



## **national treasury**

Department:  
National Treasury  
REPUBLIC OF SOUTH AFRICA

**TO:**

**ACCOUNTING OFFICERS OF DEPARTMENTS AND CONSTITUTIONAL INSTITUTIONS  
ACCOUNTING AUTHORITIES OF ALL SCHEDULE 3A AND 3C PUBLIC ENTITIES  
HEAD OFFICIALS OF ALL PROVINCIAL TREASURIES**

**NATIONAL TREASURY SCM CIRCULAR NO 6 OF 2016/2017**

**FIXED LINE AND PBX COST CONTAINMENT PROJECT**

### **1. PURPOSE**

- 1.1. The purpose of this SCM circular is to inform departments, constitutional institutions and public entities listed in Schedule 3A and 3C to the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) about the implementation of National Treasury's cost containment project on fixed line and PBX services.
- 1.2. This circular is also aimed at informing Accounting Officers and Accounting Authorities of the transitional arrangements from the date of this circular to the 31 March 2017.

### **2. BACKGROUND**

- 2.1. In terms of section 38 (1) (a) (iii) and 51 (1) (iii) of the PFMA, the Accounting Officer of a department or constitutional institution and the Accounting Authority of a public entity listed in Schedule 3A and 3C to the PFMA must ensure that their respective institution has and maintains an appropriate procurement and provisioning system which is fair, equitable, transparent, competitive and cost effective.
- 2.2. The South African Government spends approximately R2,2 billion per annum on fixed line communication services for national and provincial departments alone. National Treasury is in the process of reviewing Government's fixed line communication and PBX expenditure to reduce costs with regards to fragmented procurement, duplication of effort, different pricing, pricing models and service offerings.
- 2.3. The Office of the Chief Procurement Officer (OCPO) has identified cost containment levers from which current fixed line communication and PBX costs can be reduced and optimised. It is envisaged that these cost containment measures would be initially implemented over the MTEF for 2016/17, 2017/18 and 2018/19.

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CONTAINMENT PROJECT IMPLEMENTATION**

- 2.4. To avoid further duplication of effort and high state expenditure in fixed line communication and PBXs, and while the National Treasury is implementing the cost containment measures, institutions listed in this circular will be required to apply the following interim measures for the transitional periods.

### **3. TRANSITIONAL PERIOD**

- 3.1. Accounting Officers and Accounting Authorities are required, where possible, **not** to renew any fixed line and/or PBX contracts from date of signature of this circular up to 31 March 2017.
- 3.2. Where current fixed line and PBX contracts expire before 31 March 2017, these contracts should be extended on a month-to-month basis until 31 March 2017, or until further notice from the relevant Provincial Treasury or the National Treasury.
- 3.3. In urgent cases and/or where departments have already issued tenders and are in the process of finalising these for award, it is advised that the department consult with the relevant Provincial Treasury or the National Treasury prior to conclusion of the tender process and awarding of the contracts.
- 3.4. Where contracts are expiring after 31 March 2017, these contracts must be honoured until completion or further notice from the National Treasury.

### **4. APPLICABILITY**

- 4.1. This Circular applies to all national and provincial departments, constitutional institutions and public entities listed in Schedule 3A and 3C to the PFMA.

### **5. DISSEMINATION OF INFORMATION CONTAINED IN THIS CIRCULAR**

- 5.1. Head Officials of provincial treasuries are requested to bring the contents of this circular to the attention of Accounting Officers and Accounting Authorities of departments and public entities in their respective provinces.
- 5.2. Accounting Officers of national departments are requested to bring the contents of this circular to the attention of accounting authorities of Schedule 3A public entities reporting to their respective executive authorities.

### **6. STATUS OF THIS CIRCULAR**

This circular is issued to provide departments, constitutional institutions and Schedule 3A and 3C public entities with information related to implementation of the cost containment project related to fixed line and PBX costs.

### **7. INFORMATION**

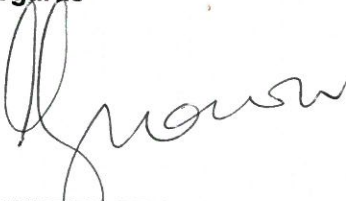
Enquiries related to this Circular may be directed to:

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FIXED LINE AND PBX COST CONTAINMENT PROJECT IMPLEMENTATION

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Regards



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CHIEF PROCUREMENT OFFICER  
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