

TO ALL: ACCOUNTING OFFICERS OF ALL NATIONAL DEPARTMENTS AND CONSTITUTIONAL INSTITUTIONS

ACCOUNTING OFFICERS AND ACCOUNTING AUTHORITIES 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 2017/2018:
INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM
THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR THE RESIDENTIAL
ELECTRICITY METERS AND WATER METERS**

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 Residential Electricity Meters and Water Meters 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 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 Residential Electricity and Residential Water Meters sector for local production and content.

3. SECTOR DESIGNATION

- 3.1 The stipulated minimum threshold for local production and content for **Residential Electricity Meters** is set as follows for the specific types of meters:

Meter Category	Local Content Threshold
Prepaid Electricity Meters	70%
Postpaid Electricity Meters	70%
SMART Meters	50%

- 3.2 The stipulated minimum threshold for local production and content for **Residential Water Meters** is set as follows for the specific types of meters:

Meter Category	Local Content Threshold
Prepaid Water Meters	40%
Postpaid Water Meters	40%

- 3.3 The following manufacturing activities must be undertaken within the borders of the Republic of South Africa for both types of meters:

Residential Electricity Meters	Residential Water Meters
1. Printed Circuit Board Sourcing 2. PC Board Population 3. Sourcing of Connecting Cables 4. Sourcing of Enclosures 5. Final Meter Assembly	1. Printed Circuit Board Sourcing (if applicable) 2. PC Board Population (if applicable) 3. Sourcing of Connecting Cables (if applicable) 4. Sourcing of Meter Box, Meter Body, Valves and Indicator Covers 5. Assembly of Counter 6. Assembly of Indicator 7. Final Meter Assembly

- 3.4 The abovementioned components and activities which have been designated for local production and content must be included in bid invitations (noting that some of the electronic components are not manufactured locally).
- 3.5 **Only locally produced** Residential Electricity and Water Meters, complying with the activities specified in paragraph 3.3 must be specified for local procurement by public procuring entities.

NOTES:

ELECTRICITY METERS: Imported Electronic Components that are intended for use in the local manufacturing of Residential Electricity Meters as described in paragraph 3.1 above are deemed as local. This is to encourage local manufacturers to seek the best globally competitive

prices for non-designated components. The competitive imported electronic components used in the manufacture of Residential Electricity Meters will be deemed to have been sourced locally for the purposes of calculating local content.

WATER METERS: Imported inputs (e.g. sensor, counter and indicator), including electronic components in the case of electronic water meters that are intended for use in the local manufacturing of Residential Water Meters as described in paragraph 3.2 above are deemed as local. This is to encourage local manufacturers to seek the best globally competitive prices for non-designated components. The competitive imported input components used in the manufacture of Residential Water Meters will be deemed to have been sourced locally for the purposes of calculating local content

3.6 If the quantity of materials and/or products required cannot be wholly sourced from South African (SA) 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. The dti, in consultation with the procuring organ of state, may grant such approval on a case-by-case basis and will consider the following:

- required volumes in the particular bid;
- available collective SA industry manufacturing capacity at that time;
- delivery times;
- availability of input materials and components;
- technical considerations including operating conditions; and
- materials.

3.7 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.

3.8 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.

3.9 Bid specifications for the Residential Electricity Meters and Water Meters referred to above can be done in collaboration with **the dti**.

4. INVITATION OF BIDS FOR RESIDENTIAL ELECTRICITY METERS AND WATER METERS

4.1 Bids in respect of Residential Electricity Meters and Water Meters must contain a specific bidding condition that only locally produced or locally manufactured Residential Electricity Meters and Water Meters with a stipulated minimum threshold for local production and content will be considered.

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 advertisement of the bid; and

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, 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) applies.

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

4.6.1 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

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

5. POST AWARD AND REPORTING REQUIREMENTS

5.1. Once bids are awarded, **the dti** must be:

5.1.1 Notified of all the successful bidders and the value of the contracts; and

5.1.2 Provided with copies of the contracts, the SBD/MBD 6.2 Certificates together with the Declaration C submitted by the successful bidders.

5.2 The purpose of the requirements of paragraph 5.1 above is for **the dti** to, among others, conduct compliance audits with a view to monitor the implementation of the industrial development strategies.

- 5.3 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.
- 5.4. Where, after the award of a bid, contractors experience challenges in meeting the stipulated minimum threshold for local content **the dti** must be informed accordingly in order for **the dti** to verify and in consultation with the AO/AA provide directives in this regard.

6. CONTACT INFORMATION

- 7.1 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

8. APPLICABILITY

- 8.1 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.

9. DISSEMINATION OF INFORMATION CONTAINED IN THIS CIRCULAR

- 9.1 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.
- 9.2 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.
- 9.3 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.
- 9.4 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.

10. NOTIFICATION TO THE AUDITOR-GENERAL

10.1. A copy of this circular will be forwarded to the Auditor-General for notification.

11. REPEAL OF INSTRUCTION ON ELECTRICITY METERS

11.1. This circular replaces the Instruction on Residential Electricity Meters dated 01/08/2014 which became effective on 21 August 2014.

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. The designation of Residential Electricity Meters is effective immediately, while the designation of Residential Water Meters takes effect on **22 June 2017**.



SCHALK HUMAN
ACTING CHIEF PROCUREMENT OFFICER
DATE: 26/05/2017