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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 2020/2021:**

**INVITATION AND EVALUATION OF BIDS WITH A STIPULATED MINIMUM THRESHOLD  
FOR LOCAL PRODUCTION AND CONTENT FOR:**

- **Steel Power Pylons**
- **Monopole Pylons**
- **Steel Substation Structures**
- **Powerline Hardware**
- **Street Lighting Steel Poles**
- **Steel Lattice Towers and Masts**

**1. PURPOSE**

- 1.1 The purpose of this Circular is to introduce amendments to Instruction Note Number 9 of 2016/2017, that designated steel power pylons, monopole pylons, steel substation structures, powerline hardware, steel lattice towers & masts and street lighting steel poles for 100% local procurement.
- 1.2 The amendments contained in the new Circular seek to clarify the list of products and components included in the Instruction Note Number 9 of 2016/2017.
- 1.3 The Circular will regulate the environment within which Accounting Officers (AOs) and Accounting Authorities (AAs) may procure the aforementioned products that are designated 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 No. 5 of 2000 (PPPFA) which came into effect on 1 April 2017, make provision for the Department of Trade and Industry (**the dti**), now the Department of Trade, Industry and Competition (**the dtic**) to designate sectors in line with national development and industrial policies for local production.

- 2.2. Regulation 8 (1) of the regulations prescribes that in the case of designated sectors where in the award of bids, local production and content is of critical importance, such bids must be advertised with the specific condition that only locally produced goods, services and/or works with a stipulated minimum threshold for local production and content will be considered.
- 2.3. To this end, **the dtic** has designated and determined the stipulated minimum threshold for the Steel Power Pylons, Monopoles Pylons; Steel Substation Structures; Powerline Hardware; Street Lighting; Steel Poles and Steel Lattice Towers and Masts sectors for local production and content in the Instruction Note Number 9 of 2016/2017.
- 2.4. A review of the existing list of designated products and components has become necessary to provide further clarity and disaggregation on the items under these products and components in the Instruction Note Number 9 of 2016/2017. The review mainly affects Powerline Hardware and Steel Substation Structures. It will emphasize that the *transmission line hardware* and the *distribution line hardware* items fall under **Powerline Hardware** and also confirm that the *substation hardware components* are classified as **Steel Substation Structures**.

### 3. PRODUCT DESIGNATION

- 3.1 **Power pylons and substation structures** are steel fabricated (cut, punched and galvanised) components erected for the transmission, distribution and/or reticulation of electrical power from the power station through to the consumer. At every transition between power generation, power transmission and power distribution there is a need for the erection of a substation which serves as a facility for the stepping up or down of power in preparation for the requirements of the next phase of the power transfer process. Substations are erected using steel structures fabricated by means of cutting, punching and galvanising.
- 3.2 Depending on the procuring entity's design and functionality requirements, galvanised **steel monopole structures** may be specified instead of power pylons for the transfer of power from the power station through to the end user. Galvanised steel monopoles are fabricated following a cutting, bending, welding and galvanising process.
- 3.3 In the construction of power pylons, monopoles, substation structures and distribution powerlines a variety of auxiliary components are used to fulfil such requirements as providing stability to the power pylon structures, attachment and fastening of components, provision of platforms and foundations, etc. These auxiliary components are made using a variety of metals including cast aluminium, galvanised steel, composite materials, brass and others. These components are collectively called **powerline hardware** and are used in both **power transmission** and **distribution**.
- 3.4 **Composite Insulators:** These insulators have at least two insulating parts, such as a fibre glass core and a polymer housing equipped with metal end fittings. They provide mechanical strength and insulate conductors from the structures they are attached to.
- 3.5 **The components addressed under this Designation Note are classified as follows under the harmonisation system:**
  - 3.5.1 **Powerline Line, Distribution Line and Substation Hardware**

- HS730890: Structures and parts of structures of iron/steel (Including steel powerline hardware)
- HS730820: Towers and lattice masts (Including monopole pylons and street lighting poles)
- HS761090: Aluminium structures and parts for construction (Including aluminium powerline hardware)
- H854690: Electrical insulators of composite polymer materials

To ensure that local production and content is discharged on manufacturing activities, the products and components in Table 1 have been designated and must be included in bid invitations<sup>1</sup>. *Different methods and/or process are used to manufacture the products/components. These include casting, forging, drawing, rolling, fabrication, helically or wire formed, injection, moulding, baking or a combination of these methods or processes.*

**Table 1: Steel Power Pylons, Monopole Pylons, Steel Substation Structures, Powerline Hardware, Street Lighting Steel Poles and Steel Lattice Towers and Masts**

<b>Products for Designation</b>	<b>Minimum Local Content</b>
<b>Steel Power Pylons</b>	100%
<b>Monopole Pylons</b>	100%
<b>Steel Substation Structures</b>	100%
<b>Powerline Hardware</b> (distribution line hardware and transmission line hardware)	100%
<b>Street Lighting Steel Poles</b>	100%
<b>Steel Lattice Towers And Masts</b>	100%

- 3.6 All primary steel related products: flat products (plates and coils) and long products (rounds, angles, sections and wire related products) and secondary aluminium ingots are included in this designation and must be manufactured and sourced locally. This is to support and sustain the existing local steelmaking and aluminium secondary smelting capacities respectively.
- 3.7 In this designation, imported input raw materials such as aluminium extrusion billets for the manufacture of aluminium components; rubber and zinc used in hot deep galvanising processes are deemed as locally manufactured products. These inputs should be imported in raw material form for further fabrication in South Africa.
- 3.8 The imported input raw material indicated in will be deemed to have been sourced locally for the purposes of calculating local content.
- 3.10 Subject to market changes, National Treasury in consultation with **the dtic** reserves the right to reintroduce deeming of primary steel as locally produced.

<sup>1</sup> Please see Annexure A for a detailed breakdown

#### 4. INVITATION OF BIDS FOR STEEL POWER PYLONS, MONOPOLE PYLONS, STEEL SUBSTATION STRUCTURES, POWERLINE HARDWARE, STREET LIGHTING STEEL POLES AND STEEL LATTICE TOWERS AND MASTS

4.1. Bids in respect of Steel Power Pylons, Monopoles Pylons; Steel Substation Structures; Powerline Hardware; Street Lighting Steel Poles and Steel Lattice Towers and Masts must contain a specific bidding condition which states that:

4.1.1 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 approval from **the dtic** to supply the remaining portion at a lower local content threshold. **the dtic**, in consultation with the procuring organ of state, will grant such approval on a case-by-case basis and will consider the following:

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

4.1.2 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.

4.1.3 The turn-around time for processing of authorisation requests is 5 working days from the date of receipt. Therefore, such applications should reach **the dtic** at least five days before closing date and time of bid.

4.1.4 The approval process that **the dtic** follows is that if there is a particular designated product and the minimum threshold for local content cannot be met for various reasons, bidders must apply for approval or authorization (when the tender is still open, before closing date). After checking with the industry, **the dtic** will then decide whether or not to grant an authorization. This is per bid.

4.1.5 The tender information / relevant information must be provided on the tenderer's / supplier's letterhead when requesting an authorisation letter:

- Procuring entity/government department/state owned company,
- Tender/bid number,
- Closing date,
- Item(s) for which the approval is being requested for,
- Detailed specifications issued by the procuring entity
- Local content that can be met
- Reason(s) for the request
- Supporting letters from local manufacturers/sub-suppliers

4.1.6 Organs of state may contact **the dtic** in instances where the stipulated minimum threshold for local content cannot be met in order for **the dtic** to verify and in consultation with the AO/AA provide directives in this regard.

4.1.7 For further information, bidders and procuring state organs may contact the Capital Equipment and Metals Sector Desk within **the dtic** at telephone (012) 394-1356/1380 or e-mail [localcontent@thedtic.gov.za](mailto:localcontent@thedtic.gov.za).

4.1.8 Bid specifications for the designated products in this Circular may be done in collaboration with **the dtic**.

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.

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:

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

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 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 Template (Annex C: Local Content Declaration Summary Schedule), Annexure D (Imported Content Declaration: Supporting Schedule to Annex C) and Annexure E (Local Content Declaration: Supporting Schedule to Annex C) are accessible to all potential bidders on **the dtic's** official website, namely <http://www.thedtic.gov.za/sectors-and-services-2/industrial-development/industrial-procurement/> at no cost.

4.5. For the purpose of paragraphs 4.1, 4.2 and 4.3 above, the 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 which the Public Finance Management Act applies, 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:

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

## **5. EVALUATION OF BIDS FOR STEEL POWER PYLONS, MONOPOLE PYLONS, STEEL SUBSTATION STRUCTURES, POWERLINE HARDWARE, STREET LIGHTING STEEL POLES AND STEEL LATTICE TOWERS AND MASTS**

- 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 and 11 of the Implementation Guide must be followed.

## **7. POST AWARD AND REPORTING REQUIREMENTS**

- 7.1. Once bids are awarded, **the dtic** 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 within 30 days of award.
- 7.2. The purpose of the requirements of paragraph 7.1 above is for **the dtic** 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 dtic must be directed as follows:**

The Department of Trade, Industry & Competition  
Private Bag X84  
Pretoria  
0001

For Attention:

Chief Director: Industrial Procurement  
Tel: (012) 394 1435  
Fax: (012) 394 1535  
EMAIL: [localcontent@thedtic.gov.za](mailto:localcontent@thedtic.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 applies.

## **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 27 JULY 2016**

This Circular repeals the Instruction on invitation and evaluation of bids based on a stipulated minimum threshold for local production and content for Steel Power Pylons, Monopoles Pylons; Steel Substation Structures; Powerline Hardware; Street Lighting Steel Poles and Steel Lattice Towers and Masts dated 27 July 2016 and takes effect on the date of issue.

## **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 date of issuance.

**MS ESTELLE SETAN**

**ACTING CHIEF PROCUREMENT OFFICER**

**DATE:**

**ANNEXURE A: DISTRIBUTION LINE, TRANSMISSION LINE AND SUBSTATION  
HARDWARE COMPONENTS DESIGNATED FOR 100% MINIMUM LOCAL CONTENT**

<b>Distribution Line, Transmission Line and Substation Hardware Components</b>
<p><b>Casted/Forged:</b> Arching Horn, Clamp, Clevis, Connector, Corona ring/bell/shield, Damper, Eye, Fitting, Hook, Installation pulley, Link, Shackle, Spacer, Spindle, Suspension/Strain assembly, Thimble, Tongue, Tower and Stay Component, Turnbuckle, Weight and other casted &amp; forged products used on powerlines and substations.</p>
<p><b>Drawn/Rolled:</b> Bolt, Fastener, Hook, Nail, Nut, Rod, Screw, Threaded rod, Washer and other drawn &amp; rolled products used on powerlines and substations.</p>
<p><b>Fabricated:</b> Adjustor, Anchor, Block, Brace, Bracket, Buckle, Clamp, Clevis, Clip, Compression fitting, Connector, Cross arm/X arm, Dead end, Ferrule, Fitting, Frame, Hook, Iron, Joint, Link, Lug, Plate, Platform, Pole, Rod, Shackle, Spindle, Stay, Strap tie, Support cradle, Thimble, Tie, Washer and other fabricated products used on powerlines and substations.</p>
<p><b>Helically/Wire Formed:</b> Armour Grip Suspension Unit, Armour Rod, Damper, Dead end, Grip, Pole top Make Off, Shunt, Spacer, Splice, Tie and other helically or wire formed products used on powerlines and substations.</p>
<p><b>Injected/Moulded/Baked/Combination:</b> Aerial Bundle Conductor (ABC) fitting, Bird flight Diverter, Box, Bush, Fuse cut/out Base, Fuse Holder, Insulator and other injected, moulded, baked or a combination of these methods or processes products used on powerlines and substations.</p>
<b>Insulators, Cut-Out/Drop-out Fuses and Corona Rings</b>
<p><b>11 – 33kV Cut-Out/Drop-out Fuses:</b></p> <ul style="list-style-type: none"> <li>• 11, 22 &amp; 33kv Base Assemblies, Fuse Holder Assemblies and Solid Links</li> </ul>
<p><b>11 – 132kV Distribution Insulators:</b></p> <ul style="list-style-type: none"> <li>• 11 – 44kV, (40, 70, 80, &amp; 90kN), Long Rod Insulators (All IEC end-fitting variations)</li> <li>• 11 – 132kV, (120 &amp; 160kN), Long Rod Insulators (All IEC end-fitting variations)</li> <li>• 110 – 132kV, (210 &amp; 300kN), Long Rod Insulators (All IEC end-fitting variations)</li> <li>• 11 – 132kV Braced, Horizontal, Inverse-Suspension, Jumper, Station, &amp; Vertical Line Post Insulators (All IEC &amp; other standard end-fitting variations)</li> </ul>
<p><b>161 – 275kV Sub-Transmission Insulators:</b></p> <ul style="list-style-type: none"> <li>• 161 – 275kV, (120, 160, 210, &amp; 300kN), Long Rod Insulators (All IEC end-fittings)</li> <li>• 161 – 275kV Braced, Horizontal, Jumper, Station, &amp; Vertical Line Post Insulators (All IEC &amp; other standard end-fitting variations)</li> </ul>
<p><b>330 – 765kV Transmission Insulators:</b></p> <ul style="list-style-type: none"> <li>• 330 – 400kV, (120, 160, 210, &amp; 300kN), Long Rod Insulators (All IEC end-fittings)</li> <li>• 400 – 765kV, (120, 160, 210 &amp; 300 &amp; 400kN), Long Rod Insulators (All IEC end-fittings)</li> </ul>
<p><b>132 – 765kV Corona Rings:</b></p> <ul style="list-style-type: none"> <li>• Ø220, 330, &amp; 430mm Cast Aluminium Corona Rings</li> <li>• Ø496 &amp; 566 mm Hot Dip Galvanised (HDG) Steel Corona Rings</li> </ul>
<p><b>Shield-Wire Insulators:</b></p> <ul style="list-style-type: none"> <li>• 70 &amp; 120kN Shield-Wire Long Rod Insulators (All IEC end-fittings)</li> <li>• Shield-Wire Post Insulators (All IEC &amp; other standard end-fitting variations)</li> </ul>