

LOCAL CONTENT POLICY AND THE NEW PPPFA REGULATIONS

PRESENTATION TO PROSPECTIVE BIDDERS: LETHABO POWER STATION HIGH FREQUENCY TRANSFORMERS & POWER CABLES

Clarification Meeting

25 MAY 2018



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CONTENT

- **Rationale for the Designations**
- **PPPFA Regulation on Local Content**
- **Relevant Documents**
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- **Exemption Process**
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INDUSTRIAL POLICY OBJECTIVE W.R.T LOCAL CONTENT REQUIREMENTS

- Leverage public expenditure
- Develop and enhance local manufacturing capacity and capabilities
- Support industrial innovation and technological developments
- Create employment and sustain jobs
- Boost exports and ensure suppliers are integrated into OEMs global value chains
- Support broader economic empowerment through the creation of black industrialists



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2017 PREFERENTIAL PROCUREMENT REGULATIONS ON LOCAL CONTENT

- Preferential Procurement Policy Framework Act (PPPFA) was enacted in 2000, and its Regulations promulgated in 2001
- Local Content Regulations came into effect on 7 December 2011 through the 2011 PPPFA Amended Regulations. They are still applicable in the 2017 Public Procurement Regulations
- **Section 8: Local Production and Content**
- Empowers **the dti** to designate specific industries/sectors for local procurement by organs of state.

2017 PREFERENTIAL PROCUREMENT REGULATION ON LOCAL CONTENT

- **Regulation 8 (1):** empowers **the dti** to designate specific industries/sectors, where only locally manufactured products that meet the stipulated minimum threshold for local content will be considered.
- **Regulation 8 (2):** organs of state must include local content in their bid invites
- **Regulation 8 (3):** National Treasury must inform organs of state **via circular**.
- **Regulation 8 (4):** allows organs of state to “**self designate**” provided they consult with the dti and National Treasury
- **Regulation 8 (5):** bid that fails to meet the required local content is unacceptable
- **New regulations allow the National Treasury to issue circulars and guidelines**



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INVITATION OF BIDS

- ❑ All the designated requirements must be clearly listed on the SBD 6.2/MBD 6.2 and their minimum threshold for local content.
 - SBD 6.2/MBD 6.2
 - Annex C: Local Content Declaration (Summary Schedule)
 - **If the bid is for more than one item, local content percentages for each product contained in Declaration C must be declared and used**
 - Annex D: Imported Content Declaration (Supporting Schedule to Annex C)
 - Annex E: Local Content Declaration (Supporting Schedule to Annex C)
 - South African National Standard (SANS 1286:2017)
 - DTI's Guidance Document for the Calculation of Local Content



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INSTRUCTION NOTE: TRANSFORMERS, SHUNT REACTORS AND ASSOCIATED EQUIPMENT

Transformer Class	Power Rating, MVA (Range)	Voltage Rating, kV (Range)
Class 0	0.001 to 1	220V to 22
Class 1	1.25 to 160	11 to 132
Class 2	40 to 315	220 to 275
Class 3A	360 to 500	220 to 275
Class 3B	40 to 1000	320 to 400
Class 4	40 to 2000	>420 to 800



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INSTRUCTION NOTE: TRANSFORMERS, SHUNT REACTORS AND ASSOCIATED EQUIPMENT

Shunt Reactor	Reactive Power Rating, MVar (Range)	Voltage Rating, kV (Range)
Class 1	≤ 80 MVar	11kV to 132 kV
Class 2	>80 MVar	132kV to 275 kV
Class 3	100MVar - 250 MVar	>275 kV – 420 kV
Class 4	>100 MVar	>420 kV – 765 kV



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ORIGINAL
S.W.A.T.
CLASSIC 6"
SIDE ZIP



Cable Designation

Power Cables: cables used for power transmission

Cable Products	Stipulated minimum threshold
Low Voltage	90%
Low Cost Reticulation	90%
Medium & High Voltage	90%
ACR	90%

Telecom Cables: cables used for telecommunications

Cable Products	Stipulated minimum threshold
Optical Fibre Cable	90%
Copper Telecom Cable	90%

LOCAL CONTENT DOCUMENTS

SABS

- **South African National Standard (*SANS 1286:2017*) on the measurement and verification of local content**

DTI

- **Guidelines on calculation of local content**
- **Templates (annexures) for calculation of local content**

NT

- **Standard Bidding Documents (SBD 6.2/MBD 6.2)**
- **Instruction notes/circulars for each designated sector**



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LOCAL CONTENT CALCULATION

“Local Content” means that portion of the tender price which is not included in the imported content, provided that local manufacturing does take place within the borders of South Africa
(South African National Standard (SANS 1286:2017))

$$LC = \left(1 - \frac{X}{Y}\right) \times 100$$

Where:

X is the imported content in Rand (ZAR)

Y is the tender price in Rand (ZAR)

Example:

If the tender price (**Y**) is R100 and imported content (**X**) is R10, then:

$$LC = \left(1 - \frac{10}{100}\right) \times 100 = 90$$

- 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 of advertisement of the bid



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SBD 6.2 “Annexure F1”

Bid price excluding VAT (Y)	R
Imported content (X)	R
Stipulated minimum threshold for local content (paragraph 3 above)	%
Local content % (as calculated by SATS 1286)	%

This declaration is a prescribed document which includes the local content calculation.



NB The obligation to complete, duly sign and submit this declaration cannot be transferred to an external authorized representative, auditor or any other third party acting on behalf of the bidder.

I, the undersigned, (full names),
do hereby declare, in my capacity as
of (name of bidder
entity), the following:

(a) The facts contained herein are within my own personal knowledge.

(b) I have satisfied myself that the goods/services/works to be delivered in terms of the above-specified bid comply with the minimum local content requirements as specified in the bid, and as measured in terms of SATS 1286.

(c) The local content has been calculated using the formula given in clause 3 of SATS 1286, the rates of exchange indicated in paragraph 4.1 above and the following figures:

Bid price, excluding VAT (y)	R
Imported content (x)	R
Stipulated minimum threshold for Local content (paragraph 3 above)	
Local content % , as calculated in terms of SATS 1286	

If the bid is for more than one product, a schedule of the local content by product shall be attached.

(d) I accept that the Procurement Authority / Institution has the right to request that the local content be verified in terms of the requirements of SATS 1286.

(e) I understand that the awarding of the bid is dependent on the accuracy of the information furnished in this application. I also understand that the submission of incorrect data, or data that are not verifiable as described in SATS 1286, may result in the Procurement Authority / Institution imposing any or all of the remedies as provided for in Regulation 13 of the Preferential Procurement Regulations, 2011 promulgated under the Policy Framework Act (PPPFA), 2000 (Act No. 5 of 2000).

SIGNATURE: _____ **DATE:** _____

WITNESS No. 1 _____ **DATE:** _____

WITNESS No. 2 _____ **DATE:** _____



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ANNEX C “Annexure F2”

Local Content Declaration - Summary Schedule

Tender No.	GP 00111	Note: VAT to be excluded from all calculations		
Tender description:	30 and 60 seater commuter bus			
Designated product(s)	Buses			
Tender Authority:	Gauteng Purchasing Department			
Tendering Entity name:	Unibody Bus Builders (Pty) Ltd			
Tender Exchange Rate:	USD <div>R 7.00</div>	EU <div>R 9.00</div>	GBP <div>R 12.00</div>	
Specified local content %	80%			

Tender item no's	List of items	Tender price - each (excl VAT)	Exempted imported value	Tender value net of exempted imported content	Imported value	Local value	Local content % (per item)
(C8)	(C9)	(C10)	(C11)	(C12)	(C13)	(C14)	(C15)
GP 00010	30 Seater commuter bus	R 250 000	R 96 000	R 154 000.00	R 25 000	R 129 000.00	84%
GP 00011	60 Seater commuter bus	R 400 000	R 180 000	R 220 000.00	R 31 000	R 189 000.00	86%



ANNEX D "Annexure F3"

EXAMPLE

SATS 1286.2011

Details of the Tender & Tenderer

(D1) Tender No. GP 00111
(D2) Tender description: 30 and 60 seater commuter bus
(D3) Designated Products: Buses
(D4) Tender Authority: Gauteng Purchasing Department
(D5) Tendering Entity name: Unibody Bus Builders (Pty) Ltd
(D6) Tender Exchange Rate:

Note: VAT to be excluded from all calculations

Exempted imported content

A. Exempted imported content

Tender Item no's	Description of Imported content	Local supplier	Overseas supplier	Value as per Commercial Invoice	Exchange Rate	Imports	port of entry	locally incurred landing costs & duties	Total landed cost excl VAT	Tender Qty	Exempted Imported value
(D7)	(D8)	(D9)	(D10)	(D11)	(D12)	(D13)	(D14)	(D15)	(D16)	(D17)	(D18)
GP 00010	Drive Train	MBSA	MB - Germany	\$12 000	R 7.00	R 84 000	R 8 000	R 4 000	R 96 000	400	R 38 400 000
GP 00011	Drive Train	MBSA	MB - Germany	€ 18 000	R 9.00	R 162 000	R 10 000	R 5 000	R 180 000	200	R 36 000 000
(D19) Total exempt imported value										R 74 400 000	

This total must correspond with Annex C - C 21

B. Imported directly by 1

Imported by Tenderer

2) Imported value by tenderer											Total Imported value	
Tender Item no's	Description of Imported content	measure	Overseas supplier	Value as per Commercial Invoice	of Exchange	Imports	port of entry	locally incurred landing costs & duties	Total landed cost excl VAT	Tender Qty	Total Imported value	
(D20)	(D21)	(D22)	(D23)	(D24)	(D25)	(D26)	(D27)	(D28)	(D29)	(D30)	(D31)	
GP 00010	Instrumentation	Each	Gearmax USA	\$2 000	R 7.00	R 14 000.00	R 1 800	R 750	R 16 250.00	400	R 6 500 000	
GP 00010	Air conditioner	Each	Benteler Ger	€ 300	R 9.00	R 4 500.00	R 1 000	R 500	R 6 000.00	400	R 2 400 000	
GP 00011	Instrumentation	Each	Gearmax USA	\$3 100	R 7.00	R 21 700.00	R 1 750	R 800	R 24 250.00	200	R 4 850 000	
GP 00011	Air conditioner	Each	Benteler Ger	€ 350	R 9.00	R 4 950.00	R 1 250	R 600	R 6 800.00	200	R 1 360 000	
				</								

Imported by a 3rd Party

C. Imported by a 3rd part

Description of Imported content	Unit of measure	Local supplier	Overseas Supplier	value as per Commercial Invoice	Tender Rate of Exchange	Local value of Imports	Freight costs to port of entry	locally incurred landing costs & duties	Total landed cost excl VAT	Quantity Imported	Total Imported value
(D32)	(D34)	(D35)	(D36)	(D37)	(D38)	(D39)	(D40)	(D41)	(D42)	(D43)	(D44)
Sheet steel	tonne	Arcelor SA	Arcelor Belgium	€ 300	R 9.00	R 4 500.00	R 250.00	R 50.00	R 4 800.00	300	R 480 000
Hinges	each	Ramsar SA	Hinge SA	€ 500	R 15.00	R 7 500.00	R 10.00	R 5.00	R 75.00	1 200	R 90 000
Steel tubing								R 45	R 6 345.00	4	R 25 380
Other - nuts and bolts											R 1 620
i) Total Imported value by 3rd party											R 597 000

Other forex payments

D. Other foreign currency payments

Calculation of foreign currency payments

Type of payment	Local supplier making the	Overseas beneficiary	Foreign currency value paid	Tender Rate of Exchange
(D46)				
Royalty payment for use of patent	Unit			
Annual licence fees - pro-rated	Unit			
Engineering support	MBS			

Total imported content

(D52) Total of foreign currency payments declared by tenderer and/or 3rd party

(D53) Total of Imported content & foreign currency payments - (D32), (D45) & (D52) above

Signature of tenderer from Annex B

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This total must correspond with Annex C - C 23



ANNEX E “Annexure F4”

The tenderer is required to provide details of local content used to deliver the tender.

This is divided into the following broad categories:

- 1) Local products
- 2) Manpower
- 3) Factory overheads
- 4) Admin O/H's and mark-up

EXAMPLE SATS 1286.2011

Annex E

Local Content Declaration - Supporting Schedule to Annex C

(E1)	Tender No.	GP 00111
(E2)	Tender description:	30 and 60 seater commuter bus
(E3)	Designated products:	Buses
(E4)	Tender Authority:	Gauteng Purchasing Department
(E5)	Tendering Entity name:	Unibody Bus Builders (Pty) Ltd

Note: VAT to be excluded from all calculations

Local Products (Goods, Services and Works)	Description of items purchased	Local suppliers	Value
	(E6)	(E7)	(E8)
	Sheet Steel	Arcelor	R 34,000,000
	Fabric for seats	Galvenor Textiles	R 7,750,000
	Fabric for headlinings	Galvenor Textiles	R 1,250,000
	Welding consumables	ABR Supplies	R 250,000
	Tyres and wheels	Dunlop	R 1,000,000
	Hardware items (nuts, bolts, rivets etc.)	Various local suppliers	R 500,000
	Laser cutting services	Red Hot Cutting	R 245,000
	Other goods & services (small items)	Various	R 5,000

(E9) Total local products (Goods, Services and Works) R 45,000,000 50%

(E10)	Manpower costs	(Tenderer's manpower cost)	R 20,000,000	22%
(E11)	Factory overheads	(Rental, depreciation & amortisation, utility costs, consumables etc.)	R 15,000,000	17%
(E12)	Administration overheads and mark-up	(Marketing, insurance, financing, interest etc.)	R 9,400,000	11%

(E13) Total local content R 89,400,000 100%

This total must correspond with Annex C - C24

Signature of tenderer from Annex B

Date: _____

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LOCAL CONTENT REQUIREMENTS AND THE EXEMPTIONS

- ❑ Bids for all designated sectors/products must contain a specific bidding condition that only locally produced or locally manufactured goods, works and services with a stipulated minimum threshold for local production and content will be considered.
- ❑ The following primary input materials used in the manufacturing of TRANSFORMERS, SHUNT REACTORS AND ASSOCIATED EQUIPMENT are deemed as local in this designation:
 - steel products (i.e. plates, laminated sheets, coils, grain-oriented electrical core, amorphous core);
 - raw copper rod, sheets and twin enamelled epoxy conductor;
 - paper and boards for insulation;
 - aluminium billets and rod;
 - porcelain insulators (used in shunt reactor cores)
 - ceramics/porcelain; reinforced fibre glass and/or polymers; and
 - un-blended transformer oil.

- **These inputs should be imported in a raw form for further fabrication and processing in South Africa.**



LOCAL CONTENT REQUIREMENTS AND THE EXEMPTIONS

- ❑ Bids for all designated sectors/products must contain a specific bidding condition that only locally produced or locally manufactured goods, works and services with a stipulated minimum threshold for local production and content will be considered.
- ❑ The following primary input materials used in the manufacturing of CABLES are excluded in this designation:
 - Mainly copper, aluminium, polyvinyl chloride (PVC), cross-linked polyethylene (XLPE), aramid yarn, and optical fibre used for fabrication of cable products. .
- **These inputs should be imported in a raw form for further fabrication and processing in South Africa.**



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THE EXEMPTION PROCESS

- If the quantity of materials and/or products cannot be wholly sourced in South Africa, **the dti**, in consultation with the procuring entity, will grant exemption on a case-by-case basis
 - *Specifications, designs, standards, material availability, technological choices and volumes are the main causes of exemptions*
 - 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
- **the dti** will revert back to the bidder within 48 hours either with a response or an acknowledgment that the request is being considered
- If an exemption is requested on the product that has already being exempted, then **the dti** takes 48 hours to process the request
- In certain instances, **the dti** consults with the industry, especially if the exemption is volume-based and/or based on the particular type of material. That can take up to a week to revert back to the bidder



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THE EXEMPTION PROCESS

For Exemption Letters, bidders are to state the following in the request:

- Procuring Entity/ Government Department,
- Bid Number,
- Closing date,
- Item(s) for which the exemption is being requested for,
- Description of the goods, services or works for which the requested exemption item will be used for (attach detailed specification for item),
- Reason for the request.

Attention to:

Dr. Tebogo Makube

Chief Director: Industrial Procurement Unit

Email: TMakube@thedti.gov.za

Tel: 012 394 3927



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POST AWARD AND REPORTING REQUIREMENTS

- ☐ Once bids are awarded, the dti must be notified of all the successful bidders and provided with copies of their SBD/MBD 6.2 & Annex C
- ☐ Contractors must not be allowed to sub-contract in such a manner that the local is reduced to below the stipulated minimum threshold
- ☐ 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
- ☐ **the dti and SABS to conduct local content verification**

Local Content Enquiries: Bidding Documents, Calculations & Annexures

- ❑ Mr Raphael Kitiaka: RKitiaka@thedti.gov.za, 012 394 3500
- ❑ Ms Mamosai Seleka: Mseleka@thedti.gov.za , 012 394 1213
- ❑ Ms Rendani Raluthaga: RRaluthaga@thedti.gov.za, 012 394 1412
- ❑ Ms Miyelani Masinga: MMasinga@thedti.gov.za, 012 394 1664

THANK YOU



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