



**Western Cape  
Government**

Provincial Treasury

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## **TREASURY CIRCULAR NO. 28 OF 2014**

THE PREMIER

THE MINISTER OF AGRICULTURE AND RURAL DEVELOPMENT

THE MINISTER OF COMMUNITY SAFETY

THE MINISTER OF CULTURAL AFFAIRS AND SPORT

THE MINISTER OF EDUCATION

THE MINISTER OF FINANCE, ECONOMIC DEVELOPMENT AND TOURISM

THE MINISTER OF HEALTH

THE MINISTER OF HUMAN SETTLEMENTS

THE MINISTER OF LOCAL GOVERNMENT, ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING

THE MINISTER OF SOCIAL DEVELOPMENT

THE MINISTER OF TRANSPORT AND PUBLIC WORKS

THE SPEAKER: PROVINCIAL PARLIAMENT

THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

For information

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (ADV B GERBER)  
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR R HINDLEY)  
THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (DR JC STEGMANN)  
THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (DR GA LAWRENCE)  
THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MS P VINJEVOLD)  
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (PROF KC HOUSEHAM)  
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (DR R MACDONALD)  
THE ACCOUNTING OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR T MGULI)  
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR P VAN ZYL)  
THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MS J GOOCH)  
THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)  
THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR S FOURIE)  
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS)  
THE ACCOUNTING OFFICER: VOTE 14: LOCAL GOVERNMENT (DR H FAST)

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THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS N PETERSEN)  
THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MR A GILDENHUYS)  
THE CHIEF FINANCIAL OFFICER: VOTE 4: COMMUNITY SAFETY (MR M FRIZLAR)  
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THE CHIEF FINANCIAL OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR F DE WET)  
THE CHIEF FINANCIAL OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR T GILDENHUYS)  
THE CHIEF FINANCIAL OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MR CR ISMAY)  
THE CHIEF FINANCIAL OFFICER: VOTE 11: AGRICULTURE (MR F HUYSAMER)  
THE CHIEF FINANCIAL OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MS M ABRAHAMS)  
THE CHIEF FINANCIAL OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MS BG RUTGERS)  
THE CHIEF FINANCIAL OFFICER: VOTE 14: LOCAL GOVERNMENT (MS B SEWLALL-SINGH)

THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE GAMBLING AND RACING BOARD (DR M MATSAPOLA)  
THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE NATURE CONSERVATION BOARD (DR R OMAR)  
THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MR N FLAATTEN)  
THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE CULTURAL COMMISSION (MS J MOLELEKI)  
THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE LANGUAGE COMMITTEE (MS J MOLELEKI)  
THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE HERITAGE (MR A HALL)  
THE CHIEF EXECUTIVE OFFICER: CASIDRA (MR S CONRADIE)  
THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE LIQUOR AUTHORITY (MR T GILIOME)

THE CHIEF FINANCIAL OFFICER: WESTERN CAPE GAMBLING AND RACING BOARD (MR P ABRAHAMS)  
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE NATURE CONSERVATION BOARD (MR A PRESTSON)  
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MR I BLACKIE)  
 THE CHIEF FINANCIAL OFFICER: CAPE TOWN ROUTES UNLIMITED (DMO) (MR H BONESCHANS)  
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE CULTURAL COMMISSION (MS B RUTGERS)  
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE LANGUAGE COMMITTEE (MS B RUTGERS)  
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE HERITAGE (MS B RUTGERS)  
 THE CHIEF FINANCIAL OFFICER: CASIDRA (MR F VAN ZYL)  
 THE CHIEF FINANCIAL OFFICER: WESTERN CAPE LIQUOR AUTHORITY (VACANT)  
 THE SENIOR MANAGER: GOVERNMENT MOTOR TRANSPORT (MR J KOEGELENBERG)

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 THE SUPPLY CHAIN MANAGER: VOTE 3: PROVINCIAL TREASURY (MR A SEALE)  
 THE SUPPLY CHAIN MANAGER: VOTE 4: COMMUNITY SAFETY (MR L LAWRENCE)  
 THE SUPPLY CHAIN MANAGER: VOTE 5: EDUCATION (MS R DE BRUYN)  
 THE SUPPLY CHAIN MANAGER: VOTE 6: HEALTH (MS S DE TOIT-WHITE)  
 THE SUPPLY CHAIN MANAGER: VOTE 7: SOCIAL DEVELOPMENT (MS P MABHOKWANA)  
 THE SUPPLY CHAIN MANAGER: VOTE 8: HUMAN SETTLEMENTS (MS L NEL)  
 THE SUPPLY CHAIN MANAGER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR J FRITZ)  
 THE SUPPLY CHAIN MANAGER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MS C SMITH)  
 THE SUPPLY CHAIN MANAGER: VOTE 11: AGRICULTURE (MR C HICKLEY)  
 THE SUPPLY CHAIN MANAGER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR D PAULSE)  
 THE SUPPLY CHAIN MANAGER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR A ADONIS)  
 THE SUPPLY CHAIN MANAGER: VOTE 14: LOCAL GOVERNMENT (MR F BARNES)

THE HEAD OFFICIAL: PROVINCIAL TREASURY (DR JC STEGMANN)  
 THE HEAD: BRANCH FISCAL AND ECONOMIC SERVICES (MR H MALILA)  
 THE HEAD: BRANCH GOVERNANCE AND ASSET MANAGEMENT (MR Z HOOSAIN)  
 THE HEAD: PUBLIC POLICY SERVICES (MR H MALILA) (PRO TEM)  
 THE HEAD: PROVINCIAL GOVERNMENT PUBLIC FINANCE (MS JD GANTANA)  
 THE HEAD: LOCAL GOVERNMENT PUBLIC FINANCE (MR F SABBAT) (ACTING)  
 THE HEAD: ASSET MANAGEMENT (MR IG SMITH)  
 THE HEAD: FINANCIAL GOVERNANCE AND ACCOUNTING (MR A HARDIEN)  
 THE CHIEF FINANCIAL OFFICER (MR A GILDENHUYS)  
 THE HEAD: OFFICE OF THE FINANCE MINISTRY (ADV E PRETORIUS)  
 THE SENIOR MANAGER: BUSINESS INFORMATION AND DATA MANAGEMENT (MR PP PIENAAR)  
 THE SENIOR MANAGER: FINANCIAL GOVERNANCE (MR B VINK)  
 THE SENIOR MANAGER: FISCAL POLICY (MR H MALILA) (PRO TEM)  
 THE SENIOR MANAGER: INFRASTRUCTURE (MS JD GANTANA) (PRO TEM)  
 THE SENIOR MANAGER: LOCAL GOVERNMENT ACCOUNTING (MS N OLIPHANT)  
 THE SENIOR MANAGER: LOCAL GOVERNMENT BUDGET OFFICE (MR ML BOOYSEN)  
 THE SENIOR MANAGER: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (MR F SABBAT)  
 THE SENIOR MANAGER: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP TWO) (MR M SIGABI)  
 THE SENIOR MANAGER: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MR TL RADEBE)  
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 THE SENIOR MANAGER: PROVINCIAL GOVERNMENT BUDGET OFFICE (MS M KORSTEN)  
 THE SENIOR MANAGER: PROVINCIAL GOVERNMENT FINANCE (EXPENDITURE MANAGEMENT) (MS A PICK)  
 THE SENIOR MANAGER: PROVINCIAL GOVERNMENT SUPPLY CHAIN MANAGEMENT (MS N EBRAHIM)  
 THE SENIOR MANAGER: STRATEGIC AND OPERATIONAL MANAGEMENT SUPPORT (MS A SMIT)  
 THE SENIOR MANAGER: SUPPORTING AND INTERLINKED FINANCIAL SYSTEMS (MR A BASTIAANSE)  
 THE PROVINCIAL AUDITOR  
 MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT  
 THE DEPUTY DIRECTOR-GENERAL: CORPORATE ASSURANCE, DEPARTMENT OF THE PREMIER (MS H ROBSON)

## **REPEAL OF NATIONAL TREASURY INSTRUCTION NOTES:**

## **INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR:**

## **THE RAIL ROLLING STOCK SECTOR (DATED 16 JULY 2012); AND**

## **SOLAR WATER HEATER COMPONENTS (DATED 19 JULY 2013)**

## **1. PURPOSE**

- 1.1 The purpose of this communicate is to disseminate the repeal of two of the National Treasury's Instruction Notes, which were aimed to regulate the environment within which an accounting officer or accounting procured, for designated sectors of local production and content.
- 1.2 The following Instruction Notes were repealed:
  - (a) invitation and evaluation of bids based on a stipulated minimum threshold for local production and content for the Rail Rolling Stock Sector; and
  - (b) invitation and evaluation of bids based on a stipulated minimum threshold for local production and content for Solar Water Heater Components.
- 1.3 The Instruction Notes are attached hereto marked as "Annexure A and B" respectively.

## **2. REQUEST**

- 2.1 Accounting officers/ accounting authorities are requested to take cognisance of:
  - (a) paragraph 9.1 of the Instruction Notes which states that "the instruction notes applies to all national and provincial departments, constitutional institutions, public entities listed in schedule 2 and 3 to the PFMA and municipalities and municipal entities to which the MFMA apply.
  - (b) paragraph 12 of the Instruction Notes, which states that:
    - (i) "this instruction repeals instruction on invitation and evaluation of bids based on a stipulated minimum threshold for local production and content for the rail rolling sector dated 16 July 2012"; and
    - (ii) "this instruction repeals instruction on invitation and evaluation of bids based on a stipulated minimum threshold for Solar Water

Heating Components dated 19 July 2013 and effected on 5 August 2013".

- 2.2 Ensure that the content of the attached Instruction Note is brought to the attention of all relevant officials within their institution and schedule 3A and 3C public entities reporting to their executive authorities.
- 2.3 Note that the Instruction Note is applicable as from 7 July 2014.

**Kind Regards,**



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**MS N EBRAHIM**

**DIRECTOR: PROVINCIAL GOVERNMENT: SCM**

**DATE: 11/07/2014**



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

Private Bag X115, Pretoria, 0001

TO: ACCOUNTING OFFICERS OF ALL NATIONAL DEPARTMENTS AND  
CONSTITUTIONAL INSTITUTIONS

ACCOUNTING OFFICERS OF ALL MUNICIPALITIES AND MUNICIPAL  
ENTITIES

ACCOUNTING AUTHORITIES OF ALL SCHEDULE 2 AND 3 PUBLIC ENTITIES

HEAD OFFICIALS OF PROVINCIAL TREASURIES

**INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM  
THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR THE RAIL ROLLING  
STOCK SECTOR**

**1. PURPOSE**

- 1.1 The purpose of this instruction is to regulate the environment within which accounting officers (AOs) and accounting authorities (AAs) may procure Rail Rolling Stock which has been designated as a sector for local production and content.

**2. BACKGROUND**

- 2.1 The Preferential Procurement Regulations, 2011 ('the regulations') made in terms of section 5 of the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000) which came into effect on 7 December 2011 make provision for the Department of Trade and Industry (dti) to designate sectors in line with national development and industrial policies for local production.
- 2.2 Regulation 9 (1) of the Regulations prescribes that in the case of designated sectors, where in the award of bids local production and content is of critical importance, such bids must be advertised with the specific bidding condition that only locally produced goods, services or works or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.
- 2.3 To this end, the dti has designated and determined the stipulated minimum threshold for the Rail Rolling Stock sector for local production and content.

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2014-07-10
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50000 STREET CAPE TOWN 7700
PROVINCIAL ASSET MANAGEMENT

### 3. SECTOR DESIGNATION

- 3.1 The stipulated minimum threshold percentages for local production and content for the different classes of Rail Rolling Stock are as follows:

Classes of Rail Rolling Stock	Local Content Threshold
Diesel Locomotives	55%
Electric Locomotives	60%
Electric Multiple Units (EMU)	65%
Wagons	80%

- 3.2 To ensure that local production and content is discharged on manufacturing activities, the following components which have been designated must be included in bid invitations:

No	Component/Activity	% local content (3-5 years)	% local content (6 years and above)
1	Assembly of locomotives and EMU	100%	100%
2	Car body: - Car body shell - Door system - Windows - Seats (for coach interior) - Lighting - Grab pillars and rails - Interior glazing - Cable and wire - Safety equipment - Pipe works and ducts	100%	100%
3	Bogie: - Bogie frame - Motor suspension unit - Wheel sets and wheel components - Axle and axle boxes - Bearings - Bolster	100%	100%
4	Coupling equipment - Coupler body - Coupler hook - Yoke - Pin - Draft-gear	100%	100%
5	Suspension - Shock absorbers and dampers - Springs	100%	100%
6	Heat, Ventilation and Air Conditioning - Fabrication	60%	70%

No	Component/Activity	% local content (3-5 years)	% local content (6 years and above)
	<ul style="list-style-type: none"> <li>- Power Coating</li> <li>- Heat Exchangers</li> <li>- Fans</li> <li>- Compressors</li> <li>- Refrigeration components</li> <li>- Electrical components</li> <li>- Fasteners</li> <li>- Insulation and liners</li> </ul>		
7	Braking system	70%	80%
8	Alternators	90%	100%
9	Traction motors	65%	80%
10	Electric systems	80%	90%

- 3.3 In the designation, imported input raw materials (i.e. primary steel: unworked long and flat products straight from the mill, copper and aluminium billet & ingot) used for the fabrication of Rail Rolling Stock are deemed as locally manufactured input materials. This is to encourage local manufacturers to seek the best global competitive prices for primary materials.
- 3.4 The competitive imported primary steel, copper and aluminium billet & ingot used in the manufacture of Rail Rolling Stock will be deemed to have been sourced locally for the purposes of calculating local content. These input materials (primary steel, copper and aluminium billet & ingot) should be imported in raw material form and further fabricated in South Africa.
- 3.5 If the quantity of materials and/or products required cannot be wholly sourced from South African based manufacturers and/or at the designated local content threshold at any particular time, bidders should obtain written exemption from the dti to supply the remaining portion at a lower local content threshold. The dti, in consultation with the procuring organ of state, will grant exemption on a case-by-case basis and will consider the following:
- required volumes in the particular bid;
  - available collective South African industry manufacturing capacity at that time;
  - delivery times;
  - availability of input materials and components;
  - technical considerations including operating conditions; and
  - materials
- 3.6 Bidders must clearly indicate in their bids the quantities of material and products to be supplied and the level of local content for each product.
- 3.7 Organs of state may contact the dti in instances where the stipulated minimum threshold for local content cannot be met in order for the dti to verify and in consultation with the AO/AA provide directives in this regard.
- 3.8 For further information, bidders and procuring state organs may contact the Metal Fabrication, Capital and Transport Equipment Unit within the dti at telephone 012 394 1356/3138/3522 or email Thandi Phele: TPhele@thedti.gov.za.

- 3.9 Bid specifications for the sectors, sub-sectors or products referred to above maybe done in collaboration with the dti

#### 4. INVITATION OF BIDS FOR RAIL ROLLING STOCK

- 4.1 Bids in respect of Rail Rolling Stock must contain a specific bidding condition that only locally produced or locally manufactured Rail Rolling Stock with a stipulated minimum threshold for local production and content will be considered.

- 4.2 AOs/AAs must stipulate in bid invitations that:

- 4.2.1 The exchange rate to be used for the calculation of local production and content must be the exchange rate published by the South African Reserve Bank (SARB) at 12:00 on the date of advertisement of the bid; and

- 4.2.2 Only the South African Bureau of Standards (SABS) approved technical specification number SATS 1286:2011 must be used to calculate local content.

- 4.3 The local content (LC) expressed as a percentage of the bid price must be calculated in accordance with the following formula which must be disclosed in the bid documentation:

$$LC = (1 - x/y) * 100$$

Where

x is the imported content in Rand

y is the bid price in Rand excluding value added tax (VAT)

Prices referred to in the determination of x must be converted to Rand (ZAR) by using the exchange rate published by the SARB at 12:00 on the date of advertisement of the bid.

- 4.4 AOs/AAs must clearly stipulate in the bid documentation that the SABS approved technical specification number SATS 1286:2011 and the Guidance on the Calculation of Local Content together with the Local Content Declaration Templates [Annex C (Local Content Declaration: Summary Schedule), D (Imported Content Declaration: Supporting Schedule to Annex C) and E (Local Content Declaration: Supporting Schedule to Annex C)] are accessible to all potential bidders on the dti's official website [http://www.thedti.gov.za/industrial\\_development/ip.jsp](http://www.thedti.gov.za/industrial_development/ip.jsp) at no cost.

- 4.5 For the purpose of paragraphs 4.1, 4.2 and 4.3 above, the attached Declaration Certificates for Local Production and Content (SBD/MBD 6.2) must form part of the bid documentation. The SBD 6.2 is for use by all national and provincial departments, constitutional institutions and public entities listed in schedules 2, 3A, 3B, 3C and 3D to the Public Finance Management Act whilst the MBD 6.2 is for use by all municipalities and municipal entities to which the Municipal Finance Management Act (MFMA) apply.

- 4.6 AOs/AAs must stipulate in the bid documentation that:

- 4.6.1 The Declaration Certificate for Local Production and Content (SBD / MBD 6.2) together with the Annex C (Local Content Declaration: Summary Schedule) must be completed, duly signed and submitted by the bidder at the closing date and time of the bid; and



- 4.6.2 The rates of exchange quoted by the bidder in paragraph 4.1 of the Declaration Certificate will be verified for accuracy.

## **5. EVALUATION OF BIDS FOR RAIL ROLLING STOCK**

- 5.1 A two stage evaluation process may be followed to evaluate the bids received.

### **5.1.1 First stage: Evaluation in terms of the stipulated minimum threshold for local production and content**

- (a) Bids must be evaluated in terms of the minimum threshold stipulated in the bid documents.
- (b) The declaration made by the bidder in the Declaration Certificate for Local Content (SBD / MBD 6.2) and Annex C (Local Content Declaration: Summary Schedule) must be used for this purpose. If the bid is for more than one product, the local content percentages for each product contained in Declaration C must be used.
- (c) The amendment of the stipulated minimum threshold for local production and content is not allowed.
- (d) AOs / AAs must ensure that the Declaration Certificate for Local Content (SBD / MBD 6.2) and the Annex C (Local Content Declaration: Summary Schedule) referred to in paragraphs 4.6 above are submitted as part of the bid documentation.
- (e) The dti has the right, as and when necessary, to request for auditors certificates confirming the authenticity of the declarations made in respect of local content.
- (f) AOs/ AAs must verify the accuracy of the rates of exchange quoted by the bidder in paragraph 4.1 of the Declaration Certificate for Local Content (SBD / MBD 6.2)

### **5.1.2 Second stage: Evaluation in terms of the 80/20 or 90/10 preference point systems**

- (a) Only bids that achieve the minimum stipulated threshold for local production and content may be evaluated further. The evaluation must be done in accordance with the 80/20 or 90/10 preference point systems prescribed in Preferential Procurement Regulations, 2011.
- (b) AOs/AAs must ensure that contracts for Rail Rolling Stock components are awarded at prices that are market related taking into account, among others, the dti's pre-determined benchmark prices, value for money and economies of scale.
- (c) Where appropriate, prices may be negotiated with short listed or preferred bidders. Such negotiations must not prejudice any other bidders.

## **5.2 Benchmark / market related prices**

- 5.2.1 AOs/AAs are required to ensure that reasonable or market related prices are secured for the Rail Rolling Stock / components being procured, taking into account factors such as benchmark prices, value for money and economies of scale.

- 5.2.2 For this purpose, AOs/AAs may approach the dti to assist, where possible, with benchmark prices for the different classes and components of Rail Rolling Stock that have been designated for local production and content. The dti will be in a position to provide price references for the different products that have been designated for local production and content.

## **6. EVALUATION OF BIDS BASED ON FUNCTIONALITY**

- 6.1 Whenever it is deemed necessary to evaluate bids on the basis of functionality, the prescripts contained in regulation 4 of the Preferential Procurement Regulations, 2011 and paragraphs 6 and 11 of the Implementation Guide must be followed.

## **7. POST AWARD AND REPORTING REQUIREMENTS**

- 7.1 Once bids are awarded, the dti must be:

7.1.1 Notified of all the successful bidders and the value of the contracts; and

7.1.2 Provided with copies of the contracts, the SBD/MBD 6.2 Certificates together with the Declaration C submitted by the successful bidders.

7.2 The purpose of the requirements of paragraph 7.1 above is for the dti to among others conduct compliance audits with a view to monitor the implementation of the industrial development strategies.

7.3 Contractors must not be allowed to sub-contract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.

7.4 Where, after the award of a bid, contractors experience challenges in meeting the stipulated minimum threshold for local content the dti must be informed accordingly in order for the dti to verify and in consultation with the AO/AA provide directives in this regard.

## **8. CONTACT INFORMATION**

- 8.1 Any enquiries in respect of Local Production and Content and all documents to be submitted to the dti must be directed as follows:

The Department of Trade and Industry  
Private Bag X84  
Pretoria  
0001

For Attention:  
Dr Tebogo Makube  
Chief Director: Industrial Procurement  
Tel: (012) 394 3927  
Fax: (012) 394 4927

**9. APPLICABILITY**

- 9.1 This instruction applies to all national and provincial departments, constitutional institutions, public entities listed in schedules 2 and 3 to the PFMA and municipalities and municipal entities to which the MFMA apply.

**10. DISSEMINATION OF INFORMATION CONTAINED IN THIS INSTRUCTION**

- 10.1 Heads of provincial treasuries are requested to bring the contents of this instruction to the attention of accounting officers and supply chain management officials of their respective provincial departments.
- 10.2 Accounting officers of national and provincial departments are requested to bring the contents of this instruction to the attention of accounting authorities and the supply chain management officials of Schedule 3A and 3C public entities reporting to their respective executive authorities.
- 10.3 Accounting officers of municipalities and municipal entities are requested to bring the contents of this instruction to the attention of the supply chain management officials of their municipalities and municipal entities.
- 10.4 Accounting authorities of Schedule 2, 3B and 3D public entities are requested to bring the contents of this instruction to the attention of the supply chain management officials of their public entities.

**11. NOTIFICATION TO THE AUDITOR-GENERAL**


- 11.1 A copy of this instruction will be forwarded to the Auditor-General for notification.

**12. REPEAL OF INSTRUCTION DATED 16 JULY 2012**

This instruction repeals instruction on invitation and evaluation of bids based on a stipulated minimum threshold for local production and content for the rail rolling stock sector dated 16 July 2012

**13. AUTHORITY FOR THIS INSTRUCTION AND EFFECTIVE DATE**

- 13.1 The Minister of Finance has approved the issuance of this instruction in terms of regulation 9(2) of the regulations.
- 13.2 This instruction takes effect on 7 July 2014.



KENNETH W BROWN  
CHIEF PROCUREMENT OFFICER

DATE: 12/6/2014.



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

Private Bag X115, Pretoria, 0001



**TO: ACCOUNTING OFFICERS OF ALL NATIONAL DEPARTMENTS AND  
CONSTITUTIONAL INSTITUTIONS**

**ACCOUNTING OFFICERS OF ALL MUNICIPALITIES AND MUNICIPAL  
ENTITIES**

**ACCOUNTING AUTHORITIES OF ALL SCHEDULE 2 AND 3 PUBLIC ENTITIES**

**HEAD OFFICIALS OF PROVINCIAL TREASURIES**

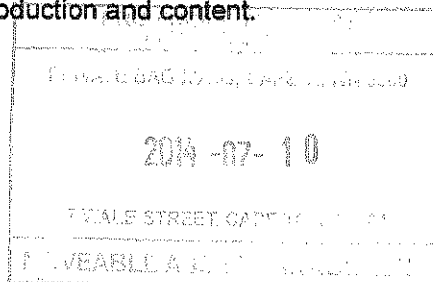
**INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM  
THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR SOLAR WATER HEATER  
COMPONENTS**

**1. PURPOSE**

- 1.1 The purpose of this instruction is to regulate the environment within which accounting officers (AOs) and accounting authorities (AAs) may procure Solar Water Heater (SWH) components which have been designated as products for local production and content.

**2. BACKGROUND**

- 2.1 The Preferential Procurement Regulations, 2011 ('the regulations') made in terms of section 5 of the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000) which came into effect on 7 December 2011 make provision for the Department of Trade and Industry (dti) to designate sectors in line with national development and industrial policies for local production.
- 2.2 Regulation 9 (1) of the Regulations prescribes that in the case of designated sectors, where in the award of bids local production and content is of critical importance, such bids must be advertised with the specific bidding condition that only locally produced goods, services or works or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.
- 2.3 To this end, the dti has designated and determined the stipulated minimum threshold for SWH components for local production and content.



### 3. SECTOR DESIGNATION

- 3.1 The stipulated minimum threshold percentage for local production and content of SWH is 70%. The components designated are only storage tanks / geysers and solar collectors.
- 3.2 To ensure that local production and content is discharged on manufacturing activities, the following which have been designated must be included in bid invitations:

SWH component	Stipulated Minimum Threshold
Storage tanks / geysers	70%
Solar collectors	70%

#### <sup>1</sup>Storage tank / geyser

The storage tank is a container that stores portable water in various sizes up to 450 litres. It consists of at least an inner tank, thermal insulation and an outer cover. It also incorporates some or all of the following components; anodes, heat exchangers, temperature and pressure safety valve.

#### <sup>2</sup>Solar collector

A solar collector is a device that contains or incorporates an absorber and a means for transferring thermal energy from the absorber to a fluid passing through the device. Solar collectors are typically categorised in one of 2 groups, namely, flat plate collectors and evacuated tube collectors:

- A flat plate collector consists of a collector box covered with a transparent cover. This box is insulated and contains an absorber, which is typically a metal plate attached to flow tubes (risers) that is connected to a header (manifold). The absorber is coated with a thermal absorbent coating. Heat is transferred from the absorber to the fluid inside the flow tubes.
  - An evacuated tube collector typically consists of several tubes mounted in parallel in a manifold. Tubes are normally manufactured of glass but could be of different material. Inside each tube is an absorber with a thermal coated layer/ fin that absorbs heat and that transfers heat to a transfer fluid. There is a vacuum between the outer cover and the absorber to act as thermal insulation.
- 3.3 In the designation, imported input raw materials (i.e. primary steel: unworked long and flat products straight from the mill, copper and aluminium) used for fabrication of solar water heaters (SWHs) are deemed as locally manufactured input materials. This is to encourage local manufacturers to seek the best global competitive prices for primary materials.
- 3.4 The competitive imported input materials (primary steel, copper and aluminium) used in the manufacturing of SWHs will be deemed to have been sourced locally for the purposes of calculating local content. These input materials (primary steel, copper and aluminium) should be imported in raw material form and further fabricated in South Africa.
- 3.5 If the quantity of materials and/or products required cannot be wholly sourced from South African based manufacturers and/or at the designated local content threshold at

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<sup>1</sup> Storage tank /geyser description

<sup>2</sup> Solar collector description

any particular time, bidders should obtain written exemption from the dti to supply the remaining portion at a lower local content threshold. The dti, in consultation with the procuring organ of state, will grant exemption on a case-by-case basis and will consider the following:

- required volumes in the particular bid;
- available collective South African industry manufacturing capacity at that time;
- delivery times;
- availability of input materials and components;
- technical considerations including operating conditions; and
- materials

3.6 Bidders must clearly indicate in their bids the quantities of material and products to be supplied and the level of local content for each product.

3.7 Organs of state may contact the dti in instances where the stipulated minimum threshold for local content cannot be met in order for the dti to verify and in consultation with the AO/AA provide directives in this regard.

3.8 For further information, bidders and procuring state organs may contact the Green Industries & Energy Efficiency Unit within the dti at telephone 012 394 1151/5871/ or email Gerhard Fourie: [GFourie@thedti.gov.za](mailto:GFourie@thedti.gov.za).

3.9 Bid specifications for the sub-sectors referred to above maybe done in collaboration with the dti

#### 4. INVITATION OF BIDS FOR SWH COMPONENTS

4.1 Bids in respect of SWH components must contain a specific bidding condition that only locally produced or locally manufactured SWH components with a stipulated minimum threshold for local production and content will be considered.

4.2 AOs/AAs must stipulate in bid invitations that:

4.2.1 The exchange rate to be used for the calculation of local production and content must be the exchange rate published by the South African Reserve Bank (SARB) at 12:00 on the date of advertisement of the bid; and

4.2.2 Only the South African Bureau of Standards (SABS) approved technical specification number SATS 1286:2011 must be used to calculate local content.

4.3 The local content (LC) expressed as a percentage of the bid price must be calculated in accordance with the following formula which must be disclosed in the bid documentation:

$$LC = (1 - x/y) * 100$$

Where

x is the imported content in Rand

y is the bid price in Rand excluding value added tax (VAT)

Prices referred to in the determination of x must be converted to Rand (ZAR) by using the exchange rate published by the SARB at 12:00 on the date of advertisement of the bid.

- 4.4 AOs/AAs must clearly stipulate in the bid documentation that the SABS approved technical specification number SATS 1286:2011 and the Guidance on the Calculation of Local Content together with the Local Content Declaration Templates [Annex C (Local Content Declaration: Summary Schedule), D (Imported Content Declaration: Supporting Schedule to Annex C) and E (Local Content Declaration: Supporting Schedule to Annex C)] are accessible to all potential bidders on the dti's official website [http://www.thedti.gov.za/industrial\\_development/ip.jsp](http://www.thedti.gov.za/industrial_development/ip.jsp) at no cost.
- 4.5 For the purpose of paragraphs 4.1, 4.2 and 4.3 above, the attached Declaration Certificates for Local Production and Content (SBD/MBD 6.2) must form part of the bid documentation. The SBD 6.2 is for use by all national and provincial departments, constitutional institutions and public entities listed in schedules 2, 3A, 3B, 3C and 3D to the Public Finance Management Act whilst the MBD 6.2 is for use by all municipalities and municipal entities to which the Municipal Finance Management Act (MFMA) apply.
- 4.6 AOs/AAs must stipulate in the bid documentation that:
  - 4.6.1 The Declaration Certificate for Local Production and Content (SBD / MBD 6.2) together with the Annex C (Local Content Declaration: Summary Schedule) must be completed, duly signed and submitted by the bidder at the closing date and time of the bid; and
  - 4.6.2 The rates of exchange quoted by the bidder in paragraph 4.1 of the Declaration Certificate will be verified for accuracy.

## **5. EVALUATION OF BIDS FOR SWH COMPONENTS**

- 5.1 A two stage evaluation process may be followed to evaluate the bids received.
  - 5.1.1 **First stage: Evaluation in terms of the stipulated minimum threshold for local production and content**
    - (a) Bids must be evaluated in terms of the minimum threshold stipulated in the bid documents.
    - (b) The declaration made by the bidder in the Declaration Certificate for Local Content (SBD / MBD 6.2) and Annex C (Local Content Declaration: Summary Schedule) must be used for this purpose. If the bid is for more than one product, the local content percentages for each product contained in Declaration C must be used.
    - (c) The amendment of the stipulated minimum threshold for local production and content is not allowed.
    - (d) AOs / AAs must ensure that the Declaration Certificate for Local Content (SBD / MBD 6.2) and the Annex C (Local Content Declaration: Summary Schedule) referred to in paragraphs 4.6 above are submitted as part of the bid documentation.

- (e) The dti has the right, as and when necessary, to request for auditors certificates confirming the authenticity of the declarations made in respect of local content.
  - (f) AOs/ AAs must verify the accuracy of the rates of exchange quoted by the bidder in paragraph 4.1 of the Declaration Certificate for Local Content (SBD / MBD 6.2)
- 5.1.2 Second stage: Evaluation in terms of the 80/20 or 90/10 preference point systems**
- (a) Only bids that achieve the minimum stipulated threshold for local production and content may be evaluated further. The evaluation must be done in accordance with the 80/20 or 90/10 preference point systems prescribed in Preferential Procurement Regulations, 2011.
  - (b) AOs/AAs must ensure that contracts for SWH components are awarded at prices that are market related taking into account, among others, the dti's pre-determined benchmark prices, value for money and economies of scale.
  - (c) Where appropriate, prices may be negotiated with short listed or preferred bidders. Such negotiations must not prejudice any other bidders.
- 5.2 Benchmark / market related prices**
- 5.2.1** AOs/AAs are required to ensure that reasonable or market related prices are secured for the SWH components / components being procured taking into account factors such as benchmark prices, value for money and economies of scale.
- 5.2.2** For this purpose, AOs/AAs may approach the dti to assist, where possible, with benchmark prices for the different classes and components of SWH components that have been designated for local production and content. The dti will be in a position to provide price references for the different products that have been designated for local production and content.
- 6. EVALUATION OF BIDS BASED ON FUNCTIONALITY**
- 6.1** Whenever it is deemed necessary to evaluate bids on the basis of functionality, the prescripts contained in regulation 4 of the Preferential Procurement Regulations, 2011 and paragraphs 6 and 11 of the Implementation Guide must be followed.
- 7. POST AWARD AND REPORTING REQUIREMENTS**
- 7.1** Once bids are awarded, the dti must be:
- 7.1.1** Notified of all the successful bidders and the value of the contracts; and
  - 7.1.2** Provided with copies of the contracts, the SBD/MBD 6.2 Certificates together with the Declaration C submitted by the successful bidders.
- 7.2** The purpose of the requirements of paragraph 7.1 above is for the dti to among others conduct compliance audits with a view to monitor the implementation of the industrial development strategies.



7.3 Contractors must not be allowed to sub-contract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.

7.4 Where, after the award of a bid, contractors experience challenges in meeting the stipulated minimum threshold for local content the dti must be informed accordingly in order for the dti to verify and in consultation with the AO/AA provide directives in this regard.

## **8. CONTACT INFORMATION**

8.1 Any enquiries in respect of Local Production and Content and all documents to be submitted to the dti must be directed as follows:

The Department of Trade and Industry  
Private Bag X84  
Pretoria  
0001

For Attention:  
Dr Tebogo Makube  
Chief Director: Industrial Procurement  
Tel: (012) 394 3927  
Fax: (012) 394 4927

## **9. APPLICABILITY**

9.1 This instruction applies to all national and provincial departments, constitutional institutions, public entities listed in schedules 2 and 3 to the PFMA and municipalities and municipal entities to which the MFMA apply.

9.2 This instruction applies to all bids (written price quotations and advertised competitive bids) in excess of R30 000.00 (all applicable taxes included). Products may not deliberately be split into parts or items of lesser value merely for the sake of procuring the products otherwise than through the directives contained in this instruction.

## **10. DISSEMINATION OF INFORMATION CONTAINED IN THIS INSTRUCTION**

10.1 Heads of provincial treasuries are requested to bring the contents of this instruction to the attention of accounting officers and supply chain management officials of their respective provincial departments.

10.2 Accounting officers of national and provincial departments are requested to bring the contents of this instruction to the attention of accounting authorities and the supply chain management officials of Schedule 3A and 3C public entities reporting to their respective executive authorities.

10.3 Accounting officers of municipalities and municipal entities are requested to bring the contents of this instruction to the attention of the supply chain management officials of their municipalities and municipal entities.

10.4 Accounting authorities of Schedule 2, 3B and 3D public entities are requested to bring the contents of this instruction to the attention of the supply chain management officials of their public entities.

**11. NOTIFICATION TO THE AUDITOR-GENERAL**

11.1 A copy of this Instruction will be forwarded to the Auditor-General for notification.

**12. REPEAL OF INSTRUCTION DATED 19 JULY 2013**

This instruction repeals instruction on invitation and evaluation of bids based on a stipulated minimum threshold for local production and content for Solar Water Heater Components dated 19 July 2013 and effected on 5 August 2013

**13. AUTHORITY FOR THIS INSTRUCTION AND EFFECTIVE DATE**

13.1 The Minister of Finance has approved the issuance of this instruction in terms of regulation 9(2) of the regulations.

13.2 This instruction takes effect on 7 July 2014.



**KENNETH W BROWN**  
**CHIEF PROCUREMENT OFFICER**

DATE: 17/6/2014

Reference: T16/P

EMATS: 2014/3391

## SUPPLEMENT TO TREASURY CIRCULAR NO. 28 OF 2014

THE PREMIER

THE MINISTER OF AGRICULTURE AND RURAL DEVELOPMENT

THE MINISTER OF COMMUNITY SAFETY

THE MINISTER OF CULTURAL AFFAIRS AND SPORT

THE MINISTER OF EDUCATION

THE MINISTER OF FINANCE, ECONOMIC DEVELOPMENT AND TOURISM

THE MINISTER OF HEALTH

THE MINISTER OF HUMAN SETTLEMENTS

THE MINISTER OF LOCAL GOVERNMENT, ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING

THE MINISTER OF SOCIAL DEVELOPMENT

THE MINISTER OF TRANSPORT AND PUBLIC WORKS

THE SPEAKER: PROVINCIAL PARLIAMENT

THE DEPUTY SPEAKER: PROVINCIAL PARLIAMENT

THE ACCOUNTING OFFICER: VOTE 1: PREMIER (ADV B GERBER)  
THE ACCOUNTING OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MR R HINDLEY)  
THE ACCOUNTING OFFICER: VOTE 3: PROVINCIAL TREASURY (DR JC STEGMANN)  
THE ACCOUNTING OFFICER: VOTE 4: COMMUNITY SAFETY (DR GA LAWRENCE)  
THE ACCOUNTING OFFICER: VOTE 5: EDUCATION (MS P VINJEVOLD)  
THE ACCOUNTING OFFICER: VOTE 6: HEALTH (PROF KC HOUSEHAM)  
THE ACCOUNTING OFFICER: VOTE 7: SOCIAL DEVELOPMENT (DR R MACDONALD)  
THE ACCOUNTING OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR T MGULI)  
THE ACCOUNTING OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR P VAN ZYL)  
THE ACCOUNTING OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MS J GOOCH)  
THE ACCOUNTING OFFICER: VOTE 11: AGRICULTURE (MS J ISAACS)  
THE ACCOUNTING OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MR S FOURIE)  
THE ACCOUNTING OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MR B WALTERS)  
THE ACCOUNTING OFFICER: VOTE 14: LOCAL GOVERNMENT (DR H FAST)

THE CHIEF FINANCIAL OFFICER: VOTE 1: PREMIER (MR D BASSON)  
THE CHIEF FINANCIAL OFFICER: VOTE 2: PROVINCIAL PARLIAMENT (MS N PETERSEN)  
THE CHIEF FINANCIAL OFFICER: VOTE 3: PROVINCIAL TREASURY (MR A GILDENHUYS)  
THE CHIEF FINANCIAL OFFICER: VOTE 4: COMMUNITY SAFETY (MR M FRIZLAR)  
THE CHIEF FINANCIAL OFFICER: VOTE 5: EDUCATION (MR L ELY)  
THE CHIEF FINANCIAL OFFICER: VOTE 6: HEALTH (MR A VAN NIEKERK)  
THE CHIEF FINANCIAL OFFICER: VOTE 7: SOCIAL DEVELOPMENT (MR JO SMITH)  
THE CHIEF FINANCIAL OFFICER: VOTE 8: HUMAN SETTLEMENTS (MR F DE WET)  
THE CHIEF FINANCIAL OFFICER: VOTE 9: ENVIRONMENTAL AFFAIRS AND DEVELOPMENT PLANNING (MR T GILDENHUYS)  
THE CHIEF FINANCIAL OFFICER: VOTE 10: TRANSPORT AND PUBLIC WORKS (MR CR ISMAY)  
THE CHIEF FINANCIAL OFFICER: VOTE 11: AGRICULTURE (MR F HUYSAMER)  
THE CHIEF FINANCIAL OFFICER: VOTE 12: ECONOMIC DEVELOPMENT AND TOURISM (MS M ABRAHAMS)  
THE CHIEF FINANCIAL OFFICER: VOTE 13: CULTURAL AFFAIRS AND SPORT (MS BG RUTGERS)  
THE CHIEF FINANCIAL OFFICER: VOTE 14: LOCAL GOVERNMENT (MS B SEWLALL-SINGH)

THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE GAMBLING AND RACING BOARD (DR M MATSAPOLA)  
THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE NATURE CONSERVATION BOARD (DR R OMAR)  
THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE INVESTMENTS AND TRADE PROMOTION AGENCY (MR N FLAATTEN)  
THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE CULTURAL COMMISSION (MS J MOLELEKI)  
THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE LANGUAGE COMMITTEE (MS J MOLELEKI)  
THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE HERITAGE (MR A HALL)  
THE CHIEF EXECUTIVE OFFICER: CASIDRA (MR S CONRADIE)  
THE CHIEF EXECUTIVE OFFICER: WESTERN CAPE LIQUOR AUTHORITY (MR T GILJOMEE)

For information

**REPLACED WITH:**

**INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM THRESHOLD FOR  
LOCAL PRODUCTION AND CONTENT FOR:**

**THE RAIL ROLLING STOCK SECTOR (DATED 12 JUNE 2014); AND**

**SOLAR WATER HEATER COMPONENTS (DATED 17 JUNE 2014)**

**1. PURPOSE**

1.1 The purpose of this communicate is to disseminate the **repeal** and **replacement** of two of the National Treasury's Instruction Notes, which are aimed to regulate the environment within which an accounting officer or accounting procured, for designated sectors of local production and content.

1.2 The following Instruction Notes were **repealed** and **replaced**:

**1.2.1 Repealed:**

- (a) invitation and evaluation of bids based on a stipulated minimum threshold for local production and content for the Rail Rolling Stock Sector (dated 16 July 2012); and
- (b) invitation and evaluation of bids based on a stipulated minimum threshold for local production and content for Solar Water Heater Components (dated 19 July 2013).

**1.2.2 Replaced with:**

- (a) invitation and evaluation of bids based on a stipulated minimum threshold for local production and content for the Rail Rolling Stock Sector (dated 12 June 2014); and
- (b) invitation and evaluation of bids based on a stipulated minimum threshold for local production and content for Solar Water Heater Components (dated 17 June 2014).

- 1.3 The Instruction Notes are attached hereto marked as “Annexure A and B” respectively.

## **2 REQUEST**

- 2.1 Accounting officers/ accounting authorities are requested to note the following differences between the repealed National Treasury Instruction Notes and the National Treasury Instruction Notes which took effect on 7 July 2014 as listed in table (a) and (b) below:

- (a) **Instruction note on: Invitation and evaluation of bids based on a stipulated minimum threshold for the Rail Rolling Stock Sector**

<b>Repealed Instruction Note</b>	<b>Instruction Note which took effect on 7 July 2014</b>
	Paragraph 3.3-3.9 additional
Paragraph 4.8 removed	
Paragraph 4.7	Moved to Paragraph 5.2
Paragraph 12	Moved to Paragraph 13
	Paragraph 12 additional

- (b) **Instruction note on: Invitation and evaluation of bids based on a stipulated minimum threshold for Solar Water Heater components**

<b>Repealed Instruction Note</b>	<b>Instruction Note which took effect on 7 July 2014</b>
Paragraph 3.3-3.5 removed	Replaced with Paragraph 3.3-3.9
Paragraph 4.8 removed	
Paragraph 4.7	Moved to Paragraph 5.2
Paragraph 12	Moved to Paragraph 13
	Paragraph 12 additional

- 2.2 Accounting officers/ accounting authorities are requested to take cognisance of:
- (a) paragraph 9.1 of the Instruction Notes which states that “the instruction notes applies to all national and provincial departments, constitutional institutions, public entities listed in schedule 2 and 3 to the PFMA and municipalities and municipal entities to which the MFMA apply.
  - (b) paragraph 12 of the Instruction Notes, which states that:
    - (i) “this instruction repeals instruction on invitation and evaluation of bids based on a stipulated minimum threshold for local production and content for the rail rolling sector dated 16 July 2012”; and
    - (ii) “this instruction repeals instruction on invitation and evaluation of bids based on a stipulated minimum threshold for Solar Water Heating Components dated 19 July 2013 and effected on 5 August 2013”.
- 2.3 ***Please note that this Supplement replaces Treasury Circular 28 of 2014.***
- 2.4 Ensure that the content of the attached Instruction Note is brought to the attention of all relevant officials within their institution and schedule 3A and 3C public entities reporting to their executive authorities.
- 2.5 Note that the Instruction Notes are applicable as from 7 July 2014.

**Kind Regards,**



.....  
**MS N EBRAHIM**

**DIRECTOR: PROVINCIAL GOVERNMENT: SCM**

**DATE:** 21/07/2014



## **national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

Private Bag X115, Pretoria, 0001

**TO: ACCOUNTING OFFICERS OF ALL NATIONAL DEPARTMENTS AND  
CONSTITUTIONAL INSTITUTIONS**

**ACCOUNTING OFFICERS OF ALL MUNICIPALITIES AND MUNICIPAL  
ENTITIES**

**ACCOUNTING AUTHORITIES OF ALL SCHEDULE 2 AND 3 PUBLIC ENTITIES**

**HEAD OFFICIALS OF PROVINCIAL TREASURIES**

### **INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR THE RAIL ROLLING STOCK SECTOR**

#### **1. PURPOSE**

- 1.1 The purpose of this instruction is to regulate the environment within which accounting officers (AOs) and accounting authorities (AAs) may procure Rail Rolling Stock which has been designated as a sector for local production and content.

#### **2. BACKGROUND**

- 2.1 The Preferential Procurement Regulations, 2011 ('the regulations') made in terms of section 5 of the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000) which came into effect on 7 December 2011 make provision for the Department of Trade and Industry (dti) to designate sectors in line with national development and industrial policies for local production.
- 2.2 Regulation 9 (1) of the Regulations prescribes that in the case of designated sectors, where in the award of bids local production and content is of critical importance, such bids must be advertised with the specific bidding condition that only locally produced goods, services or works or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.
- 2.3 To this end, the dti has designated and determined the stipulated minimum threshold for the Rail Rolling Stock sector for local production and content.

### 3. SECTOR DESIGNATION

- 3.1 The stipulated minimum threshold percentages for local production and content for the different classes of Rail Rolling Stock are as follows:

Classes of Rail Rolling Stock	Local Content Threshold
Diesel Locomotives	55%
Electric Locomotives	60%
Electric Multiple Units (EMU)	65%
Wagons	80%

- 3.2 To ensure that local production and content is discharged on manufacturing activities, the following components which have been designated must be included in bid invitations:

No	Component/Activity	% local content (3-5 years)	% local content (6 years and above)
1	Assembly of locomotives and EMU	100%	100%
2	Car body: <ul style="list-style-type: none"><li>- Car body shell</li><li>- Door system</li><li>- Windows</li><li>- Seats (for coach interior)</li><li>- Lighting</li><li>- Grab pillars and rails</li><li>- Interior gladding</li><li>- Cable and wire</li><li>- Safety equipment</li><li>- Pipe works and ducts</li></ul>	100%	100%
3	Bogie: <ul style="list-style-type: none"><li>- Bogie frame</li><li>- Motor suspension unit</li><li>- Wheel sets and wheel components</li><li>- Axle and axle boxes</li><li>- Bearings</li><li>- Bolster</li></ul>	100%	100%
4	Coupling equipment <ul style="list-style-type: none"><li>- Coupler body</li><li>- Coupler hook</li><li>- Yoke</li><li>- Pin</li><li>- Draft- gear</li></ul>	100%	100%
5	Suspension <ul style="list-style-type: none"><li>- Shock absorbers and dampers</li><li>- Springs</li></ul>	100%	100%
6	Heat, Ventilation and Air Conditioning <ul style="list-style-type: none"><li>- Fabrication</li></ul>	60%	70%



No	Component/Activity	% local content (3-5 years)	% local content (6 years and above)
	- Power Coating - Heat Exchangers - Fans - Compressors - Refrigeration components - Electrical components - Fasteners - Insulation and liners		
7	Braking system	70%	80%
8	Alternators	90%	100%
9	Traction motors	65%	80%
10	Electric systems	80%	90%

- 3.3 In the designation, imported input raw materials (i.e. primary steel: unworked long and flat products straight from the mill, copper and aluminium billet & ingot) used for the fabrication of Rail Rolling Stock are deemed as locally manufactured input materials. This is to encourage local manufacturers to seek the best global competitive prices for primary materials.
- 3.4 The competitive imported primary steel, copper and aluminium billet & ingot used in the manufacture of Rail Rolling Stock will be deemed to have been sourced locally for the purposes of calculating local content. These input materials (primary steel, copper and aluminium billet & ingot) should be imported in raw material form and further fabricated in South Africa.
- 3.5 If the quantity of materials and/or products required cannot be wholly sourced from South African based manufacturers and/or at the designated local content threshold at any particular time, bidders should obtain written exemption from the dti to supply the remaining portion at a lower local content threshold. The dti, in consultation with the procuring organ of state, will grant exemption on a case-by-case basis and will consider the following:
- required volumes in the particular bid;
  - available collective South African industry manufacturing capacity at that time;
  - delivery times;
  - availability of input materials and components;
  - technical considerations including operating conditions; and
  - materials
- 3.6 Bidders must clearly indicate in their bids the quantities of material and products to be supplied and the level of local content for each product.
- 3.7 Organs of state may contact the dti in instances where the stipulated minimum threshold for local content cannot be met in order for the dti to verify and in consultation with the AO/AA provide directives in this regard.
- 3.8 For further information, bidders and procuring state organs may contact the Metal Fabrication, Capital and Transport Equipment Unit within the dti at telephone 012 394 1356/3138/3522 or email Thandi Phele: TPhele@thedti.gov.za.

- 3.9 Bid specifications for the sectors, sub-sectors or products referred to above maybe done in collaboration with the dti

#### **4. INVITATION OF BIDS FOR RAIL ROLLING STOCK**

- 4.1 Bids in respect of Rail Rolling Stock must contain a specific bidding condition that only locally produced or locally manufactured Rail Rolling Stock with a stipulated minimum threshold for local production and content will be considered.

- 4.2 AOs/AAs must stipulate in bid invitations that:

- 4.2.1 The exchange rate to be used for the calculation of local production and content must be the exchange rate published by the South African Reserve Bank (SARB) at 12:00 on the date of advertisement of the bid; and

- 4.2.2 Only the South African Bureau of Standards (SABS) approved technical specification number SATS 1286:2011 must be used to calculate local content.

- 4.3 The local content (LC) expressed as a percentage of the bid price must be calculated in accordance with the following formula which must be disclosed in the bid documentation:

$$LC = (1 - x/y) * 100$$

Where

x is the imported content in Rand

y is the bid price in Rand excluding value added tax (VAT)

Prices referred to in the determination of x must be converted to Rand (ZAR) by using the exchange rate published by the SARB at 12:00 on the date of advertisement of the bid.

- 4.4 AOs/AAs must clearly stipulate in the bid documentation that the SABS approved technical specification number SATS 1286:2011 and the Guidance on the Calculation of Local Content together with the Local Content Declaration Templates [Annex C (Local Content Declaration: Summary Schedule), D (Imported Content Declaration: Supporting Schedule to Annex C) and E (Local Content Declaration: Supporting Schedule to Annex C)] are accessible to all potential bidders on the dti's official website [http://www.thedti.gov.za/industrial\\_development/ip.jsp](http://www.thedti.gov.za/industrial_development/ip.jsp) at no cost.

- 4.5 For the purpose of paragraphs 4.1, 4.2 and 4.3 above, the attached Declaration Certificates for Local Production and Content (SBD/MBD 6.2) must form part of the bid documentation. The SBD 6.2 is for use by all national and provincial departments, constitutional institutions and public entities listed in schedules 2, 3A, 3B, 3C and 3D to the Public Finance Management Act whilst the MBD 6.2 is for use by all municipalities and municipal entities to which the Municipal Finance Management Act (MFMA) apply.

- 4.6 AOs/AAs must stipulate in the bid documentation that:

- 4.6.1 The Declaration Certificate for Local Production and Content (SBD / MBD 6.2) together with the Annex C (Local Content Declaration: Summary Schedule) must be completed, duly signed and submitted by the bidder at the closing date and time of the bid; and

- 4.6.2 The rates of exchange quoted by the bidder in paragraph 4.1 of the Declaration Certificate will be verified for accuracy.

## **5. EVALUATION OF BIDS FOR RAIL ROLLING STOCK**

- 5.1 A two stage evaluation process may be followed to evaluate the bids received.

### **5.1.1 First stage: Evaluation in terms of the stipulated minimum threshold for local production and content**

- (a) Bids must be evaluated in terms of the minimum threshold stipulated in the bid documents.
- (b) The declaration made by the bidder in the Declaration Certificate for Local Content (SBD / MBD 6.2) and Annex C (Local Content Declaration: Summary Schedule) must be used for this purpose. If the bid is for more than one product, the local content percentages for each product contained in Declaration C must be used.
- (c) The amendment of the stipulated minimum threshold for local production and content is not allowed.
- (d) AOs / AAs must ensure that the Declaration Certificate for Local Content (SBD / MBD 6.2) and the Annex C (Local Content Declaration: Summary Schedule) referred to in paragraphs 4.6 above are submitted as part of the bid documentation.
- (e) The dti has the right, as and when necessary, to request for auditors certificates confirming the authenticity of the declarations made in respect of local content.
- (f) AOs/ AAs must verify the accuracy of the rates of exchange quoted by the bidder in paragraph 4.1 of the Declaration Certificate for Local Content (SBD / MBD 6.2)

### **5.1.2 Second stage: Evaluation in terms of the 80/20 or 90/10 preference point systems**

- (a) Only bids that achieve the minimum stipulated threshold for local production and content may be evaluated further. The evaluation must be done in accordance with the 80/20 or 90/10 preference point systems prescribed in Preferential Procurement Regulations, 2011.
- (b) AOs/AAs must ensure that contracts for Rail Rolling Stock components are awarded at prices that are market related taking into account, among others, the dti's pre-determined benchmark prices, value for money and economies of scale.
- (c) Where appropriate, prices may be negotiated with short listed or preferred bidders. Such negotiations must not prejudice any other bidders.

## **5.2 Benchmark / market related prices**

- 5.2.1 AOs/AAs are required to ensure that reasonable or market related prices are secured for the Rail Rolling Stock / components being procured, taking into account factors such as benchmark prices, value for money and economies of scale.

- 5.2.2 For this purpose, AOs/AAs may approach the dti to assist, where possible, with benchmark prices for the different classes and components of Rail Rolling Stock that have been designated for local production and content. The dti will be in a position to provide price references for the different products that have been designated for local production and content.

## **6. EVALUATION OF BIDS BASED ON FUNCTIONALITY**

- 6.1 Whenever it is deemed necessary to evaluate bids on the basis of functionality, the prescripts contained in regulation 4 of the Preferential Procurement Regulations, 2011 and paragraphs 6 and 11 of the Implementation Guide must be followed.

## **7. POST AWARD AND REPORTING REQUIREMENTS**

- 7.1 Once bids are awarded, the dti must be:
- 7.1.1 Notified of all the successful bidders and the value of the contracts; and
  - 7.1.2 Provided with copies of the contracts, the SBD/MBD 6.2 Certificates together with the Declaration C submitted by the successful bidders.
- 7.2 The purpose of the requirements of paragraph 7.1 above is for the dti to among others conduct compliance audits with a view to monitor the implementation of the industrial development strategies.
- 7.3 Contractors must not be allowed to sub-contract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.
- 7.4 Where, after the award of a bid, contractors experience challenges in meeting the stipulated minimum threshold for local content the dti must be informed accordingly in order for the dti to verify and in consultation with the AO/AA provide directives in this regard.

## **8. CONTACT INFORMATION**

- 8.1 Any enquiries in respect of Local Production and Content and all documents to be submitted to the dti must be directed as follows:

The Department of Trade and Industry  
Private Bag X84  
Pretoria  
0001

For Attention:  
Dr Tebogo Makube  
Chief Director: Industrial Procurement  
Tel: (012) 394 3927  
Fax: (012) 394 4927

**9. APPLICABILITY**

- 9.1 This instruction applies to all national and provincial departments, constitutional institutions, public entities listed in schedules 2 and 3 to the PFMA and municipalities and municipal entities to which the MFMA apply.

**10. DISSEMINATION OF INFORMATION CONTAINED IN THIS INSTRUCTION**

- 10.1 Heads of provincial treasuries are requested to bring the contents of this instruction to the attention of accounting officers and supply chain management officials of their respective provincial departments.
- 10.2 Accounting officers of national and provincial departments are requested to bring the contents of this instruction to the attention of accounting authorities and the supply chain management officials of Schedule 3A and 3C public entities reporting to their respective executive authorities.
- 10.3 Accounting officers of municipalities and municipal entities are requested to bring the contents of this instruction to the attention of the supply chain management officials of their municipalities and municipal entities.
- 10.4 Accounting authorities of Schedule 2, 3B and 3D public entities are requested to bring the contents of this instruction to the attention of the supply chain management officials of their public entities.

**11. NOTIFICATION TO THE AUDITOR-GENERAL**

- 11.1 A copy of this instruction will be forwarded to the Auditor-General for notification.

**12. REPEAL OF INSTRUCTION DATED 16 JULY 2012**

This instruction repeals instruction on invitation and evaluation of bids based on a stipulated minimum threshold for local production and content for the rail rolling stock sector dated 16 July 2012

**13. AUTHORITY FOR THIS INSTRUCTION AND EFFECTIVE DATE**

- 13.1 The Minister of Finance has approved the issuance of this instruction in terms of regulation 9(2) of the regulations.
- 13.2 This instruction takes effect on 7 July 2014.



KENNETH W BROWN  
CHIEF PROCUREMENT OFFICER  
DATE: 12/6/2014.

## DECLARATION CERTIFICATE FOR LOCAL PRODUCTION AND CONTENT FOR DESIGNATED SECTORS

This Western Cape Bidding Document (WCBD) must form part of all bids invited. It contains general information and serves as a declaration form for local content (local production and local content are used interchangeably).

Before completing this declaration, bidders must study the General Conditions, Definitions, Directives applicable in respect of Local Content as prescribed in the Preferential Procurement Regulations, 2011, the South African Bureau of Standards (SABS) approved technical specification number SATS 1286:2011 (Edition 1) and the Guidance on the Calculation of Local Content together with the Local Content Declaration Templates [Annex C (Local Content Declaration: Summary Schedule), D (Imported Content Declaration: Supporting Schedule to Annex C) and E (Local Content Declaration: Supporting Schedule to Annex C)].

### 1. General Conditions

- 1.1. Preferential Procurement Regulations, 2011 (Regulation 9) makes provision for the promotion of local production and content.
- 1.2. Regulation 9.(1) prescribes that in the case of designated sectors, where in the award of bids local production and content is of critical importance, such bids must be advertised with the specific bidding condition that only locally produced goods, services or works or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.
- 1.3. Where necessary, for bids referred to in paragraph 1.2 above, a two stage bidding process may be followed, where the first stage involves a minimum threshold for local production and content and the second stage price and B-BBEE.
- 1.4. A person awarded a contract in relation to a designated sector, may not sub-contract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.
- 1.5. The local content (LC) expressed as a percentage of the bid price must be calculated in accordance with the SABS approved technical specification number SATS 1286: 2011 as follows:

$$LC = [1 - x / y] * 100$$

Where

x is the imported content in Rand

y is the bid price in Rand excluding value added tax (VAT)

Prices referred to in the determination of x must be converted to Rand (ZAR) by using the exchange rate published by South African Reserve Bank (SARB) at 12:00 on the date of advertisement of the bid as indicated in paragraph 4.1 below.

**The SABS approved technical specification number SATS 1286:2011 is accessible on [http://www.thedti.gov.za/industrial\\_development/ip.jsp](http://www.thedti.gov.za/industrial_development/ip.jsp) at no cost.**

1.6 A bid may be disqualified if –

- (a) this Declaration Certificate and the Annex C (Local Content Declaration: Summary Schedule) are not submitted as part of the bid documentation; and
- (b) the bidder fails to declare that the Local Content Declaration Templates (Annex C, D and E) have been audited and certified as correct.

## 2. Definitions

- 2.1. **“bid”** includes written price quotations, advertised competitive bids or proposals;
  - 2.2. **“bid price”** price offered by the bidder, excluding value added tax (VAT);
  - 2.3. **“contract”** means the agreement that results from the acceptance of a bid by an organ of state;
  - 2.4. **“designated sector”** means a sector, sub-sector or industry that has been designated by the Department of Trade and Industry in line with national development and industrial policies for local production, where only locally produced services, works or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content;
  - 2.5. **“duly sign”** means a Declaration Certificate for Local Content that has been signed by the Chief Financial Officer or other legally responsible person nominated in writing by the Chief Executive, or senior member / person with management responsibility(close corporation, partnership or individual).
  - 2.6. **“imported content”** means that portion of the bid price represented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or its subcontractors) and which costs are inclusive of the costs abroad (this includes labour or intellectual property costs), plus freight and other direct importation costs, such as landing costs, dock duties, import duty, sales duty or other similar tax or duty at the South African port of entry;
  - 2.7. **“local content”** means that portion of the bid price which is not included in the imported content, provided that local manufacture does take place;
  - 2.8. **“stipulated minimum threshold”** means that portion of local production and content as determined by the Department of Trade and Industry; and
  - 2.9. **“sub-contract”** means the primary contractor’s assigning, leasing, making out work to, or employing another person to support such primary contractor in the execution of part of a project in terms of the contract.
3. **The stipulated minimum threshold(s) for local production and content (refer to Annex A of SATS 1286:2011) for this bid is/are as follows:**

Description of services, works or goods

Stipulated minimum threshold

\_\_\_\_\_ %  
\_\_\_\_\_ %  
\_\_\_\_\_ %

4. Does any portion of the services, works or goods offered have any imported content?

(Tick applicable box)

YES		NO	
-----	--	----	--

- 4.1 If yes, the rate(s) of exchange to be used in this bid to calculate the local content as prescribed in paragraph 1.5 of the general conditions must be the rate(s) published by SARB for the specific currency at 12:00 on the date of advertisement of the bid.

The relevant rates of exchange information is accessible on [www.reservebank.co.za](http://www.reservebank.co.za).

Indicate the rate(s) of exchange against the appropriate currency in the table below (refer to Annex A of SATS 1286:2011):

Currency	Rates of exchange
US Dollar	
Pound Sterling	
Euro	
Yen	
Other	

NB: Bidders must submit proof of the SARB rate (s) of exchange used.

5. Were the Local Content Declaration Templates (Annex C, D and E) audited and certified as correct?

(Tick applicable box)

YES		NO	
-----	--	----	--

- 5.1. If yes, provide the following particulars:

- (a) Full name of auditor: .....  
(b) Practice number: .....  
(c) Telephone and cell number: .....  
(d) Email address: .....

(Documentary proof regarding the declaration will, when required, be submitted to the satisfaction of the Accounting Officer / Accounting Authority)

6. Where, after the award of a bid, challenges are experienced in meeting the stipulated minimum threshold for local content the dti must be informed accordingly in order for the dti to verify and in consultation with the AO/AA provide directives in this regard.



**LOCAL CONTENT DECLARATION**  
**(REFER TO ANNEX B OF SATS 1286:2011)**

**LOCAL CONTENT DECLARATION BY CHIEF FINANCIAL OFFICER OR OTHER LEGALLY RESPONSIBLE PERSON NOMINATED IN WRITING BY THE CHIEF EXECUTIVE OR SENIOR MEMBER/PERSON WITH MANAGEMENT RESPONSIBILITY (CLOSE CORPORATION, PARTNERSHIP OR INDIVIDUAL)**

**IN RESPECT OF BID NO. ....**

**ISSUED BY:** (Procurement Authority / Name of Institution):  
.....

**NB**

1 The obligation to complete, duly sign and submit this declaration cannot be transferred to an external authorized representative, auditor or any other third party acting on behalf of the bidder.

2 Guidance on the Calculation of Local Content together with Local Content Declaration Templates (Annex C, D and E) is accessible on <http://www.thdti.gov.za/industrialdevelopment/ip.jsp>. Bidders should first complete Declaration D. After completing Declaration D, bidders should complete Declaration E and then consolidate the information on Declaration C. **Declaration C should be submitted with the bid documentation at the closing date and time of the bid in order to substantiate the declaration made in paragraph (c) below.** Declarations D and E should be kept by the bidders for verification purposes for a period of at least 5 years. The successful bidder is required to continuously update Declarations C, D and E with the actual values for the duration of the contract.

I, the undersigned, ..... (full names),  
do hereby declare, in my capacity as .....  
of .....(name of bidder  
entity), the following:

(a) The facts contained herein are within my own personal knowledge.

(b) I have satisfied myself that:

- (i) the goods/services/works to be delivered in terms of the above-specified bid comply with the minimum local content requirements as specified in the bid, and as measured in terms of SATS 1286:2011; and
- (ii) the declaration templates have been audited and certified to be correct.

(c) The local content percentage (%) indicated below has been calculated using the formula given in clause 3 of SATS 1286:2011, the rates of exchange indicated in paragraph 4.1 above and the information contained in Declaration D and E which has been consolidated in Declaration C:

Bid price, excluding VAT (y)	R
Imported content (x), as calculated in terms of SATS 1286:2011	R
Stipulated minimum threshold for local content (paragraph 3 above)	
Local content %, as calculated in terms of SATS 1286:2011	

**If the bid is for more than one product, the local content percentages for each product contained in Declaration C shall be used instead of the table above.**

**The local content percentages for each product has been calculated using the formula given in clause 3 of SATS 1286:2011, the rates of exchange indicated in paragraph 4.1 above and the information contained in Declaration D and E.**

(d) I accept that the Procurement Authority / Institution has the right to request that the local content be verified in terms of the requirements of SATS 1286:2011.

(e) I understand that the awarding of the bid is dependent on the accuracy of the information furnished in this application. I also understand that the submission of incorrect data, or data that are not verifiable as described in SATS 1286:2011, may result in the Procurement Authority / Institution imposing any or all of the remedies as provided for in Regulation 13 of the Preferential Procurement Regulations, 2011 promulgated under the Preferential Policy Framework Act (PPPFA), 2000 (Act No. 5 of 2000).

**SIGNATURE:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

**WITNESS No. 1** \_\_\_\_\_

**DATE:** \_\_\_\_\_

**WITNESS No. 2** \_\_\_\_\_

**DATE:** \_\_\_\_\_



**national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

Private Bag X115, Pretoria, 0001

**TO: ACCOUNTING OFFICERS OF ALL NATIONAL DEPARTMENTS AND  
CONSTITUTIONAL INSTITUTIONS**

**ACCOUNTING OFFICERS OF ALL MUNICIPALITIES AND MUNICIPAL  
ENTITIES**

**ACCOUNTING AUTHORITIES OF ALL SCHEDULE 2 AND 3 PUBLIC ENTITIES**

**HEAD OFFICIALS OF PROVINCIAL TREASURIES**

**INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM  
THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR SOLAR WATER HEATER  
COMPONENTS**

**1. PURPOSE**

- 1.1 The purpose of this instruction is to regulate the environment within which accounting officers (AOs) and accounting authorities (AAs) may procure Solar Water Heater (SWH) components which have been designated as products for local production and content.

**2. BACKGROUND**

- 2.1 The Preferential Procurement Regulations, 2011 ('the regulations') made in terms of section 5 of the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000) which came into effect on 7 December 2011 make provision for the Department of Trade and Industry (dti) to designate sectors in line with national development and industrial policies for local production.
- 2.2 Regulation 9 (1) of the Regulations prescribes that in the case of designated sectors, where in the award of bids local production and content is of critical importance, such bids must be advertised with the specific bidding condition that only locally produced goods, services or works or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.
- 2.3 To this end, the dti has designated and determined the stipulated minimum threshold for SWH components for local production and content.

### 3. SECTOR DESIGNATION

- 3.1 The stipulated minimum threshold percentage for local production and content of SWH is 70%. The components designated are only storage tanks / geysers and solar collectors.
- 3.2 To ensure that local production and content is discharged on manufacturing activities, the following which have been designated must be included in bid invitations:

SWH component	Stipulated Minimum Threshold
Storage tanks / geysers	70%
Solar collectors	70%

#### <sup>1</sup>Storage tank / geyser

The storage tank is a container that stores portable water in various sizes up to 450 litres. It consists of at least an inner tank, thermal insulation and an outer cover. It also incorporates some or all of the following components; anodes, heat exchangers, temperature and pressure safety valve.

#### <sup>2</sup>Solar collector

A solar collector is a device that contains or incorporates an absorber and a means for transferring thermal energy from the absorber to a fluid passing through the device. Solar collectors are typically categorised in one of 2 groups, namely, flat plate collectors and evacuated tube collectors:

- A flat plate collector consists of a collector box covered with a transparent cover. This box is insulated and contains an absorber, which is typically a metal plate attached to flow tubes (risers) that is connected to a header (manifold). The absorber is coated with a thermal absorbent coating. Heat is transferred from the absorber to the fluid inside the flow tubes.
- An evacuated tube collector typically consists of several tubes mounted in parallel in a manifold. Tubes are normally manufactured of glass but could be of different material. Inside each tube is an absorber with a thermal coated layer/ fin that absorbs heat and that transfers heat to a transfer fluid. There is a vacuum between the outer cover and the absorber to act as thermal insulation.

- 3.3 In the designation, imported input raw materials (i.e. primary steel: unworked long and flat products straight from the mill, copper and aluminium) used for fabrication of solar water heaters (SWHs) are deemed as locally manufactured input materials. This is to encourage local manufacturers to seek the best global competitive prices for primary materials.
- 3.4 The competitive imported input materials (primary steel, copper and aluminium) used in the manufacturing of SWHs will be deemed to have been sourced locally for the purposes of calculating local content. These input materials (primary steel, copper and aluminium) should be imported in raw material form and further fabricated in South Africa.
- 3.5 If the quantity of materials and/or products required cannot be wholly sourced from South African based manufacturers and/or at the designated local content threshold at

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<sup>1</sup> Storage tank /geyser description

<sup>2</sup> Solar collector description

any particular time, bidders should obtain written exemption from the dti to supply the remaining portion at a lower local content threshold. The dti, in consultation with the procuring organ of state, will grant exemption on a case-by-case basis and will consider the following:

- required volumes in the particular bid;
- available collective South African industry manufacturing capacity at that time;
- delivery times;
- availability of input materials and components;
- technical considerations including operating conditions; and
- materials

3.6 Bidders must clearly indicate in their bids the quantities of material and products to be supplied and the level of local content for each product.

3.7 Organs of state may contact the dti in instances where the stipulated minimum threshold for local content cannot be met in order for the dti to verify and in consultation with the AO/AA provide directives in this regard.

3.8 For further information, bidders and procuring state organs may contact the Green Industries & Energy Efficiency Unit within the dti at telephone 012 394 1151/5871/ or email Gerhard Fourie: [GFourie@thedti.gov.za](mailto:GFourie@thedti.gov.za).

3.9 Bid specifications for the sub-sectors referred to above maybe done in collaboration with the dti

#### 4. INVITATION OF BIDS FOR SWH COMPONENTS

4.1 Bids in respect of SWH components must contain a specific bidding condition that only locally produced or locally manufactured SWH components with a stipulated minimum threshold for local production and content will be considered.

4.2 AOs/AAs must stipulate in bid invitations that:

4.2.1 The exchange rate to be used for the calculation of local production and content must be the exchange rate published by the South African Reserve Bank (SARB) at 12:00 on the date of advertisement of the bid; and

4.2.2 Only the South African Bureau of Standards (SABS) approved technical specification number SATS 1286:2011 must be used to calculate local content.

4.3 The local content (LC) expressed as a percentage of the bid price must be calculated in accordance with the following formula which must be disclosed in the bid documentation:

$$LC = (1 - x/y) * 100$$

Where

x is the imported content in Rand

y is the bid price in Rand excluding value added tax (VAT)

Prices referred to in the determination of x must be converted to Rand (ZAR) by using the exchange rate published by the SARB at 12:00 on the date of advertisement of the bid.

- 4.4 AOs/AAs must clearly stipulate in the bid documentation that the SABS approved technical specification number SATS 1286:2011 and the Guidance on the Calculation of Local Content together with the Local Content Declaration Templates [Annex C (Local Content Declaration: Summary Schedule), D (Imported Content Declaration: Supporting Schedule to Annex C) and E (Local Content Declaration: Supporting Schedule to Annex C)] are accessible to all potential bidders on the dti's official website [http://www.thedti.gov.za/industrial\\_development/ip.jsp](http://www.thedti.gov.za/industrial_development/ip.jsp) at no cost.
- 4.5 For the purpose of paragraphs 4.1, 4.2 and 4.3 above, the attached Declaration Certificates for Local Production and Content (SBD/MBD 6.2) must form part of the bid documentation. The SBD 6.2 is for use by all national and provincial departments, constitutional institutions and public entities listed in schedules 2, 3A, 3B, 3C and 3D to the Public Finance Management Act whilst the MBD 6.2 is for use by all municipalities and municipal entities to which the Municipal Finance Management Act (MFMA) apply.
- 4.6 AOs/AAs must stipulate in the bid documentation that:
  - 4.6.1 The Declaration Certificate for Local Production and Content (SBD / MBD 6.2) together with the Annex C (Local Content Declaration: Summary Schedule) must be completed, duly signed and submitted by the bidder at the closing date and time of the bid; and
  - 4.6.2 The rates of exchange quoted by the bidder in paragraph 4.1 of the Declaration Certificate will be verified for accuracy.

## **5. EVALUATION OF BIDS FOR SWH COMPONENTS**

- 5.1 A two stage evaluation process may be followed to evaluate the bids received.
  - 5.1.1 First stage: Evaluation in terms of the stipulated minimum threshold for local production and content
    - (a) Bids must be evaluated in terms of the minimum threshold stipulated in the bid documents.
    - (b) The declaration made by the bidder in the Declaration Certificate for Local Content (SBD / MBD 6.2) and Annex C (Local Content Declaration: Summary Schedule) must be used for this purpose. If the bid is for more than one product, the local content percentages for each product contained in Declaration C must be used.
    - (c) The amendment of the stipulated minimum threshold for local production and content is not allowed.
    - (d) AOs / AAs must ensure that the Declaration Certificate for Local Content (SBD / MBD 6.2) and the Annex C (Local Content Declaration: Summary Schedule) referred to in paragraphs 4.6 above are submitted as part of the bid documentation.

- (e) The dti has the right, as and when necessary, to request for auditors certificates confirming the authenticity of the declarations made in respect of local content.
- (f) AOs/ AAs must verify the accuracy of the rates of exchange quoted by the bidder in paragraph 4.1 of the Declaration Certificate for Local Content (SBD / MBD 6.2)

**5.1.2 Second stage: Evaluation in terms of the 80/20 or 90/10 preference point systems**

- (a) Only bids that achieve the minimum stipulated threshold for local production and content may be evaluated further. The evaluation must be done in accordance with the 80/20 or 90/10 preference point systems prescribed in Preferential Procurement Regulations, 2011.
- (b) AOs/AAs must ensure that contracts for SWH components are awarded at prices that are market related taking into account, among others, the dti's pre-determined benchmark prices, value for money and economies of scale.
- (c) Where appropriate, prices may be negotiated with short listed or preferred bidders. Such negotiations must not prejudice any other bidders.

**5.2 Benchmark / market related prices**

**5.2.1** AOs/AAs are required to ensure that reasonable or market related prices are secured for the SWH components / components being procured taking into account factors such as benchmark prices, value for money and economies of scale.

**5.2.2** For this purpose, AOs/AAs may approach the dti to assist, where possible, with benchmark prices for the different classes and components of SWH components that have been designated for local production and content. The dti will be in a position to provide price references for the different products that have been designated for local production and content.

**6. EVALUATION OF BIDS BASED ON FUNCTIONALITY**

**6.1** Whenever it is deemed necessary to evaluate bids on the basis of functionality, the prescripts contained in regulation 4 of the Preferential Procurement Regulations, 2011 and paragraphs 6 and 11 of the Implementation Guide must be followed.

**7. POST AWARD AND REPORTING REQUIREMENTS**

**7.1** Once bids are awarded, the dti must be:

**7.1.1** Notified of all the successful bidders and the value of the contracts; and

**7.1.2** Provided with copies of the contracts, the SBD/MBD 6.2 Certificates together with the Declaration C submitted by the successful bidders.

**7.2** The purpose of the requirements of paragraph 7.1 above is for the dti to among others conduct compliance audits with a view to monitor the implementation of the industrial development strategies.

7.3 Contractors must not be allowed to sub-contract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.

7.4 Where, after the award of a bid, contractors experience challenges in meeting the stipulated minimum threshold for local content the dti must be informed accordingly in order for the dti to verify and in consultation with the AO/AA provide directives in this regard.

## **8. CONTACT INFORMATION**

8.1 Any enquiries in respect of Local Production and Content and all documents to be submitted to the dti must be directed as follows:

The Department of Trade and Industry  
Private Bag X84  
Pretoria  
0001

For Attention:  
Dr Tebogo Makube  
Chief Director: Industrial Procurement  
Tel: (012) 394 3927  
Fax: (012) 394 4927

## **9. APPLICABILITY**

9.1 This instruction applies to all national and provincial departments, constitutional institutions, public entities listed in schedules 2 and 3 to the PFMA and municipalities and municipal entities to which the MFMA apply.

9.2 This instruction applies to all bids (written price quotations and advertised competitive bids) in excess of R30 000.00 (all applicable taxes included). Products may not deliberately be split into parts or items of lesser value merely for the sake of procuring the products otherwise than through the directives contained in this instruction.

## **10. DISSEMINATION OF INFORMATION CONTAINED IN THIS INSTRUCTION**

10.1 Heads of provincial treasuries are requested to bring the contents of this instruction to the attention of accounting officers and supply chain management officials of their respective provincial departments.

10.2 Accounting officers of national and provincial departments are requested to bring the contents of this instruction to the attention of accounting authorities and the supply chain management officials of Schedule 3A and 3C public entities reporting to their respective executive authorities.

10.3 Accounting officers of municipalities and municipal entities are requested to bring the contents of this instruction to the attention of the supply chain management officials of their municipalities and municipal entities.



10.4 Accounting authorities of Schedule 2, 3B and 3D public entities are requested to bring the contents of this instruction to the attention of the supply chain management officials of their public entities.

**11. NOTIFICATION TO THE AUDITOR-GENERAL**

11.1 A copy of this Instruction will be forwarded to the Auditor-General for notification.

**12. REPEAL OF INSTRUCTION DATED 19 JULY 2013**

This instruction repeals instruction on invitation and evaluation of bids based on a stipulated minimum threshold for local production and content for Solar Water Heater Components dated 19 July 2013 and effected on 5 August 2013

**13. AUTHORITY FOR THIS INSTRUCTION AND EFFECTIVE DATE**

13.1 The Minister of Finance has approved the issuance of this instruction in terms of regulation 9(2) of the regulations.

13.2 This instruction takes effect on 7 July 2014.



KENNETH W BROWN  
CHIEF PROCUREMENT OFFICER

DATE: 17/6/2014

## DECLARATION CERTIFICATE FOR LOCAL PRODUCTION AND CONTENT FOR DESIGNATED SECTORS

This Western Cape Bidding Document (WCBD) must form part of all bids invited. It contains general information and serves as a declaration form for local content (local production and local content are used interchangeably).

Before completing this declaration, bidders must study the General Conditions, Definitions, Directives applicable in respect of Local Content as prescribed in the Preferential Procurement Regulations, 2011, the South African Bureau of Standards (SABS) approved technical specification number SATS 1286:2011 (Edition 1) and the Guidance on the Calculation of Local Content together with the Local Content Declaration Templates [Annex C (Local Content Declaration: Summary Schedule), D (Imported Content Declaration: Supporting Schedule to Annex C) and E (Local Content Declaration: Supporting Schedule to Annex C)].

### 1. General Conditions

- 1.1. Preferential Procurement Regulations, 2011 (Regulation 9) makes provision for the promotion of local production and content.
- 1.2. Regulation 9.(1) prescribes that in the case of designated sectors, where in the award of bids local production and content is of critical importance, such bids must be advertised with the specific bidding condition that only locally produced goods, services or works or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.
- 1.3. Where necessary, for bids referred to in paragraph 1.2 above, a two stage bidding process may be followed, where the first stage involves a minimum threshold for local production and content and the second stage price and B-BBEE.
- 1.4. A person awarded a contract in relation to a designated sector, may not sub-contract in such a manner that the local production and content of the overall value of the contract is reduced to below the stipulated minimum threshold.
- 1.5. The local content (LC) expressed as a percentage of the bid price must be calculated in accordance with the SABS approved technical specification number SATS 1286: 2011 as follows:

$$LC = [1 - x / y] * 100$$

Where

x is the imported content in Rand

y is the bid price in Rand excluding value added tax (VAT)

Prices referred to in the determination of x must be converted to Rand (ZAR) by using the exchange rate published by South African Reserve Bank (SARB) at 12:00 on the date of advertisement of the bid as indicated in paragraph 4.1 below.

**The SABS approved technical specification number SATS 1286:2011 is accessible on [http://www.thedti.gov.za/industrial development/ip.jsp](http://www.thedti.gov.za/industrial%20development/ip.jsp) at no cost.**

1.6 A bid may be disqualified if –

- (a) this Declaration Certificate and the Annex C (Local Content Declaration: Summary Schedule) are not submitted as part of the bid documentation; and
- (b) the bidder fails to declare that the Local Content Declaration Templates (Annex C, D and E) have been audited and certified as correct.

## 2. Definitions

- 2.1. **“bid”** includes written price quotations, advertised competitive bids or proposals;
  - 2.2. **“bid price”** price offered by the bidder, excluding value added tax (VAT);
  - 2.3. **“contract”** means the agreement that results from the acceptance of a bid by an organ of state;
  - 2.4. **“designated sector”** means a sector, sub-sector or industry that has been designated by the Department of Trade and Industry in line with national development and industrial policies for local production, where only locally produced services, works or goods or locally manufactured goods meet the stipulated minimum threshold for local production and content;
  - 2.5. **“duly sign”** means a Declaration Certificate for Local Content that has been signed by the Chief Financial Officer or other legally responsible person nominated in writing by the Chief Executive, or senior member / person with management responsibility (close corporation, partnership or individual).
  - 2.6. **“imported content”** means that portion of the bid price represented by the cost of components, parts or materials which have been or are still to be imported (whether by the supplier or its subcontractors) and which costs are inclusive of the costs abroad (this includes labour or intellectual property costs), plus freight and other direct importation costs, such as landing costs, dock duties, import duty, sales duty or other similar tax or duty at the South African port of entry;
  - 2.7. **“local content”** means that portion of the bid price which is not included in the imported content, provided that local manufacture does take place;
  - 2.8. **“stipulated minimum threshold”** means that portion of local production and content as determined by the Department of Trade and Industry; and
  - 2.9. **“sub-contract”** means the primary contractor’s assigning, leasing, making out work to, or employing another person to support such primary contractor in the execution of part of a project in terms of the contract.
3. **The stipulated minimum threshold(s) for local production and content (refer to Annex A of SATS 1286:2011) for this bid is/are as follows:**

Description of services, works or goods

Stipulated minimum threshold

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_%  
\_\_\_\_\_%  
\_\_\_\_\_%

4. Does any portion of the services, works or goods offered have any imported content?

(Tick applicable box)

YES		NO	
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- 4.1 If yes, the rate(s) of exchange to be used in this bid to calculate the local content as prescribed in paragraph 1.5 of the general conditions must be the rate(s) published by SARB for the specific currency at 12:00 on the date of advertisement of the bid.

The relevant rates of exchange information is accessible on [www.reservebank.co.za](http://www.reservebank.co.za).

Indicate the rate(s) of exchange against the appropriate currency in the table below (refer to Annex A of SATS 1286:2011):

Currency	Rates of exchange
US Dollar	
Pound Sterling	
Euro	
Yen	
Other	

NB: Bidders must submit proof of the SARB rate (s) of exchange used.

5. Were the Local Content Declaration Templates (Annex C, D and E) audited and certified as correct?

(Tick applicable box)

YES		NO	
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- 5.1. If yes, provide the following particulars:

- (a) Full name of auditor:.....  
(b) Practice number: .....  
(c) Telephone and cell number:.....  
(d) Email address: .....

(Documentary proof regarding the declaration will, when required, be submitted to the satisfaction of the Accounting Officer / Accounting Authority)

6. Where, after the award of a bid, challenges are experienced in meeting the stipulated minimum threshold for local content the dti must be informed accordingly in order for the dti to verify and in consultation with the AO/AA provide directives in this regard.

**LOCAL CONTENT DECLARATION**  
**(REFER TO ANNEX B OF SATS 1286:2011)**

**LOCAL CONTENT DECLARATION BY CHIEF FINANCIAL OFFICER OR OTHER LEGALLY RESPONSIBLE PERSON NOMINATED IN WRITING BY THE CHIEF EXECUTIVE OR SENIOR MEMBER/PERSON WITH MANAGEMENT RESPONSIBILITY (CLOSE CORPORATION, PARTNERSHIP OR INDIVIDUAL)**

**IN RESPECT OF BID NO. ....**

**ISSUED BY:** (Procurement Authority / Name of Institution):  
.....

NB

1 The obligation to complete, duly sign and submit this declaration cannot be transferred to an external authorized representative, auditor or any other third party acting on behalf of the bidder.

2 Guidance on the Calculation of Local Content together with Local Content Declaration Templates (Annex C, D and E) is accessible on <http://www.thdti.gov.za/industrialdevelopment/ip.jsp>. Bidders should first complete Declaration D. After completing Declaration D, bidders should complete Declaration E and then consolidate the information on Declaration C. **Declaration C should be submitted with the bid documentation at the closing date and time of the bid in order to substantiate the declaration made in paragraph (c) below.** Declarations D and E should be kept by the bidders for verification purposes for a period of at least 5 years. The successful bidder is required to continuously update Declarations C, D and E with the actual values for the duration of the contract.

I, the undersigned, ..... (full names),  
do hereby declare, in my capacity as .....  
of ..... (name of bidder  
entity), the following:

(a) The facts contained herein are within my own personal knowledge.

(b) I have satisfied myself that:

- (i) the goods/services/works to be delivered in terms of the above-specified bid comply with the minimum local content requirements as specified in the bid, and as measured in terms of SATS 1286:2011; and
- (ii) the declaration templates have been audited and certified to be correct.

(c) The local content percentage (%) indicated below has been calculated using the formula given in clause 3 of SATS 1286:2011, the rates of exchange indicated in paragraph 4.1 above and the information contained in Declaration D and E which has been consolidated in Declaration C:

Bid price, excluding VAT (y)	R
Imported content (x), as calculated in terms of SATS 1286:2011	R
Stipulated minimum threshold for local content (paragraph 3 above)	
Local content %, as calculated in terms of SATS 1286:2011	

**If the bid is for more than one product, the local content percentages for each product contained in Declaration C shall be used instead of the table above.**

The local content percentages for each product has been calculated using the formula given in clause 3 of SATS 1286:2011, the rates of exchange indicated in paragraph 4.1 above and the information contained in Declaration D and E.

(d) I accept that the Procurement Authority / Institution has the right to request that the local content be verified in terms of the requirements of SATS 1286:2011.

(e) I understand that the awarding of the bid is dependent on the accuracy of the information furnished in this application. I also understand that the submission of incorrect data, or data that are not verifiable as described in SATS 1286:2011, may result in the Procurement Authority / Institution imposing any or all of the remedies as provided for in Regulation 13 of the Preferential Procurement Regulations, 2011 promulgated under the Preferential Policy Framework Act (PPPFA), 2000 (Act No. 5 of 2000).

**SIGNATURE:** \_\_\_\_\_

**DATE:** \_\_\_\_\_

**WITNESS No. 1** \_\_\_\_\_

**DATE:** \_\_\_\_\_

**WITNESS No. 2** \_\_\_\_\_

**DATE:** \_\_\_\_\_