



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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

INVITATION AND EVALUATION OF BIDS BASED ON A STIPULATED MINIMUM THRESHOLD FOR LOCAL PRODUCTION AND CONTENT FOR VALVES PRODUCTS AND ACTUATORS

1. PURPOSE

- 1.1 The purpose of this instruction is to regulate the environment within which Accounting Officers (AOs) and Accounting Authorities (AAs) may procure valves products and actuators which have been designated as a sector for local production and content.

2. BACKGROUND

- 2.1 The Preferential Procurement Regulations, 2011("the Regulations") issued in terms of Section 5 of the Preferential Procurement Policy Framework Act, 2000 (Act No 5 of 2000) which came into effect on 7 December 2011, make a provision for the Department of Trade and Industry (**the dti**) to designate sectors in line with the national development and industrial policies for local production.
- 2.2 Regulation 9 (1) of the Regulations prescribes that, in the case of designated sectors, wherein the award of bids for local production and content is of critical importance, such bids must be advertised with a specific bidding condition that only locally produced goods, services or works or locally manufactured goods, with a stipulated minimum threshold for local production and content will be considered.
- 2.3 **The dti** has designated and determined the stipulated minimum threshold for Valves products, Manual actuators (Gearbox) and Pneumatic actuators for local production and content.

3. SECTOR DESIGNATION

- 3.1 The stipulated minimum threshold percentage for local production and content for the different types of valves products, manual actuators (Gearbox) and pneumatic actuators is 70%.

3.2 To ensure that local production and content is discharged on manufacturing activities, the following valves products, manual actuators (Gearbox) and pneumatic actuators which have been designated must be included in bid invitations:

Types of Valves	Pressure type	Size	Pressure Rating (or imperial equivalent)	% Local Content per unit
Check Valves (Non-Return Valves, Reflux Valves, Tilting Disk Valves Double Door, Multi Door, Swing Check)	Low pressure	80mm-3500mm	PN6-PN25	70%
	High pressure	80mm-2500mm	Class 150 -1500 Metric PN25 - PN250	70%
Butterfly Valves (Rotating Disk Valves, Rotary Control Valve, Quarter Turn Gate Valve)	Low pressure	80mm-3500mm	PN6-PN25	70%
	High pressure	80mm-3500mm	Class 150 -1500 Metric PN25 - PN250	70%
Ball Valves (Spherical Valves, Rotary Valves)	Low pressure	20-300mm	PN10-PN25	70%
	High pressure	20-600mm	Class 150 - 4500 Metric PN25 - PN450	70%
Gate Valves (RSVs, Wedge Gates, Sluice Valves, Parallel Slides, Penstocks, Bonnet Gates, Scour Valves)	Low pressure	15mm-1800mm	PN6 - PN25	70%
	High pressure	80mm-1800mm	Metric PN 25 - PN100	70%
Diaphragm Valves (Slurry Valve or Saunders Valve)	Low pressure	15mm-350mm	PN10, PN16 & PN 25	70%
Knife Gate Valves	Low pressure	40mm-1200mm	PN10 & PN16	70%
Safety or Relief Valves (Pressure Valve or Vacuum Valve)	Low pressure	15mm-32mm	PN16	70%
Taps, Cocks	Low pressure	Full range	N/A	70%
Pneumatic actuators - Double acting (Vein type, Linear Type, Scotch Yolk Type, Rotary Type, Double Crank Type, Rack & Pinion Type)	Low pressure	~392 000nm torque	N/A	70%
Pneumatic actuators - spring return (Vein type, Linear Type, Scotch Yolk Type, Rotary Type, Double Crank Type, Rack & Pinion Type)	Low pressure	~215 000nm torque	N/A	70%
Manual actuators (Gearboxes)	Low pressure	~200 000nm torque	N/A	70%
Fire Hydrants (Underground) Fire Deluge Valve	Low pressure	65mm inlet	PN16	70%

Types of Valves	Pressure type	Size	Pressure Rating (or imperial equivalent)	% Local Content per unit
Pressure Reducing Valve (PRV) (Self-Regulating Valve)	Low pressure	Full range	Full range	70%
Plug Valves (excluding expanding plug valves) (Double Block & Bleed Valve)	Low pressure	20-600mm	PN10-PN26	70%
	High pressure	20-600mm	PN25-PN100	
Control valve (Globe Control Valve, Piston Type Control Valve)	Low pressure	25-600mm	PN10-PN25	70%
	High pressure	25-600mm	Class 150 -4500 Metric PN25 - PN750	
Air valve (Vacuum release valve)	Low pressure	50-300mm	PN10-PN25	
	High pressure	50-300mm	PN25-PN40	
Pinch valve (slurry valve)	Low pressure	50 -800mm	PN10 -PN40	
Disc valve	Low pressure	50-600mm	PN10-PN16	
Sleeve valve (Fixed Cone Valves, Discharge Valves, Scour valves, Howell Bunger Valves Energy Dissipating Valve)	Low pressure	Full range	PN 10 - PN25	

3.3 The minimum of 70% local content in the case of each individual Valve, Manual Actuator (Gearbox) and Pneumatic Actuator designated, must be made up of the following:

3.3.1 a combination of the use of locally produced and certified castings, forgings and/or fabrications, and

3.3.2 verifiable manufacturing activities that shall include as a minimum, machining, drilling, coating, assembling and testing of the valves in question.

3.4 The averaging out of local content either across any number of Valve and Gearbox/Actuator combinations, or locally made and imported Valves/Other items, is not allowable.

3.5 Each individual Valve, Manual Actuator (Gearbox) or Pneumatic Actuator is subject to the minimum of 70% Local Content threshold.

3.6 For further information, bidders and procuring state organs may contact the Metals Fabrication, Capital and Rail Transport unit within the dti at telephone 012 394 1356 or email Thandi Phele at tphele@thedti.gov.za.

3.7 Bid specifications for the valves products and actuators referred to above may be done in collaboration with the dti.

4. INVITATION OF BIDS FOR VALVES PRODUCTS AND ACTUATORS

4.1 Bids in respect of valves products and actuators must be advertised with a specific bidding condition that:

- 4.1.1. Only locally manufactured valves products, manual actuators (Gearboxes) and pneumatic actuators with a stipulated minimum threshold for local production and content will be considered.
- 4.1.2. If the quantity; input materials; and/or components of valves products and actuators required cannot be wholly sourced from South African (SA) based manufacturers to achieve the designated local content threshold of 70% on a fully-built valve and/or Manual Actuator (Gearbox) or Pneumatic actuator at any particular time, bidders should request and obtain written exemption from the dti. Such exemption applications should be submitted and approvals should be obtained prior to the closure of the bid(s) concerned. The dti, in consultation with the procuring organ of state and the local industry, will consider the exemption applications 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 of construction
- 4.1.3. Bidders must clearly indicate in their bids the quantities of designated Valves, Manual Actuators (Gearboxes) and Pneumatic Actuators to be supplied and the level of local content for each product
- 4.1.4. 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.

4.2 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:

$$LC = \left(1 - \frac{x}{y}\right) * 100$$

Where

x is the imported content in Rand

y is the bid price in Rand excluding value added tax (VAT)

- In the case of turnkey products/projects x and y will only refer to the designated Valve Products, Manual Actuators (Gearboxes) and Pneumatic Actuators in the project – refer to Clause 3.1 above
 - 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](http://www.thedti.gov.za/industrial%20development/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) apply.
- 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. EVALUATION OF BIDS FOR VALVES PRODUCTS AND ACTUATORS

- 5.1 A two stage evaluation process may be followed to evaluate the bids received.
 - 5.1.1 **First stage: Evaluation in terms of the stipulated minimum threshold for local production and content**
 - (a) Bids must be evaluated by line item (*no averaging allowed*) in terms of the minimum threshold stipulated in the bid documents.
 - (b) The declaration made by the bidder in the Declaration Certificate for Local Content (SBD / MBD 6.2) and Annex C (Local Content Declaration: Summary Schedule) must be used for this purpose. If the bid is for more than one product (i.e. more than one valve type, size or pressure rating or different model of Manual Actuator (Gearbox) or Pneumatic Actuator, the local content percentages for each product contained in Annex C must be used.
 - (c) The amendment of the stipulated minimum threshold for local production and content is not allowed.
 - (d) AOs / AAs must verify the accuracy of the rates of exchange quoted by the bidder in paragraph 4.1 of the Declaration Certificate for Local Content (SBD / MBD 6.2)
 - 5.1.2 **Second stage: Evaluation in terms of the 80/20 or 90/10 preference point systems**
 - (a) Only bids that achieve the minimum stipulated threshold for local production and content may be evaluated further. Unless otherwise exempted by the Minister of Finance, the evaluation must be done in accordance with the 80/20 or 90/10 preference point systems prescribed in Preferential Procurement Regulations, 2011.
 - (b) AOs/AAs must ensure that contracts for valves products and actuators / components are awarded at prices that are market related taking into account, among others, the dti's pre-determined benchmark prices, value for money and economies of scale.
 - (c) Where appropriate, prices may be negotiated with short listed or preferred bidders. Such negotiations must not prejudice any other bidders.

5.2 Benchmark / market related prices

- 5.2.1 AOs/AAs are required to ensure that reasonable or market related prices are secured for the valves, manual actuators (Gearbox) and pneumatic actuators being procured taking into account factors such as benchmark prices, value for money and economies of scale.
- 5.2.2 For this purpose, AOs/AAs may approach the dti for assistance, where possible, with benchmark prices for the different classes and components of valves products and manual actuators (Gearbox) and pneumatic actuators that have been designated for local production and content. The dti will be in a position to provide price references for the different products that have been designated for local production and content.

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 regulation 4 of the Preferential Procurement Regulations, 2011 and paragraphs 6 and 11 of the Implementation Guide must be followed.

7. POST AWARD AND REPORTING REQUIREMENTS

- 7.1 Once bids are awarded, the dti must be:
 - 7.1.1 notified of all the successful bidders and the estimated value of the contracts; and
 - 7.1.2 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 must not be allowed to sub-contract in such a manner that the local production and content of the individual products is reduced to below the stipulated minimum threshold.
- 7.4 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.

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 instruction 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 INSTRUCTION

- 10.1 Heads of provincial treasuries are requested to bring the contents of this instruction 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 instruction 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 instruction 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 instruction 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 Instruction will be forwarded to the Auditor-General for notification.

12. REPEAL OF INSTRUCTION DATED 6 FEBRUARY 2014

This instruction repeals instruction on invitation and evaluation of bids based on a stipulated minimum threshold for local production and content for Valves products and actuators dated 6 February 2014 and effected on 3 March 2014

13. AUTHORITY FOR THIS INSTRUCTION AND EFFECTIVE DATE

- 13.1 This instruction is issued in terms of Regulation 9(2) of the Preferential Procurement Regulations, 2011 and takes effect from **18 February 2016**.

CONTACT INFORMATION

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KENNETH BROWN
CHIEF PROCUREMENT OFFICER

DATE: 11/02/2016.