



Reference: RCS/C.5

TREASURY CIRCULAR MUN NO. 3/2018

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THE MAYOR, WEST COAST DISTRICT MUNICIPALITY: MR JH CLEOPHAS
THE MAYOR, MATZIKAMA MUNICIPALITY: MS G STEPHAN
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THE MAYOR, BERGRIVIER MUNICIPALITY: MR EB MANUEL
THE MAYOR, SALDANHA BAY MUNICIPALITY: MR M KOEN
THE MAYOR, SWARTLAND MUNICIPALITY: MR T VAN ESSEN
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THE MAYOR, OUDTSHOORN MUNICIPALITY: MR CF SYLVESTER
THE MAYOR, BITOU MUNICIPALITY: MR MP LOBESE
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THE MAYOR, BEAUFORT WEST MUNICIPALITY: MR J VAN DER LINDE

THE MUNICIPAL MANAGER, CITY OF CAPE TOWN: MR L MBANDAZAYO (ACTING)
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THE MUNICIPAL MANAGER, SWARTLAND MUNICIPALITY: MR J SCHOLTZ
THE MUNICIPAL MANAGER, CAPE WINELANDS DISTRICT MUNICIPALITY: MR H PRINS
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THE MUNICIPAL MANAGER, DRAKENSTEIN MUNICIPALITY: DR J LEIBBRANDT
THE MUNICIPAL MANAGER, STELLENBOSCH MUNICIPALITY: MS G METTLER
THE MUNICIPAL MANAGER, BREEDE VALLEY MUNICIPALITY: MR D McTHOMAS
THE MUNICIPAL MANAGER, LANGEBERG MUNICIPALITY: MR SA MOKWENI
THE MUNICIPAL MANAGER, OVERBERG DISTRICT MUNICIPALITY: MR D BERETTI
THE MUNICIPAL MANAGER, THEEWATERSKLOOF MUNICIPALITY: MS B MUNSAMY-SWARTLAND (ACTING)
THE MUNICIPAL MANAGER, OVERSTRAND MUNICIPALITY: MR C GROENEWALD
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THE MUNICIPAL MANAGER, EDEN DISTRICT MUNICIPALITY: MR M STRATU
THE MUNICIPAL MANAGER, KANNALAND MUNICIPALITY: MR R STEVENS
THE MUNICIPAL MANAGER, HESSEQUA MUNICIPALITY: MR J JACOBS

THE MUNICIPAL MANAGER, MOSSEL BAY MUNICIPALITY: ADV MG GILIOME
THE MUNICIPAL MANAGER, GEORGE MUNICIPALITY: MR T BOTHA
THE MUNICIPAL MANAGER, OUDTSHOORN MUNICIPALITY: MR A PAULSE
THE MUNICIPAL MANAGER, BITOU MUNICIPALITY: MR J DOUGLAS
THE MUNICIPAL MANAGER, KNYSNA MUNICIPALITY: MR K CHETTY
THE MUNICIPAL MANAGER, CENTRAL KAROO DISTRICT MUNICIPALITY: MR S JOOSTE
THE MUNICIPAL MANAGER, LAINGSBURG MUNICIPALITY: MS A GROENEWALD (ACTING)
THE MUNICIPAL MANAGER, PRINCE ALBERT MUNICIPALITY: MR H METTLER
THE MUNICIPAL MANAGER, BEAUFORT WEST MUNICIPALITY: MR K HAARHOFF

THE CHIEF FINANCIAL OFFICER, CITY OF CAPE TOWN: MR K JACOBY
THE CHIEF FINANCIAL OFFICER, WEST COAST DISTRICT MUNICIPALITY: MR J KOEKEMOER
THE CHIEF FINANCIAL OFFICER, MATZIKAMA MUNICIPALITY: MR G SEAS
THE CHIEF FINANCIAL OFFICER, CEDERBERG MUNICIPALITY: MR E ALFRED
THE CHIEF FINANCIAL OFFICER, BERGRIVIER MUNICIPALITY: MR G GOLIATH
THE CHIEF FINANCIAL OFFICER, SALDANHA BAY MUNICIPALITY: MR S VORSTER
THE CHIEF FINANCIAL OFFICER, SWARTLAND MUNICIPALITY: MR M BOLTON
THE CHIEF FINANCIAL OFFICER, CAPE WINELANDS DISTRICT MUNICIPALITY: MS FA DU RAAN-GROENEWALD
THE CHIEF FINANCIAL OFFICER, WITZENBERG MUNICIPALITY: MR C KRITZINGER
THE CHIEF FINANCIAL OFFICER, DRAKENSTEIN MUNICIPALITY: MR J CARSTENS
THE CHIEF FINANCIAL OFFICER, STELLENBOSCH MUNICIPALITY: MR M WÜST
THE CHIEF FINANCIAL OFFICER, BREEDE VALLEY MUNICIPALITY: MR R ONTONG
THE CHIEF FINANCIAL OFFICER, LANGEBERG MUNICIPALITY: MR B BROWN
THE CHIEF FINANCIAL OFFICER, OVERBERG DISTRICT MUNICIPALITY: DR J TESSELAAR
THE CHIEF FINANCIAL OFFICER, THEEWATERSKLOOF MUNICIPALITY: MR D LOUW
THE CHIEF FINANCIAL OFFICER, OVERSTRAND MUNICIPALITY: MS S REYNEKE-NAUDE
THE CHIEF FINANCIAL OFFICER, CAPE AGULHAS MUNICIPALITY: MR H VAN BILJON
THE CHIEF FINANCIAL OFFICER, SWELLENDAM MUNICIPALITY: MR H SCHLEBUSCH
THE CHIEF FINANCIAL OFFICER, EDEN DISTRICT MUNICIPALITY: MS L HOEK
THE CHIEF FINANCIAL OFFICER, KANNALAND MUNICIPALITY: MR B STRYDOM
THE CHIEF FINANCIAL OFFICER, HESSEQUA MUNICIPALITY: MS HJ VILJOEN
THE CHIEF FINANCIAL OFFICER, MOSSEL BAY MUNICIPALITY: MR K BRUWER (ACTING)
THE CHIEF FINANCIAL OFFICER, GEORGE MUNICIPALITY: MR K JORDAAN
THE CHIEF FINANCIAL OFFICER, OUDTSHOORN MUNICIPALITY: MR F LÖTTER
THE CHIEF FINANCIAL OFFICER, BITOU MUNICIPALITY: MR V MKHEFA
THE CHIEF FINANCIAL OFFICER, KNYSNA MUNICIPALITY: MR M MEMANI
THE CHIEF FINANCIAL OFFICER, CENTRAL KAROO DISTRICT MUNICIPALITY: MS U BAARTMAN
THE CHIEF FINANCIAL OFFICER, LAINGSBURG MUNICIPALITY: MS A GROENEWALD
THE CHIEF FINANCIAL OFFICER, PRINCE ALBERT MUNICIPALITY: MR J NEETHLING
THE CHIEF FINANCIAL OFFICER, BEAUFORT WEST MUNICIPALITY: MR CJ KYMDELL

THE HEAD OF SCM, CITY OF CAPE TOWN: MR B CHINASAMY
THE HEAD OF SCM, WEST COAST DISTRICT: MR M MARKUS
THE HEAD OF SCM, MATZIKAMA MUNICIPALITY: MR C KOTZE (ACTING)
THE HEAD OF SCM, CEDERBERG MUNICIPALITY: MS J MAARMAN (ACTING)
THE HEAD OF SCM, BERGRIVIER MUNICIPALITY: MR M LUDWICK
THE HEAD OF SCM, SALDANHA BAY MUNICIPALITY: MS H MEEDING
THE HEAD OF SCM, SWARTLAND MUNICIPALITY: MR P SWART
THE HEAD OF SCM, CAPE WINELANDS DISTRICT: MR GJP FALCK
THE HEAD OF SCM, WITZENBERG MUNICIPALITY: MR M FRIESLAAR
THE HEAD OF SCM, DRAKENSTEIN MUNICIPALITY: MR H VERGOTINE
THE HEAD OF SCM, STELLENBOSCH MUNICIPALITY: MR I SAUNDERS
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THE HEAD OF SCM, LANGEBERG MUNICIPALITY: MR S NGCONGOLO (ACTING)
THE HEAD OF SCM, OVERBERG DISTRICT: MS D KAPOT-WITBOOI (ACTING)
THE HEAD OF SCM, THEEWATERSKLOOF MUNICIPALITY: MR A HENDRICKS
THE HEAD OF SCM, OVERSTRAND MUNICIPALITY: MR C LE ROUX
THE HEAD OF SCM, CAPE AGULHAS MUNICIPALITY: MR R SEFOOR
THE HEAD OF SCM, SWELLENDAM MUNICIPALITY: MR B BEYERS
THE HEAD OF SCM, EDEN DISTRICT: MR T MPURU
THE HEAD OF SCM, KANNALAND MUNICIPALITY: MR E VAN ROOI (ACTING)
THE HEAD OF SCM, HESSEQUA MUNICIPALITY: MRS A CARELSE (ACTING)
THE HEAD OF SCM, MOSSEL BAY MUNICIPALITY: MR D SCHOLTZ
THE HEAD OF SCM, GEORGE MUNICIPALITY: MR B GERICKE
THE HEAD OF SCM, OUDTSHOORN MUNICIPALITY: MR JC LADOUCE
THE HEAD OF SCM, BITOU MUNICIPALITY: MR P PETERS
THE HEAD OF SCM, KNYSNA MUNICIPALITY: MRS F KRUGER
THE HEAD OF SCM, CENTRAL KAROO DISTRICT: MS A LENDERS (ACTING)
THE HEAD OF SCM, LAINGSBURG MUNICIPALITY: MR K GERTSE
THE HEAD OF SCM, PRINCE ALBERT MUNICIPALITY: MS C BAADTJIES (ACTING)
THE HEAD OF SCM, BEAUFORT WEST MUNICIPALITY: MRS SA POTHBERG

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 THE DIRECTOR: LOCAL GOVERNMENT REVENUE AND EXPENDITURE (GROUP ONE) (MR A DYAKALA)
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THE PROVINCIAL AUDITOR
 MASTER RECORDS OFFICIAL: BUSINESS INFORMATION AND DATA MANAGEMENT
 THE HEAD OF DEPARTMENT: LOCAL GOVERNMENT
 THE CHIEF DIRECTOR: LOCAL GOVERNMENT BUDGET ANALYSIS – NATIONAL TREASURY (MR J HATTINGH)
 THE CHIEF DIRECTOR: MFMA IMPLEMENTATION – NATIONAL TREASURY (MR TV PILLAY)

RE: NATIONAL TREASURY DESIGNATED SECTOR INSTRUCTION NOTES ON THE INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM THRESHOLD FOR LOCAL PRODUCTION AND CONTENT

1. PURPOSE

- 1.1 The purpose of this Provincial Treasury Circular is to inform Municipalities and Municipal Entities regarding the National Treasury's Instruction Notes pertaining to the invitation and evaluation of bids relating to the designated sectors for local production and content.
- 1.2 The following National Treasury Instruction Notes aims to regulate the environment within which an Accounting Officer procure in terms of the designated sectors as determined by the National Treasury.
- 1.3 The following Instruction Notes are attached hereto marked **Annexure A to D**:
 - a) Invitation and Evaluation of bids based on a stipulated minimum threshold for local production and content for **Residential Electricity Meters and Water Meters** with an effective date of 22 June 2017.

- b) Invitation and Evaluation of bids based on a stipulated minimum threshold for local production and content for **Rail Permanent Way Sector** with an effective date of 2 December 2017.
- c) Invitation and Evaluation of bids based on a stipulated minimum threshold for local production and content for **Pumps, Medium Voltage (MV) Motors and Associated Accessories** with an effective date of 10 January 2018.
- d) **List of all the designated sector's minimum threshold** for local production and content.

1.4 The above Instructions Notes are issued in terms of the requirements as outlined in **Regulation 8(1) and 8(2) of the Preferential Procurement Regulations, 2017.**

1.5 The evaluation of the above-mentioned designated sectors must be done following the evaluation process as outlined in the Preferential Procurement Regulations, 2017.

2. THRESHOLD FOR LOCAL PRODUCTION AND CONTENT

2.1 In terms of the Instruction Notes on local production and content did not specifically indicate the threshold when local content is applicable.

2.2 Regardless of the above mentioned, **the Western Cape Provincial Government will apply the R30 000.00** thresholds to all bids issued in terms of local production and content, as per the National Treasury Guidelines and Instruction Notes.

2.3 Municipalities must take cognisance of 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 the NT Instruction Note.

3. REQUEST

3.1 The Accounting Officers of municipalities and municipal entities are hereby requested to disseminate the content of this Provincial Treasury Circular Mun to the attention of all relevant officials within their institutions.

4. NOTIFICATION TO THE AUDITOR-GENERAL

4.1 A copy of this Provincial Treasury Circular Mun will be forwarded to the Auditor-General for notification.

5. CONTACT INFORMATION

- 5.1 Any enquiries relating to local production and content and all required documentation to be submitted to the Department of Trade and Industry (**the dti**) as indicated in the Instruction Notes must be directed to:

For attention: Dr Tebogo Makube
The Department of Trade and Industry
Chief Director: Industrial Procurement
Industrial Development Division
Tel: (012) 394 3927
Fax: (012) 394 4927
Cell: 082 481 8173
E-mail: TMakube@thedti.gov.za

- 5.2 Any further enquiries may also be directed to the Provincial Treasury:

MFMA Supply Chain Management Helpdesk
Western Cape Provincial Treasury
4 Dorp Street
Tower Block
Cape Town
8000
Tel: 021 483 3180
E-mail: SupplyChainManagement.HDMFMA@westerncape.gov.za

6. EFFECTIVE DATE

- 6.1 Accounting Officers of municipalities and municipal entities are requested to:
- Note the effective dates and utilise the annexed Instruction Notes when implementing local production and content requirements.

Your co-operation will be highly appreciated.



MR SAKHUMZI MAYEKISO
ACTING DIRECTOR: LOCAL GOVERNMENT SUPPLY CHAIN MANAGEMENT
DATE: 16 January 2018



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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

ACCOUNTING OFFICERS AND ACCOUNTING AUTHORITIES OF ALL MUNICIPALITIES AND MUNICIPAL ENTITIES

ACCOUNTING AUTHORITIES OF ALL SCHEDULE 2 AND 3 PUBLIC ENTITIES

HEAD OFFICIALS OF PROVINCIAL TREASURIES

NATIONAL TREASURY DESIGNATED SECTORS CIRCULAR NUMBER 1 OF 2017/2018: INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR THE RESIDENTIAL ELECTRICITY METERS AND WATER METERS

1. PURPOSE

- 1.1 The purpose of this circular is to provide information to accounting officers (AOs) and accounting authorities (AAs) in terms of which they may procure Residential Electricity Meters and Water Meters which have been designated as a sector for local production and content.

2. BACKGROUND

- 2.1 The Preferential Procurement Regulations, 2017 ('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 01 April 2017 make provision for the Department of Trade and Industry (**the dti**) to designate sectors in line with national development and industrial policies for local production.
- 2.2 Regulation 8 (2) of the Preferential Procurement Regulations 2017 prescribes that in the case of designated sector, an organ of state must advertise the invitation to tender with a specific condition that only locally produced services or goods 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 Residential Electricity and Residential Water Meters sector for local production and content.

3. SECTOR DESIGNATION

3.1 The stipulated minimum threshold for local production and content for **Residential Electricity Meters** is set as follows for the specific types of meters:

Meter Category	Local Content Threshold
Prepaid Electricity Meters	70%
Postpaid Electricity Meters	70%
SMART Meters	50%

3.2 The stipulated minimum threshold for local production and content for **Residential Water Meters** is set as follows for the specific types of meters:

Meter Category	Local Content Threshold
Prepaid Water Meters	40%
Postpaid Water Meters	40%

3.3 The following manufacturing activities must be undertaken within the borders of the Republic of South Africa for both types of meters:

Residential Electricity Meters	Residential Water Meters
<ol style="list-style-type: none"> 1. Printed Circuit Board Sourcing 2. PC Board Population 3. Sourcing of Connecting Cables 4. Sourcing of Enclosures 5. Final Meter Assembly 	<ol style="list-style-type: none"> 1. Printed Circuit Board Sourcing (if applicable) 2. PC Board Population (if applicable) 3. Sourcing of Connecting Cables (if applicable) 4. Sourcing of Meter Box, Meter Body, Valves and Indicator Covers 5. Assembly of Counter 6. Assembly of Indicator 7. Final Meter Assembly

3.4 The abovementioned components and activities which have been designated for local production and content must be included in bid invitations (noting that some of the electronic components are not manufactured locally).

3.5 **Only locally produced** Residential Electricity and Water Meters, complying with the activities specified in paragraph 3.3 must be specified for local procurement by public procuring entities.

NOTES:

ELECTRICITY METERS: Imported Electronic Components that are intended for use in the local manufacturing of Residential Electricity Meters as described in paragraph 3.1 above are deemed as local. This is to encourage local manufacturers to seek the best globally competitive

prices for non-designated components. The competitive imported electronic components used in the manufacture of Residential Electricity Meters will be deemed to have been sourced locally for the purposes of calculating local content.

WATER METERS: Imported inputs (e.g. sensor, counter and indicator), including electronic components in the case of electronic water meters that are intended for use in the local manufacturing of Residential Water Meters as described in paragraph 3.2 above are deemed as local. This is to encourage local manufacturers to seek the best globally competitive prices for non-designated components. The competitive imported input components used in the manufacture of Residential Water Meters will be deemed to have been sourced locally for the purposes of calculating local content

3.6 If the quantity of materials and/or products required cannot be wholly sourced from South African (SA) based manufacturers and/or at the designated local content threshold at any particular time, bidders should obtain written approval from **the dti** to supply the remaining portion at a lower local content threshold. The dti, in consultation with the procuring organ of state, may grant such approval on a case-by-case basis and will consider the following:

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

3.7 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.

3.8 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.

3.9 Bid specifications for the Residential Electricity Meters and Water Meters referred to above can be done in collaboration with **the dti**.

4. INVITATION OF BIDS FOR RESIDENTIAL ELECTRICITY METERS AND WATER METERS

4.1 Bids in respect of Residential Electricity Meters and Water Meters must contain a specific bidding condition that only locally produced or locally manufactured Residential Electricity Meters and Water Meters 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) 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 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 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) applies.

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. POST AWARD AND REPORTING REQUIREMENTS

5.1. Once bids are awarded, **the dti** must be:

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

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

5.2 The purpose of the requirements of paragraph 5.1 above is for **the dti** to, among others, conduct compliance audits with a view to monitor the implementation of the industrial development strategies.

- 5.3 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.
- 5.4. 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.

6. CONTACT INFORMATION

7.1 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
EMAIL: TMakube@thedti.gov.za

8. APPLICABILITY

- 8.1 This circular 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 applies.

9. DISSEMINATION OF INFORMATION CONTAINED IN THIS CIRCULAR

- 9.1 Heads of provincial treasuries are requested to bring the contents of this circular to the attention of accounting officers and supply chain management officials of their respective provincial departments.
- 9.2 Accounting officers of national and provincial departments are requested to bring the contents of this circular 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.
- 9.3 Accounting officers of municipalities and municipal entities are requested to bring the contents of this circular to the attention of the supply chain management officials of their municipalities and municipal entities.
- 9.4 Accounting authorities of Schedule 2, 3B and 3D public entities are requested to bring the contents of this circular to the attention of the supply chain management officials of their public entities.

10. NOTIFICATION TO THE AUDITOR-GENERAL

10.1. A copy of this circular will be forwarded to the Auditor-General for notification.

11. REPEAL OF INSTRUCTION ON ELECTRICITY METERS

11.1. This circular replaces the Instruction on Residential Electricity Meters dated 01/08/2014 which became effective on 21 August 2014.

12. AUTHORITY FOR THIS CIRCULAR AND EFFECTIVE DATE

12.1 This circular is issued in terms of regulation 8 (3) of the Preferential Procurement Regulations, 2017. The designation of Residential Electricity Meters is effective immediately, while the designation of Residential Water Meters takes effect on **22 June 2017**.



SCHALK HUMAN
ACTING CHIEF PROCUREMENT OFFICER
DATE: 26/05/2017



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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

**NATIONAL TREASURY DESIGNATED SECTORS CIRCULAR NUMBER 2 OF 2017/2018:
INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM
THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR RAIL PERMANENT WAY
SECTOR**

1. PURPOSE

- 1.1 The purpose of this circular is to regulate the environment within which accounting officers (AOs) and accounting authorities (AAs) may procure Rail Permanent Way Sector which have been designated as a sector for local production and content.

2. BACKGROUND

- 2.1 The Preferential Procurement Regulations, 2017 ('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 01 April 2017 make provision for the Department of Trade and Industry (**the dti**) to designate sectors in line with national development and industrial policies for local production.
- 2.2 Regulation 8(1) and 8(2) of the Preferential Procurement Regulations 2017 prescribe that in the case of a designated sector, an organ of state must advertise the invitation to tender with a specific condition that only locally produced services or goods 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 Permanent Way sector for local production and content.

3. SECTOR DESIGNATION

- 3.1 A permanent way is the structure consisting of the rails, fasteners, railroad ties (sleepers) and ballast or slab track, plus the underlying subgrade. It enables trains to move by providing a dependable surface for their wheels to roll.
- 3.2 In this circular, the Rail Permanent Way sector system/subsystem and components have been recommended for designation.
- 3.3 Rail permanent way sector system/subsystem and components refers to:
- 3.3.1 **Rails** which are widely used in the making of rail tracks and consist of two parallel steel tracks and lies steadily on the railway sleepers. These will also include rail joints.
- 3.3.2 **Ballasts** refer to gravel or coarse stone used to form the bed of a railway track.
- 3.3.3 **Ballastless track** consists of steel rail resting on concrete supports via rubberised cork absorption pads with galvanised steel tie beams which wrap around the concrete members rather than being cast into the concrete as with other ladder tracks.
- 3.3.4 **Turnouts, crossings and accessories** comprise of mechanical installations enabling railway plays an important role is as afar as safety is concerned, it allows the train to switch from one track to another. This will also include frogs and blades.
- 3.3.5 **Railway sleepers** support and restrain the rails. They transfer and spread the vertical load from the bottom of the rail to the ballast. Sleepers can be made of steel, concrete or wood, plastics or other materials.
- 3.3.6 **Rail fastening system and accessories** is used to fix rails to railway sleeper or railroad ties, which is usually comprised of rail anchors, rail tie plates, fishplate, chairs, fasteners, spikes, track bolt, nut and bolt, oval neck, diamond neck, button-head, cast iron shoulders, pressed mild steel shoulders, elastic clips, gage tie bar, check rail, screw & track spike, etc.
- 3.3.7 **Maintenance of way plant & equipment** includes railway track maintenance and construction machines for 1067mm and 1435mm gauge, both rail-bound and road rail. These include track maintenance equipment (i.e. sleeper, rail drilling, rail grinding, ballast tamping, ballast screener, ballast regulator and drain cleaning machines) as well as conditioning monitoring machinery, track safety equipment and track lubricators, cranes and material handlers.

3.4 Table 1 indicates the stipulated minimum local content rail permanent sector

Table1: Rail Permanent Sector

System/ Sub-systems and Component	Local content threshold
Rail Permanent Way sector	90%

3.5 Table 2 provides the stipulated minimum threshold for local content for Rail Permanent Way Sector. To ensure that the minimum local content designated is applied on manufacturing activities, the following system/subsystem and components which have been designated must also be included in bid invitations of bids for CAPEX & OPEX:

Table 2: Rail Permanent Way Sector system/subsystem and components

No	System/ Sub-systems and Components	Local content threshold
1.	Rails and rail joints	100%
2.	Ballasts	100%
3.	Ballastless	100%
4.	Turnouts /switches and crossings	100%
5.	Railway sleepers	100%
6.	Rail fastening and accessories	100%
7.	Railway maintenance of way plant & equipment	70%
8.	Assembly and testing of fully built units	100%

3.6 All primary steel related products: flat products (plates, coils and seamless tubes) and long products (rounds, forged, angles, sections and wire related products) are included in this designation and must be manufactured and sourced locally. This is to support and sustain the existing local steelmaking capacity.

3.7 All castings and forgings related products made of ductile iron; aluminium; stainless steel; and mild steel, relating to the assembly and manufacture of Rail permanent way sector (system/subsystem and components as indicated in paragraph 3.2 to 3.5) are included in this designation and must be manufactured and sourced locally. This is to support and sustain the existing local foundry industry and the creation of additional castings and forging capabilities.

- 3.8 In this designation, imported input raw materials (i.e. concrete products additives, steel products additives, coke - refractories, raw copper rod, paper and boards for insulation; aluminum billets and rod; ceramics, porcelain, reinforced fibre glass, polymers (i.e Hytrel) and epoxy resins are deemed as locally manufactured input materials. These inputs should be imported in raw material form for further fabrication in South Africa.
- 3.9 The imported input raw materials and finished components indicated in 3.8 used for the assembly and manufacture of Rail Permanent Way Sector will be deemed to have been sourced locally for the purposes of calculating local content.
- 3.10 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.
- 3.11 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

4. INVITATION OF BIDS FOR RAIL PERMANENT WAY SECTOR

- 4.1 Bids in respect of Rail Permanent Way Sector must contain a specific bidding condition that:
- 4.1.1. Only locally produced or locally manufactured Rail Permanent Way Sector with a stipulated minimum threshold for local production and content will be considered.
- 4.1.2. If the quantity of materials and/or products required cannot be wholly sourced from South African (SA) based manufacturers and/or at the designated local content threshold stipulated in paragraph 3.4 and 3.5 at any particular time, bidders and the procuring entity should obtain written approval from **the dti** to supply the remaining portion at a lower local content threshold. Such approval requests should be submitted and approvals should be obtained prior to the closure of the bid(s) concerned. **the dti**, in consultation with the procuring organ of state and the local industry, may grant such approval on a case-by-case basis and will consider the following:
- required volumes in the particular bid;
 - available collective SA industry manufacturing capacity at that time;
 - delivery times;
 - security of supply;
 - availability of input materials, key components; and
 - technical considerations including operating conditions.
- 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) 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 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 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) applies.

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

(a) The Declaration Certificate for Local Production and Content (SBD / MBD 6.2) together with **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

(b) The rates of exchange quoted by the bidder in paragraph 4.1 of the Declaration Certificate will be verified for accuracy.

4.7 Market related prices:

4.7.1 AOs/AAs are required to ensure that reasonable or market related prices are secured for Rail Permanent Way being procured taking into account factors such as value for money and economies of scale.

4.8. Bid specifications for the sector referred in paragraph 3 above may be done in collaboration with **the dti**. Contact information in this regard is provided in paragraph 8 below.

5. EVALUATION OF BIDS FOR RAIL PERMANENT WAY SECTOR

- 5.1 An evaluation process in line with Preferential Procurement Regulations, 2017 must be followed.

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 5 of the PPR of 2017 and paragraphs 6 of the Implementation Guide must be followed.

7. POST AWARD AND REPORTING REQUIREMENTS

- 7.1. Once bids are awarded, **the dti** must be:
- (i) Notified of all the successful bidders and the value of the contracts; and
 - (ii) 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** in respect of paragraph 7.1 above 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
Email: TMakube@thedti.gov.za

9. APPLICABILITY

- 9.1 This circular 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 applies.

10. DISSEMINATION OF INFORMATION CONTAINED IN THIS CIRCULAR

- 10.1 Heads of provincial treasuries are requested to bring the contents of this circular 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 circular 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 circular 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 circular 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 Circular will be forwarded to the Auditor-General for notification.

12. AUTHORITY FOR THIS CIRCULAR AND EFFECTIVE DATE

- 12.1 This circular is issued in terms of Regulation 8(1) and 8(2) of PPR, 2017 and takes effect on 2 December 2017.



WILLIE MATHEBULA
ACTING CHIEF PROCUREMENT OFFICER

DATE: 13-11-2017



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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

**NATIONAL TREASURY DESIGNATED SECTORS CIRCULAR NUMBER 3 OF 2017/2018:
INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM
THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR PUMPS, MEDIUM
VOLTAGE (MV) MOTORS AND ASSOCIATED ACCESSORIES**

1. PURPOSE

- 1.1 The purpose of this circular is to provide information to accounting officers (AOs) and accounting authorities (AAs) in terms of which they may procure Pumps, Medium voltage (MV) motors and associated accessories that have been designated as a sector for local production and content.

2. BACKGROUND

- 2.1 The Preferential Procurement Regulations, 2017 ("the regulations") issued in terms of section 5 of the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000) which came into effect on the 1 April 2017, make provision for the Department of Trade and Industry (**the dti**) to designate sectors in line with national development and industrial policies for local production.
- 2.2 Regulation 8 (2) of the Preferential Procurement Regulations 2017 prescribes that in the case of a designated sector, an organ of state must advertise the invitation to tender with a specific condition that only locally produced services or goods or locally manufactured goods with a stipulated minimum threshold for local production and content, will be considered.
- 2.3 **The dti** has designated and determined the stipulated minimum threshold for Pumps, Medium voltage (MV) motors and associated accessories for local production and content.

3. SECTOR DESIGNATION

3.1 A **Pump** is a mechanical device used to raise or move liquids, compress gas or force air into inflatable objects such as tires. Pumps are commonly used in the power generation industry, petroleum refineries, mining industry, waste water industry, portable drinking water industry and other industries for different applications. Pumps are generally classified by the way they add energy to a fluid. Broadly speaking there are two types of pumps, namely centrifugal and positive displacement pumps.

A **Medium Voltage (MV) motor** is an electrical device which converts electrical energy into mechanical energy, with a power rating of between 185 kW and 20 000 kW and greater than 1000 volts. These devices are used to drive capital equipment such as pumps, compressors, fans, conveyor belts, mill etc. Capital equipment is operated in environments and industries such as: power generation, petrochemical, water reticulation, mining and general purpose processes. MV motors have a design life of 25 years, provided that it they efficiently used and serviced.

3.2 This Circular provides information about Pumps and MV motors, which are both designated. These two products in most cases are procured as a system and can be procured, repaired, overhauled or maintained individually. Therefore, the designation applies in both circumstances.

3.3 Table 1 and 2 provides the stipulated minimum threshold for local content and production for Pumps, MV motors and associated accessories. Pumps are categorised by type of pumps whilst MV motors are categorised by components and manufacturing processes.

INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR PUMPS, MEDIUM VOLTAGE (MV) MOTORS AND ASSOCIATED ACCESSORIES

Table 1: Minimum Local Content Designated for Pumps

Category	Type of Pumps	% local content per unit	Minimum Pressure	Maximum Pressure	Sizes
End Suction Centrifugal	Single Stage End Suction Centrifugal Pumps	70%	1 bar	16 bar	DN25 -DN300
	Single Stage End Suction Centrifugal Solid Handling Pumps	70%	0,5 bar	16 bar	DN40 - DN400
Multistage Centrifugal	Multi Stage Centrifugal Pumps: medium - high	70%	10 bar	63 bar	DN32 - DN350
Horizontal split casing Pumps	Horizontal split casing Pumps	70%	1 bar	18 bar	DN80-DN300
Vertical Turbine Pumps	Vertical Turbine Pumps: Radial, Mixed, and Axial	70%	0.3 bar	40 bar	DN 100 - DN500
Positive Displacement	Positive displacement Pumps	70%	5 bar	45 bar	DN25-DN150
	Diaphragm Pumps	70%	2.5 bar	7 bar	DN25 -DN50
Self Priming Centrifugal Pumps	Single Stage End Suction Self-Priming Pumps	70%	0,3 bar	16 bar	DN25-DN150
Slurry Pumps	Vertical Cantilever Slurry Pumps	70%	1 bar	10 bar	DN40-DN300
	Single stage Slurry Pumps	70%	0,5 bar	50 bar	DN32-DN300
Vaccuum Pumps	Liquid ring vacuum Pumps	70%	1.13 CFM	950 CFM	
Centrifugal Process Pumps	Vertical Spindle Centrifugal Process Pumps	70%	0.3 bar	40 bar	DN25-DN300
	Single Stage Centrifugal Process Pumps	70%	0.3 bar	40 bar	DN25-DN300
	Single Stage Centrifugal Chemical Pumps	70%	0.3 bar	25 bar	DN25 -DN300

INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR PUMPS, MEDIUM VOLTAGE (MV) MOTORS AND ASSOCIATED ACCESSORIES

Table 2: Minimum Local Content Designated on a Fully-Built Unit and components and manufacturing processes against which the overall Local Content must be discharged, per Medium voltage (MV) motor

Type of MV motor	Power rating	Components and manufacturing processes	% local content
Medium Voltage electric motor	185kW to 20 000kW and greater than 1 000 Volts	Casting or Frame Fabrication	100%
		Fabrication and winding of the Stator Core	100%
		Fabrication and winding of the Rotor Core	100%
		Accessories	100%
		Assembly and testing of the fully-built unit	100%
		Total Minimum Local Content (per unit)	70%

- 3.4 Each individual Pump and/or MV Motor, designated above, is subject to the minimum 70% local content threshold.
- 3.5 The averaging out of local content either across any number of Pumps and/or MV motors combinations, or locally made and imported Pumps, MV motors and other items, is not allowable.
- 3.6 the minimum of 70% local content in the case of each individual Pump must be made up of the following:
- 3.6.1. a combination of the use of locally produced and certified castings, forgings and/or fabrication, and
 - 3.6.2. verifiable manufacturing activities that shall include as a minimum: machining; drilling; application of wear coatings and lining; painting; assembly and testing with a full material traceability.
- 3.7 All Pumps and MV motors manufacturers may have to adhere, *inter alia*, to appropriate and reasonable safety, quality, manufacturing processing standards and accreditation as required by the procuring entities at the time of the procurement based on the required application.
- 3.8 The following primary input materials and components used in the manufacture of Pumps, MV motors and associated accessories are exempted upfront in this designation.
- 3.8.1 Pumps:
 - (a) Ball and Roller bearings
 - (b) Rubber for lining pumps
 - (c) Mechanical seals

INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR PUMPS, MEDIUM VOLTAGE (MV) MOTORS AND ASSOCIATED ACCESSORIES

(d) Steel billets and/or bars used in the fabrication of the shafts

3.8.2 MV Motors:

- (a) Anti-friction bearings
- (b) Electrical steel
- (c) Special copper alloys, insulation material and resin

3.9 The designated local content thresholds stipulated in Table 1 and 2 under paragraph 3.3 (on the components/manufacturing processes and on the overall in case of MV motors) apply to new purchases, refurbishments, replacements and general overhauls.

4. INVITATION OF BIDS FOR PUMPS, MV MOTORS AND ASSOCIATED ACCESSORIES

4.1 Bids in respect of Pumps and MV motors as stipulated in table 1 and 2 above must contain a specific bidding condition which states that:

4.1.1. Only locally manufactured Pumps and MV motors with a stipulated minimum threshold for local production and content (in paragraph 3.3) will be considered.

4.1.2. If a certain type and/or a number of Pumps and MV motors for any transaction required cannot be wholly sourced from South African (SA) based manufacturers and/or at the designated local content threshold, both on the overall and at the components levels, stipulated in paragraph 3.3 at any particular time of procurement or order placement, bidders and/or the procuring entities should obtain written approval from **the dti** to supply the remaining portion at a lower local content threshold. Such approval requests must be submitted and approval be obtained prior to the closure of the bid(s) concerned. **the dti**, in consultation with the SA industry and procuring organ of state, may grant such approval on a case-by-case basis and will consider the following:

- (a) required volumes in the particular bid;
- (b) available collective SA industry manufacturing capacity at that time;
- (c) delivery times;
- (d) availability of input materials and components;
- (e) technical considerations including operating conditions and technical compliance protocol;
- (f) quality and reliability;
- (g) materials of construction;
- (h) security of supply and emergencies;
- (i) localisation plans aimed at establishing and/or increasing local manufacturing capacity through ramping-up of capital investments in the initial phases;
- (j) replacements of components on the existing fleet (i.e. Pumps and MV motors procured prior to the implementation of this Practice Note) in order to honour the warranties and guarantees.

INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR PUMPS, MEDIUM VOLTAGE (MV) MOTORS AND ASSOCIATED ACCESSORIES

- 4.1.3. Bidders must clearly indicate in their bids the quantities of Pumps, MV motors and associated accessories to be supplied and the level of local content for each product.
- 4.1.4. 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.
- 4.1.5. For further information, bidders and procuring state organs may contact the Metals Fabrication, Capital and Rail Transport Equipment unit within **the dti** at telephone 012 394 1356/5868/5577 or email Thandi Phele at tphele@thedti.gov.za.
- 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) 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)
- (in the case of turnkey products/projects x and y will only refer to the value of Pumps, Medium Voltage (MV) motor and associated accessories in the project)
- Prices referred to in the determination of x must be converted to Rand (ZAR) by using the exchange rate published by the SARB 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 at no cost.**
- 4.5 For the purpose of paragraphs 4.1, 4.2 and 4.3 above, 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

INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR PUMPS, MEDIUM VOLTAGE (MV) MOTORS AND ASSOCIATED ACCESSORIES

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) applies.

- 4.6 AOs/AAs must stipulate in the bid documentation that:
- (a) 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;
 - (b) the rates of exchange quoted by the bidder in paragraph 4.1 of the Declaration Certificate will be verified for accuracy.
- 4.7. Bid specifications for the sub-sectors referred to in paragraph 3 above may be done in collaboration with **the dti**. Contact information in this regard is provided in paragraph 8 below.

5. EVALUATION OF BIDS FOR PUMPS, MEDIUM VOLTAGE (MV) MOTOR AND ASSOCIATED ACCESSORIES

- 5.1 An evaluation process in line with Preferential Procurement Regulations, 2017 must be followed.

6. EVALUATION OF BIDS BASED ON FUNCTIONALITY

- 6.1 Whenever it is deemed necessary to evaluate bids on the basis of functionality, the provisions contained in the regulations and paragraph 6 of the Implementation Guide must be followed.

7. POST AWARD AND REPORTING REQUIREMENTS

- 7.1. Once bids are awarded, **the dti** must be:
- (i) notified of all the successful bidders and the estimated value of the contracts; and
 - (ii) 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 may 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 minimum threshold as stipulated in regulation 8 of the Preferential Procurement Regulations, 2017.

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
EMAIL: TMakube@thedti.gov.za

9. APPLICABILITY

- 9.1 This circular 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 applies.

10. DISSEMINATION OF INFORMATION CONTAINED IN THIS CIRCULAR

- 10.1 Heads of provincial treasuries are requested to bring the contents of this circular 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 circular 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 circular 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 circular to the attention of the supply chain management officials of their public entities.

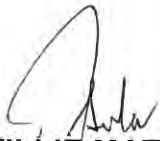
INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR PUMPS, MEDIUM VOLTAGE (MV) MOTORS AND ASSOCIATED ACCESSORIES

11. NOTIFICATION TO THE AUDITOR-GENERAL

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

12. AUTHORITY FOR THIS CIRCULAR AND EFFECTIVE DATE

12.1 This circular is issued in terms of regulation 8(3) of the Preferential Procurement Regulations, 2017 and takes effect on 10 January 2018



WILLIE MATHEBULA

ACTING CHIEF PROCUREMENT OFFICER

DATE: 12.12.2017

MINIMUM THRESHOLD FOR LOCAL CONTENT

The following industries, sectors and sub-sectors have so far been designated for local production with minimum local content thresholds.

Nr. of Sectors designated	Industry/sector/sub-sector	Minimum threshold for local content
1	Buses (Bus Body)	80%
2	Textile, Clothing, Leather and Footwear	100%
3	Steel Power Pylons, Monopole Pylons, Steel Substation Structures, Powerline Hardware, Street Light Steel Poles, Steel Lattice Towers	100%
4	Canned / Processed Vegetables	80%
5	Pharmaceutical Products:	
	<ul style="list-style-type: none"> • OSD Tender • Family Planning Tender 	<ul style="list-style-type: none"> • 70% (volumes) • 50% value
6	Rail Rolling Stock	65%
7	Set Top Boxes (STB)	30%
8	Furniture Products:	
	<ul style="list-style-type: none"> • Office Furniture • School Furniture • Base and Mattress 	<ul style="list-style-type: none"> • 85% • 100% • 90%
9	Solar Water Heater Components	70%
10	Electrical and telecom cables	90%
11	Valves products and actuators	70%
12	Residential Electricity Meter:	
	<ul style="list-style-type: none"> • Prepaid Electricity Meters • Post Paid Electricity Meters • SMART Meters 	<ul style="list-style-type: none"> • 70% • 70% • 50%
13	Working Vessels/Boats (All types):	60%
	<ul style="list-style-type: none"> • Components 	<ul style="list-style-type: none"> • 10% - 100%
14	Conveyance Pipes	80% - 100%
	Transformers and Shunt Reactors:	
	<ul style="list-style-type: none"> • Class 0 • Class 1 • Class 2 • Class 3 • Class 4 	<ul style="list-style-type: none"> • 90% • 70% • 70% • 45% • 10%
	<ul style="list-style-type: none"> • Components and conversion activities 	<ul style="list-style-type: none"> • 50% - 100%
15	Solar PV Components:	
	<ul style="list-style-type: none"> • Laminated PV Modules • Module Frame • DC Combiner Boxes 	<ul style="list-style-type: none"> • 15% • 65% • 65%

