



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

NATIONAL TREASURY DESIGNATED SECTORS CIRCULAR NUMBER 2 OF 2019/2020:

INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR BULK MATERIAL HANDLING (CONVEYOR SYSTEM EQUIPMENT)

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 the Bulk Handling Material (Conveyor System Equipment) which have been designated for local production and content.

2. BACKGROUND

- 2.1 The Preferential Procurement Regulations, 2017 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 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 Bulk Handling Material (Conveyor System Equipment) for local production and content.
- 2.4 The designation is applicable to all purchases regardless of the procurement method followed and there is no financial threshold.

3. SECTOR DESIGNATION

3.1 Bulk Material Handling Definition:

Materials handling equipment can be defined as mechanical equipment used for the movement, storage, control and protection of materials, goods and products. The equipment is used throughout the process of manufacturing, distribution, and consumption of the material. For instance, various materials handling equipment are used throughout the production and exporting of coal, i.e. in the handling of mined coal, transportation of the coal to the end user and also at ports for export purposes. Material handling equipment is usually classified according to the material it will be handling. The equipment could either be used for the handling of bulk material, break-bulk and containerised cargo. For the movement of bulk material equipment such as; Rail tippers, Stackers, Reclaimers, Stack-Reclaimers, Conveyor System, Ship-Loaders, with others are used for the movement of containerised products.

Conveyor system equipment is a mechanical handling equipment that moves materials from one location to another. Conveyors allow quick and efficient transportation for a wide variety of materials including in applications involving the transportation of heavy or bulky materials. They are commonly used in many industries, including the Mining, automotive, agricultural, computer, food processing, and packaging. In a port they are mainly used to move the material from the tippler to the stockpile yard and from the yard to the ship loader. Conveyor system equipment are made up of structural steel, rubber or steel belts, cables and other components.

3.2 The stipulated minimum threshold percentages for local production and content for the Conveyor System Equipment is **85%**.

3.3 To ensure that local production and content is discharged on manufacturing activities, the following components must be included in bid invitations:

Components	Stipulated minimum threshold for local content
Conveyor Idlers	70%
Structural Steel	100%
Rubber	100%
Conveyor Belt	100%
Pulleys	60%

3.4 The following primary input materials or components used in the manufacture of Conveyor System Equipment do not form part of this designation:

Components
Bearings
Tungsten Steel
Polyurethane
Natural/Synthetic Rubber

4. INVITATION OF BIDS FOR CONVEYOR SYSTEM EQUIPMENT

- 4.1 Bids in respect of Conveyor System Equipment must contain a specific bidding condition that only locally produced or locally manufactured Conveyor System Equipment with a stipulated minimum threshold for local production and content will be considered.
- 4.1.1 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 approval from **the dti** to supply the remaining portion at a lower local content threshold. Such approval applications should be submitted and approval be obtained prior to the closure of the bid(s) concerned. **the dti**, in consultation with the procuring organ of state, will grant approval on a case-by-case basis and will consider the following:
- a) required volumes in the particular bid;
 - b) available collective South African industry manufacturing capacity at that time;
 - c) delivery times;
 - d) availability of input materials and components;
 - e) technical considerations including operating conditions;
 - f) materials of construction; and
 - g) security of supply and emergencies.
- 4.1.2 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.
- 4.1.3 The turn-around time for processing of authorisation requests is 5 working days from the date of receipt. Therefore, such applications should reach **the dti** at least five days before closing date and time of bid.
- 4.1.4 The approval process that **the dti** follows is that if there is a particular designated product and the minimum threshold for local content cannot be met for various reasons, bidders must apply for approval or authorisation (when the tender is still open, before closing date). After checking with the industry, **the dti** will then decide whether or not to grant an authorisation. This is per bid.
- 4.1.5 The tender information / relevant information must be provided on the tenderer's / supplier's letterhead when requesting an authorisation letter:

- a) Procuring entity/government department/state owned company,
- b) Tender/bid number,
- c) Closing date,
- d) Item(s) for which the approval is being requested,
- e) Detailed specifications issued by the procuring entity,
- f) Local content that can be met,
- g) Reason(s) for the request, and
- h) Supporting letters from local manufacturers/sub-suppliers.

- 4.1.6 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.
- 4.1.7 For further information, bidders and procuring state organs may contact the Director Capital Equipment Unit within **the dti** at telephone 012 394 5868/1380/457058 or email: localcontent@thedti.gov.za
- 4.1.8 Bid specifications for Conveyor System Equipment referred to above may be done in collaboration with **the dti**.
- 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 the advertisement of the bid.
- 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, 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:
 - 4.6.1 that 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;
 - 4.6.2 that the rates of exchange quoted by the bidder in paragraph 4.1 of the Declaration Certificate will be verified for accuracy; and
 - 4.6.3 all the information relevant to bidders provided in paragraphs 4.1.1 to 4.1.7.

5. EVALUATION OF BIDS FOR CONVEYOR SYSTEM EQUIPMENT

- 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 Preferential Procurement Regulations, 2017 and the Implementation Guide must be followed.

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 within 30 days of award.
- 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 12(2) 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:

Chief Director: Industrial Procurement
Tel: (012) 394 1435
Fax: (012) 394 1535
EMAIL: localcontent@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 their departments and 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(3) of the Preferential Procurement Regulations, 2017 and takes effect on 20 January 2020.



MR WILLIE MATHEBULA

ACTING CHIEF PROCUREMENT OFFICER

DATE: 20.12.19