports in terms of all tow inn or road side assistance
- 32.11.44. Any other operational information that may reasonably be required

33. Dispute Resolution Process

33.1. The Service Provider must have a process to resolve any disputes that may arise in the payment of insurance repairs required for a vehicle. Such disputes can be categorized into a dispute between the Official and the merchant undertaking work on the vehicle, between the maintenance and insurance service provider, between the Official and the Service Provider or between the Service Provider and the merchant. It is imperative that the down time of the vehicle be reduced to the minimum irrespective of the dispute that exists.

33.2. The dispute resolution processes needs to address the following matters:

33.2.1. The cause of the damage to the vehicle or part thereof needs to be established. This can include but is not limited to; neglect from the Official, the wrongful application of the vehicle, a warrantee claim, poor workmanship on a previous repair, damage resulting from an earlier accident or incident, parts failure or neglect from the merchant.

33.2.2. Depending on the cause of the damage, the responsible party will need to pay for the damage incurred. Should the Service Provider and the Official, the insurance and maintenance service providers or the merchant and the Service Provider not agree on the cause of the damage, the Service Provider shall at its cost appoint an independent third party in consultation with the Official or the merchant to inspect the vehicle and establish the cause of the damage to the vehicle.

33.2.3. The entire dispute resolution process should be within a maximum period 15 working days.

33.2.4. Should the Official or the merchant not be satisfied with the outcome or report from the independent third party, the Official or the merchant could in consultation

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with the Service Provider and at his or her own cost appoint another independent party to supply a report.

- 33.2.5. Should the second independent report be different from the first independent report, both the independent reports, the report from the merchant and that of the Service Provider will be provided to the National Department of Transport for a final decision.
- 33.2.6. In extreme circumstances and depending on the cost of the repairs, the National Department of Transport can request one of its other service providers to inspect the vehicle or request a third and final independent report, of which the outcome will be final.
- 33.2.7. The Service Provider will need to ensure that the process is monitored and that the Official is continuously informed of the progress via SMS.

34. Non-Standard Insurance Requirements

- 34.1.1. The State requires the following services that are not standard in terms of insurance. The following circumstances have caused delayed downtime in terms of the Subsidised fleet and therefore needs to be addressed as the State is required to pay the maintenance, capital and insurance on the vehicle even though it is not operational.
 - 34.1.1.1. Damage to any wiring of a vehicle due to rodent damage.
 - 34.1.1.2. Consequential damage to any vehicle will need to be covered if the vehicle has broken down in a location or at a time that might result in a security risk to the occupants of the vehicle.
 - 34.1.1.3. The Official should be provided with an option to insure the vehicle at market value compared to the RT57 replacement value formula as set out in the special conditions of the Contract for a minimal fixed amount.

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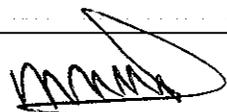


- 34.1.1.4. The payment of claims for vehicles on the dealership floor where delivery has not been taken by the government Official through circumstance beyond the control of the Official where the cover as required from the manufactures under Contract RT57 has lapsed.

35. Accident Repairs and Related Processes

35.1. Authorisation Procedures

- 35.1.1. For an Official partaking in the Subsidised Motor Transport scheme, the Service Provider shall upon receiving a call from an Official or the driver or someone on the scene of an accident of a Subsidised Vehicle ensure that the Official does partake in the Subsidised Motor Transport Scheme.
- 35.1.2. The Service Provider shall ensure that the Official is assisted in line with the specifications set out for road side assistance.
- 35.1.3. The Service Provider shall, upon ensuring that no further damage will be done to the vehicle should it be driven, instruct the Official to take the vehicle to the closest authorized/approved repair merchant. Should such an instruction be given to the Official, the Official will not be held responsible for any subsequent damage to the vehicle.
- 35.1.4. The Service Provider shall ensure that the vehicle is towed in/moved to an authorized/ approved merchant and will ensure that the minimum cost is spent on tow in and storage fees.
- 35.1.5. In the case of body repairs, the Service Provider shall invite three merchants to quote for the repair of the vehicle. Where the Service Provider has appointed an assessor or makes use of the Audatex system, only one quotation is required.
- 35.1.6. The Technical Inspector(s) and assessors as employed by the Service Provider must be prepared to sign a Damages Affidavit (DA) at no additional cost, if necessary.

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- 35.1.7. The Service Provider will be responsible to verify the correctness of all invoices received and to ensure that all invoices are received and included in the statement to government within 30 days after completion of the work.
- 35.1.8. The Service Provider must pay the lower of the quoted price or invoiced price.

35.2. Control Over Merchants that Repair Vehicles

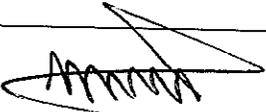
- 35.2.1. The Service Provider needs to ensure that Service Level Agreements are signed with all merchants that provide repairs to the State in terms of the Subsidised Motor Transport Scheme. The Service Provider is required to have a pro-forma merchant agreement.
- 35.2.2. The Service Provider shall maintain an approved list of merchants; and in this regard shall undertake to regularly update the list and distribute it to all the end user departments or make such a list available electronically via a website.
- 35.2.3. The applicable payment terms needs to be specified in the Service Level Agreements. Such terms shall be of such a nature that a preferred rate is obtained for the early settlement of the repairs undertaken on the vehicle.
- 35.2.4. The Service Level Agreement should stipulate the turnaround times of vehicles for specified repairs.
- 35.2.5. The Service Level Agreements shall stipulate the service levels of the services to be rendered.
- 35.2.6. At non-dealership merchants' warranties on work undertaken and parts will need to be specified as well as the remedial action that will be taken should the services that was rendered and the parts that was used failed to have met the warranty.
- 35.2.7. The Service Provider will carry any additional cost where a technical inspector is required, should any disagreement between the Service Provider and the

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merchant exist in terms of the work that was required or the work that was undertaken.

- 35.2.8. The Service Provider shall ensure that delays related to the repairs of any vehicles are minimized and that any progress related to the repair of the vehicle be communicated to the Official via SMS.
- 35.2.9. The Contract will require the merchant to indicate their BEE or BBBEE status as required by the State. Such figures will need to be reported on by the insurance service provider as well as proportional expenditure in terms of the shareholding.
- 35.2.10. The Service Provider shall ensure that there are approved merchants located throughout the country, to allow convenient access by the State. All merchants should be approved based on certain minimum standards and are members of the Retail Motor Industry (RMI) and the South African Motor and Body Repairers' Association (SAMBRA).
- 35.2.11. The Service Provider shall take appropriate action (including but not limited to the removal from the approved merchants list) should any merchant:
- 35.2.11.1. Not comply with industry norms and standards
 - 35.2.11.2. On receiving complaints from the State regarding the level of service or quality of services.
 - 35.2.11.3. When merchants are suspected of being involved in fraud or irregularities
 - 35.2.11.4. The Service Provider shall ensure that merchants that have been removed from the approved list for any reason shall not be allocated or paid for any work whatsoever in terms of this contract
- 35.2.12. Monitor merchants' compliance with standards on a regular basis.

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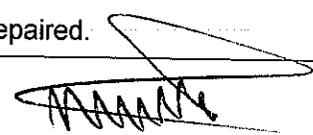
- 35.2.13. Merchant shall take full responsibility for damages that may occur to vehicles whilst at the premises of the merchant including theft of vehicle parts or accessories.
- 35.2.14. Merchants shall provide a 12-month warranty on all workmanship.
- 35.2.15. Merchants shall not hold vehicles pending payment for the repairs affected.
- 35.2.16. The Service Provider shall be responsible for resolving disputes with merchants, irrespective of the nature of the dispute. The State undertakes to support the Service Provider in dispute resolution by providing the Service Provider with any information or evidence that the State may possess.

35.3. Parts to be Used for the Repair of Vehicles

- 35.4. The Service Provider should ensure that all parts fitted to vehicles are authorized parts from the manufacturer of the vehicle.
- 35.5. Should the fitment of any other parts ensure a shorter repair period and turn around time, the Service Provider can negotiate with the Official prior to the fitment of any such parts.
- 35.6. The fitment of any non standard parts should not in any way affect the safety of the Official or the performance of the vehicle.
- 35.7. The Service Provider as far as is possible will need to ensure that any fitment of parts will not jeopardize the warrantee of the vehicle, unless such repairs were approved by the official against the advice of the Service Provider.

35.8. Payment of merchants that repair vehicles

- 35.8.1. All merchants that repaired vehicles as authorized by the Service Provider will need to be paid within 30 days of the vehicle being repaired.

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35.8.2. The Service Provider will need to ensure that the release of the vehicle from the merchant is not delayed due to the merchant not being paid.

35.8.3. The Service Provider will need to ensure that all work paid for was carried out and that it conforms to the required standards.

36. Recoveries

36.1. The Service Provider is required to ensure that the efficient processes are in place to ensure the recovery of funds from third parties that were involved in accidents or incidents with the Subsidised Vehicles that form part of the scheme.

36.2. The Service Provider must set up processes that must be administered separately to make provision for claims from and against third parties involved in incidents or accidents with vehicle that form part of the Subsidised Motor Transport Scheme.

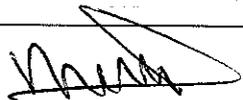
36.3. Should the Service Provider opt to outsource the services of recoveries to a sub-Service Provider all information related to such agreements must be provided as part of the Contract submission.

36.4. The Service Provider will be required to recover at least 10% of the amount claimable from a third party over the full Contract period.

36.5. The Service Provider will share 50% of any additional recoveries achieved above the required 10% at the end of the Contract period.

36.6. The Service Provider will be required to deduct all legal costs where possible as part of the recovery process.

36.7. The Service Provider will be required to deduct all administration fees as part of the recovery process.

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36.8. Any claims that have not be finalized after the one year run of period of the Contract will need to be handed over to the next Service Provider as appointed by the state in a format that will be determined through consultation with the Service Provider, the possible new Service Provider and the National Department of Transport.

37. Salvage Management

37.1. The Service Provider is to be responsible for the salvage management process and will need to negotiate with a salvage Service Provider to ensure free storage up to 90 (ninety) days and transport for up to 300 (three hundred) kilometres.

37.2. The Service Provider shall be responsible for any costs related to the movement/ tow in of the vehicle to a salvage yard and any storage fees should it not be rendered as a free service by the salvage contractor.

37.3. Any vehicle that has been written off needs to be de-registered by the Service Provider within a period of no longer than 30 (thirty) days from date of receipt of documentation.

37.4. The Service Provider will appoint an evaluator on the same basis and principles used for an assessor at the cost of the fund to do an evaluation on the vehicle.

37.5. The evaluator that will need to evaluate the vehicle into one of the following categories:

37.5.1. **Code 2-** A vehicle that is not economically viable to be repaired even though it can still be repaired.

37.5.2. **Code 3-** A stolen vehicle that is de-registered six weeks after the vehicle was reported stolen.

37.5.3. **Code 4-** A vehicle that is a total wreck and needs to be sold of a scrap metal.

37.6. The Service Provider will be required to negotiate the salvage payment with the salvage Service Provider for the various codes of vehicles. The Service Provider will need to



indicate that the current percentages as obtained by the State can be achieved and/or what the maximum percentages is that can be negotiated by the bidder.

37.6.1. **Code 2-** 27 % of the market value of the vehicle

37.6.2. **Code 3-** 22 % of market value

37.6.3. **Code 4-** A competitive process should be followed to ensure that the best price is received.

37.7. The Service Provider will need to inform the National Department of Transport at any given time during the Contract should they not be able to meet the minimum salvage percentages.

37.8. Any funds received by the Service Provider related to salvage of the vehicle will need to be returned to the government owned fund.

38. Tow-In Services, road Side Assistance and Storage Fees

38.1. The Service Provider will be required to provide all Subsidised users with roadside assistance in all instances where a vehicle was involved in an accident or incident that is not maintenance related. This assistance will include at least the following:

38.1.1. On receiving a call from the Official or any other Official, the Service Provider shall verify that the Official belongs to the Subsidised Motor Transport scheme prior to despatching a tow in vehicle to the scene of the accident or incident.

38.1.2. The Service Provider, through the fund shall be responsible for the payment of all storage cost and the cost of the tow in service or any other cost associated with roadside assistance.

38.1.3. The Service Provider must supply a sticker which should only be affixed by the Official to the Subsidised Vehicle, advising that the vehicle must not be towed

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without its authority and presenting the call centre number of the Service Provider, to the windscreen or rear window of the vehicle.

- 38.1.4. The Service Provider must advise the Official that owns the vehicle with the details of the approved merchant that the vehicle was towed to via SMS.
 - 38.1.5. A summary report must be available to the State of all tow-in services on a monthly basis as well as all storage costs.
 - 38.1.6. Road side assistance will not be required where the reasons for the tow in or road side assistance are not insurance related.
 - 38.1.7. Should circumstances be of such a nature that it cannot be confirmed if the claim is accident related or not, the Service Provider shall be responsible for the payment of the tow-in. Should a maintenance claim be registered in terms of the particular incident the cost of the tow in will be paid by the Maintenance service provider as appointed in terms of contract RT62.
 - 38.1.8. At no time should an Official not be assisted due to the fact that it is not clear which service provider should be responsible for the cost.
- 38.2. The Service Provider shall be held liable for any additional damage to the vehicle that might have been caused during the towing of the vehicle. The Service Provider will be required to pay for any such repairs without any delays even if the Service Provider still needs to recover the money from a third party.
- 38.3. The Service Provider will need to provide assistance to the driver of the Subsidised Vehicle irrespective of the reason for the breakdown including instances where the Official made himself / herself guilty of negligence or the wrongful application of the vehicle.



39. Change Control

39.1. Should the State or the Service Provider as appointed in terms of this Contract at any time require to amend any of the Services as set out in this contract, add an additional related service or need to establish or specify the levels of a required service or need to make any other arrangement to streamline the deliverables as set out in terms of this Contract the following process will apply:

- 39.1.1. A request shall be made by either the State, through the National Department of Transport or the Service Provider through the individual appointed as the Contract manager to include or amend a required process.
- 39.1.2. Should such a proposed process have no financial impact to the State, the process will be finalized after both the National Department of Transport and the appointed Service Provider have agreed to the required amendments in writing.
- 39.1.3. Should the requested changes have any financial impact in terms of the pricing as included in the pricing schedule attached to this Contract a submission shall be made to the Section: Contract Management at National Treasury for approval and/or presentation to the Contract Adjudication Committee at National Treasury.
- 39.1.4. Once the Section: Contract Management at National Treasury approves the proposed changes, both the National Department of Transport and the appointed Service Provider will need to sign off the amendments prior to implementation.
- 39.1.5. All changes as agreed to in terms of this process will form part of the actual Contract.

40. Contract Conclusion and Fund Surpluses

40.1.1. Any surplus amount in the fund at the end of the Contract period will be paid back to the State in line with the requirements as set out in the Special Conditions of Contract RT58/2012 and in line with the provisions of the Public Finance Management Act.

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- 40.1.2. The Service Provider will be responsible to honour all claims registered against the fund during the Contract period for a period of one year after the termination of the contract.
- 40.1.3. A full audit of the fund will need to be conducted prior to the payment of any surpluses to the State. The cost of such an audit will be paid for through the fund and the supplier of audit services will need to be appointed in line with the supply chain management prescripts.
- 40.1.4. All income derived by the fund prior to the final payment will accrue to the fund and will be paid over to the State along with the initial surplus.
- 40.1.5. Upon termination of this Contract, the Service Provider will provide required information to any other service provider as appointed by the State in the prescribed format.
- 40.1.6. Throughout the process of the conclusion of the insurance contract and the finalization of all payments to the state, the Service Provider will need to consult with the National Department of Transport to ensure compliance to all the required processes.

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Schedule 1: Pricing

Period	Service	Price
1 April 2012 to 31 March 2013	Insurance and Administration of Subsidised Vehicles	R8,430,370.00

Pricing to be adjusted on an annual basis upon approval from National Treasury in accordance with the processes set out for price increases in the Contract

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