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 1 OF 2018/2019: INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR WORKING VESSELS (BOATS)**

## 1. PURPOSE

1.1 The purpose of this circular is to:

1.1.1 introduce amendments to the instruction for **Working Vessels (Boats)** dated 30 June 2016.

1.1.2. provide information to accounting officers (AOs) and accounting authorities (AAs) in terms of which they may procure the aforementioned products 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 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 Working Vessels (Boats) 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 to Working Vessels (Ships/Boats) are as follows:

3.1.1 Table 1 indicates the stipulated minimum local content for Complete Working Vessels (Ships/Boats)

Table 1: Complete Working Vessel (Ships/Boats)

| Product | Local content tresholds |
|---|---|
| Working Vessels | 60% |

3.2 Table 2 provides the stipulated minimum threshold for local content and production for Working Vessels (Ships/Boats) categorised by components.

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

Table 1: Complete Working Vessel (Ships/Boats)

| Components and manufacturing processes against which the overall local content must be discharged | |
|---|---|
| **Components and manufacturing processes** | **% Local content** |
| Steel/Aluminium | 100% |
| Search and rescue lights | 100% |
| Radars | 100% |
| Naval Combat Management System | 100% |
| Naval Command and Control | 100% |
| Communication Transceivers<br>• HF CNR - FCR1100 HF Transceiver 1.6MHz to 30MHz<br>• HF CNR Portable - MCR1025 HF Transceiver 1.6MHz to 30MHz<br>• HF Whip Antenna 1.6MHz to 30MHz<br>• HF Webbing Bag<br>• V/UHF CNR - FCR5050 V/UHF Transceiver 30MHz to 400MHz<br>• Power Supply Unit 220 V AC - 24 V DC<br>• VHF CNR Portable - MCR2005 VHF Transceiver 30MHz to 88MHz<br>• VHF Whip Antenna 30MHz to 88MHz<br>• VHF CNR Portable - MCR2005 VHF Transceiver 30MHz to 88MHz Mounting Tray for Boarding Boats<br>• V/UHF CNR Portable - MCR3005 V/UHF Transceiver 118MHz to 400 MHz<br>• V/UHF Whip Antenna 118MHz to 400MHz<br>• H/V/UHF Rechargeable Battery 14.4V, 12Ah<br>• V/UHF Webbing Bag<br>• V/UHF Rechargeable Battery Charger cable<br>• Vehicle Crew Radio Transceiver VCR4001 410MHz to | 100% |

| | |
|---|---|
| 510MHz<br>• Vehicle Crew Radio Transceiver Antenna Base 410MHz to 510MHz<br>• Vehicle Crew Radio Transceiver Antenna Whip 410MHz to 510MHz<br>• Personal Crew Radio Transceiver PCR4001 410MHz to 510MHz<br>• Personal Crew Radio Transceiver Antenna 410MHz to 510MHz<br>• Personal Crew Radio Transceiver Rechargeable Battery<br>• Personal Crew Radio Transceiver Webbing Bag<br>• 6 Way Battery Charger | |
| Dredging equipment | 100% |
| Fire fighting equipment | 100% |
| Manoeuvring system<br>• Rudder<br>• Steering gear<br>• Bow thrusters | 100% |
| Ventilation equipment<br>• Fans<br>• Fan housings<br>• Ducting<br>• Fire dampers<br>• Axsteel ventilators | 100% |
| Air conditioning equipment<br>• Air handling units | 100% |
| Environmental protection<br>• Oily water separators<br>• Filtration | 100% |
| Refrigeration equipment<br>• Compressors<br>• Condensers | 100% |
| Preservation and coverings<br>• Corrosion protection paints | 100% |
| Cabin outfitting | 100% |
| Insulation | 100% |
| Galley equipment:<br>• Stove<br>• Fridge<br>• Galley extraction and ventilation systems<br>• Dishwashers<br>• Deep at fryer<br>• Grillers<br>• Lights<br>• Etc. | 100% |
| Mooring systems<br>• Anchor winches (Anchor chains, Anchors, etc.)<br>• Cable winches (Mooring ropes, towing ropes, etc.) | 100% |
| Davits and Cranes | 100% |
| Air Whistle CIF | 100% |
| Hydrofoils | 100% |
| Hydraulics | 100% |
| Water tight doors | 100% |
| Water tight windows | 100% |

| | |
|---|---|
| Fire doors | 100% |
| Valves | 100% |

*In terms of gallery equipment the list is not exhaustive

3.4 Components such as main engines, generators, fuel purifiers and navigational instruments are hereby fully exempted and thus importation of the aforementioned components and subcomponents should be granted with an intention to review the exemption after 5 years.

3.5 Even though engines are exempted, it must be imported as a semi knock down kit and assembled in South Africa.

## 4. INVITATION OF BIDS FOR WORKING VESSELS (BOATS)

4.1 Bids in respect of Working Vessels (Boats) must contain a specific bidding condition that only locally produced or locally manufactured Working Vessels with a stipulated minimum threshold for local production and content will be considered.

4.2 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 exemption from **the dti** to supply the remaining portion at a lower local content threshold. **the dti**, in consultation with the 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 South African industry manufacturing capacity at that time;
c) delivery times;
d) availability of input materials and components;
e) technical considerations including operating conditions; and
f) materials of construction
g) security of supply and emergencies

4.3 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.

4.4 Organs of state 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.

4.5 For further information, bidders and procuring state organs may contact the Industrial Policy Unit within **the dti** at telephone 012 394 1742/1374 or email Zukiswa Kimani: ZKimani@thedti.gov.za

4.6 Bid specifications for the sub-sectors referred to above may be done in collaboration with **the dti**.

4.7 AOs/AAs must stipulate in bid invitations that:

4.7.1 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.

4.7.2 Only the South African Bureau of Standards (SABS) approved technical specification number SATS 1286:2011 must be used to calculate local content.

4.8 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.

4.9 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.

4.10 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) apply.

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

4.11.1 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

4.11.2 the rates of exchange quoted by the bidder in paragraph 4.1 of the Declaration Certificate will be verified for accuracy.

## 5 EVALUATION OF BIDS FOR WORKING VESSELS (BOATS)

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 PPR 2017 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 apply.

## 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. REPEAL OF INSTRUCTION DATED 30 JUNE 2016

This Circular repeals Instruction on invitation and evaluation of bids based on a stipulated minimum threshold for local production and content for working vessels dated 30 June 2016 and effective on 27 July 2016.

## 13. AUTHORITY FOR THIS CIRCULAR AND EFFECTIVE DATE

13.1 This circular is issued in terms of regulation 8(3) of the Preferential Procurement Regulations, 2017 and takes effect on 11 June 2018.

**WILLIE MATHEBULA**
**ACTING CHIEF PROCUREMENT OFFICER**
**DATE:** 16.05.2018