



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 INSTRUCTION NUMBER 14 OF 2016/2017

INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR FIRE FIGHTING VEHICLES

1. PURPOSE

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

2. BACKGROUND

- 2.1 The Preferential Procurement Regulations, 2011 pertaining to the Preferential Procurement Policy Framework Act, Act No 5 of 2000 which came into effect on 7 December 2011 make provision for **the 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 Fire Fighting Vehicles for local production and content.

3. SECTOR DESIGNATION

3.1 The specifications and stipulated minimum threshold percentages and requirements for local production and content in respect of the Fire Fighting Vehicles are as follows:

3.2 **the Fire Fighting Vehicles**

3.3 Table 1 indicates the stipulated minimum local content for the Fire Fighting Vehicles

Table 1: Fire Fighting Vehicle

Product	Local content thresholds
Fire Fighting Vehicle	30%

3.4 **Table 2** provides the stipulated minimum threshold for local content and production for Fire Fighting Vehicles categorised by components. To ensure that the minimum local content designated is discharged on manufacturing activities, the components and conversion activities in the manufacture of Fire Fighting Vehicles are further designated and must also be included in bid invitations:

Table 2: Local Content Designated on a Fully-Built Unit and Components and Conversion Activities against which the overall Local Content must be discharged, per Fire Fighting Vehicle

No	Components and manufacturing processes against which the overall local content must be discharged	
	Components and manufacturing processes	% local content
1	Crew Cabin	100%
2	Super Structure	100%
3	Assembly	100%

3.5 The engine, chassis, transmission, breaking systems, axles and propshafts must be assembled completely knocked down in South Africa. Hang-on parts (fuel tank, tyres, battery, wheel rims) for the chassis which could be localised should be bid specific.

3.6 If the quantity of input materials and/or components of Fire Fighting Vehicles cannot be wholly sourced from South African (SA) based manufacturers to achieve the designated local content threshold, both on the overall and at the components and

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conversion processes levels, at any particular time of procurement or order placement, bidders should obtain written exemption from **the dti**. **The dti**, in consultation with the SA industry and procuring organ of state, will grant exemption 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;

- 3.7 The designated local content thresholds apply to both new purchases and lease agreements.

4. INVITATION OF BIDS FOR FIRE FIGHTING VEHICLES

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

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

- (i) 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, one week (7 calendar days) prior to the closing date of the bid.
- (ii) 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

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- 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, one week (7 calendar days) prior to the closing date 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/industrialdevelopment/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:
- (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) bidders must submit a certificate from a registered auditor confirming that the Local Content Declaration Templates have been audited and certified as correct. (See paragraph 5 of the Declaration Certificate); and
 - (c) the rates of exchange quoted by the bidder in paragraph 4.1 of the Declaration Certificate will be verified for accuracy.
- 4.7 **Benchmark / market related prices**
- 4.7.1 AOs/AAs are required to ensure that reasonable or market related prices are secured for the Fire Fighting Vehicles being procured taking into account factors such as benchmark prices, value for money and economies of scale.
- 4.7.2 For this purpose, AOs/AAs may approach **the dti** to assist, where possible, with benchmark prices for the Fire Fighting Vehicles that have been designated for local

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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.

- 4.8 Bid specifications for the sub-sectors referred to in paragraph 3 above and the price benchmarking referred to in paragraph 4.7 above must be done in collaboration with **the dti**.
- 4.9 For further information, bidders and procuring state organs may contact the Automotives Unit within **the dti** at telephone 012 394 1186/1520 or email Mkhululi Mlota at MMlota@thedti.gov.za.

5. EVALUATION OF BIDS FOR CONSTRUCTION VEHICLES

- 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**
- 5.1.1.1 Bids must be evaluated in terms of the minimum threshold stipulated in the bid documents.
- 5.1.1.2 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.
- 5.1.1.3 The amendment of the stipulated minimum threshold for local production and content is not allowed.
- 5.1.1.4 A bid may be disqualified if:
- The bidder fails to achieve the stipulated minimum threshold for local production and content; and
 - The Declaration Certificate for Local Content (SBD / MBD 6.2), the Annex C (Local Content Declaration: Summary Schedule) and the registered auditors' certificate referred to in paragraphs 4.6 (a) and (b) are not submitted as part of the bid documentation.
- 5.1.1.5 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**

NATIONAL TREASURY DESIGNATED SECTORS INSTRUCTION NUMBER 14 OF 2016/2017: INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR FIRE FIGHTING VEHICLES

- 5.1.2.1 Only bids that achieve the minimum stipulated threshold for local production and content may be evaluated further. Unless otherwise exempted by the Minister of Finance, the evaluation must be done in accordance with the 80/20 or 90/10 preference point systems prescribed in Preferential Procurement Regulations, 2011.
- 5.1.2.2 AOs/AAs must ensure that contracts for Fire Fighting Vehicles are awarded at prices that are market related taking into account, among others, benchmark prices, value for money and economies of scale.
- 5.1.2.3 Where appropriate, prices may be negotiated with short listed or preferred bidders. Such negotiations must not prejudice any other bidders.

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:
 - (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. Contractors must 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.

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:

Mr Tebogo Makube
Chief Director: Industrial Procurement
Tel: (012) 394 3927
Fax: (012) 394 4927
EMAIL: TMakube@thedti.gov.za

9. APPLICABILITY

- 9.1 This instruction note 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 NOTE

- 10.1 Heads of provincial treasuries are requested to bring the contents of this instruction note 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 note 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 note to the attention of the supply chain management officials of their municipalities and municipal entities.

NATIONAL TREASURY DESIGNATED SECTORS INSTRUCTION NUMBER 14 OF 2016/2017: INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR FIRE FIGHTING VEHICLES

10.4 Accounting authorities of Schedule 2, 3B and 3D public entities are requested to bring the contents of this instruction note 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 Note will be forwarded to the Auditor-General for notification.

12. AUTHORITY FOR THIS INSTRUCTION NOTE AND EFFECTIVE DATE

This instruction is issued in terms of regulation 9(2) of the Preferential Procurement Regulations, 2011 and takes effect on **15 December 2016**.



KENNETH W BROWN
CHIEF PROCUREMENT OFFICER

DATE: 21/11/2016