

**BRIEFING ON PROGRESS MADE AND
CHALLENGES EXPERIENCED REGARDING
THE LOCALISATION DRIVE**

**PRESENTATION TO THE PORTFOLIO COMMITTEE ON
TRADE & INDUSTRY**

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the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



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PROCUREMENT LEVERS

- **Government purchasing power** through public procurement contributes between 15% and 25% to GDP (value that is extracted from large scale procurements).
- **National Industrial Participation Programme (NIPP): Imported Content => US\$10 million.**
- **Defence Industrial Participation (DIP):** managed by Armscor and applicable to all defence procurement. **Imported Content => US\$2 million.**
- **Competitive Supplier Development Programme (CSDP):** managed by DPE in conjunction with State Owned Companies (SOCs).
- **Designation & Local Production.**
- **The Renewable Energy Independent Power Producer Procurement Programme (REIPPPP).**
- **The Local Procurement Accord.**

PRODUCTS DESIGNATED FOR LOCAL PRODUCTION

Designated Products	LC Threshold	Date
1. Rail Rolling Stock	65%	16-07-2012
2. Power Pylons and Substation Structures	100%	16-07-2012
3. Bus Bodies	80%	16-07-2012
4. Canned/Processed Vegetables	80%	16-07-2012
5. Textile, Clothing, Leather and Footwear Sector	100%	16-07-2012
6. Certain Pharmaceutical Products	Per tender	07-12-2011
7. Set-top Boxes	30%	26-09-2012
8. Furniture Products	85-100%	15-11-2012
9. Electrical and Telecom Cables	90%	08-05-2013
10. Valve Products and Actuators	70%	06-02-2014
11. Working Vessels (Boats)	60%	01-08-2014
12. Residential Electricity Meters and Water Meters	90%	01-08-2014
13. Steel Conveyance Pipes, Pipe Fittings and Special	80-100%	28-09-2015
14. Transformers and Shunt Reactors	10-90%	28-09-2015
15. Two Way Radio Terminals	60%	30-06-2016
16. Solar PV Components	15-90%	30-06-2016
17. Rail Signalling System	65%	30-06-2016
18. Wheelie Bins	100%	18-08-2016
19. Solar Water Heaters	70%	19-07-2012
20. Fire Fighting Vehicles	30%	21-11-2016
21. Steel Products and Components for Construction	100%	13-01-2017
22. Rail Perway (Track) Infrastructure	90%	13-11-2017
23. Pumps & Medium Voltage Motors	70%	12-12-2017

POST AWARD REPORTING: BIDS REPORTED FROM MARCH 2015 TO SEPTEMBER 2018

Designated Products	Signed Standard Bidding Documents Submitted to the dti	Total Value per Sector	No. of Companies Verified	Tender Value Verified	% Verified: (total verified/ total value)
		R'000		R'000	
Textiles & Clothing Products	525	2 469 457	2	624 417	0.25
Furniture Products	182	154 352	-	-	-
Electrical & Telecom Cables	62	1 754 244	3	257 810	0.15
Canned & Processed Vegies	23	697 950	-	-	-
Valves & Actuators	22	296 567	-	-	-
Rail Rolling Stock	4	49 547 227	-	-	-
Set top boxes*	1	4 300 000	3	600 000	0.14
Power Pylons	11	2 253 000	3	740 212	0.33
Solar Water Heaters	13	446 253	12	303 055	0.68
Steel Products	14	349 911	-	-	-
Busses	3	806 600	1	132 481	0.16
Working Boats & Vessels	5	4 299 195	-	-	-
Transformers	42	4 480 000	-	-	-
Construction	25	176 271	-	-	-
Total	932	71 854 756	24	2 657 975	0.04

* One tender but different suppliers appointed as a panel by USAASA

Source: Dept of Trade & Industry & SABS: Local Content databases, 2018

PROGRESS MADE IN LOCAL CONTENT IMPLEMENTATION

- SABS provided with the necessary support (fiscal transfers) to start with the verification the local content, prioritising rail localisation programmes, in particular.
- The Technical Specification on the Measurement and Verification of Local Content (SATS 1286: 2011) is now a National Standard (SANS 1286: 2017).
- There is favourable response **to dti's** efforts to create awareness of by organs of state to invoke Section 8.4 of the 2017 Preferential Procurement Regulations to specify local content in the procurement of non-designated sectors/products.
- Good co-operation with industry associations and ITAC to promote local manufacturing.
- Working closely with the **Office of the Auditor General** to scale up the auditing of tenders designated for local production.
- Working closely with the **Proudly South African** in deepening the Buy Local Campaign and monitoring tenders for compliance on local content requirements.

CHALLENGES EXPERIENCED IN THE IMPLEMENTATION OF LOCAL CONTENT

- Delays in the verification of local content as a result of the lack of certainty in the funding model (e.g. fiscal transfers or the successful bidder pays for the costs of verification).
 - This impacts on the SABS to ramp up its capacity to deliver on this function.
- Long procurement process; organs of state, especially SOCs are taking too long to adjudicate and award tenders. This impacts on investments and the entire value chain, especially in rail sector.
 - The available industrial capacity is being overlooked, example on this include foundry products.
 - Variable and often out-of-date production and technological capabilities have resulted in the industry losing ground in maintaining local content and being unable to best capture new opportunities offered by both private and public capital expenditure programmes.
- Remedies to deal with non-compliance on local content not robust enough.

REMEDIES FOR NON-COMPLIANCE

Section 14 of the PPPFA Regulations: Remedies

- **14(1) An organ of state must, upon detecting that a tenderer submitted false information regarding BBBEE, Local Content or any other matter:**
 - (a) inform the tenderer accordingly;
 - (b) give the tenderer an opportunity to make representations within 14 days; and
 - (c) if it concludes, after considering the representations that false information was submitted
 - disqualify the tenderer or terminate the contract in whole or part and if applicable claim damages from the tenderer.
- **14(2) An organ of state must inform the National Treasury of any actions taken.**
- **14(3) The National Treasury must decide whether to restrict the tenderer for 10 years and publish on website a list of restricted suppliers.**

KEY AREAS OF OPPORTUNITY FOR LOCALISATION

- The SA infrastructure-build programme (including the Strategic Integrated Projects- SIP), presents the largest single opportunity to stimulate the economy at the back of implementing localisation requirements and focused supplier development programmes can enhance the competitiveness of the South African economy.
- The Automotive, Clothing and Textile Master Plans as well as the Rail Rolling Stock exports to the African continent also provide an opportunity to deepen localisation.
 - Properly implemented, this will integrate local manufacturers and suppliers into the global value chain of the OEMs.
- The impending Public Procurement Bill creates an opportunity to strengthen the leveraging of public procurement to support transformation, economic and industrial development.

Thank You



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