

Portfolio Committee on Trade and Industry

Inquiry into the levels of compliance with the localization and local public procurement policy with a focus on the transport sector.

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Purpose

1. To provide the NHBRC response to Parliament's Portfolio Committee on Trade and Industry on its inquiry into the levels of compliance with localisation and local public procurement policy with a focus on the transport.
2. The Committee endeavours to establish the following:
 - To what extent the local content requirements were complied with by government, including local government, and state-owned companies within the contracts that were entered into and the delivery on those;
 - The reasons for any non-compliance; and
 - Appropriate legislative and other mechanisms to be effected to improve enforcement of these policies.

Scope

The response will address, amongst others, answers to specific issues raised by the Portfolio Committee and includes:

1. Volume and Value of the bus bodies procured by the NHBRC since bus bodies were designated in July 2012.
2. The timeframes associated with the procurement of bus bodies.
3. Any other bus body procurements subject to procurement obligations including the National Industrial Participation Programme (NIPP).
4. Any challenges in finding suppliers that meet the local content requirements.
5. The Local content requirements set in the tender documents and the final agreed contractual obligation reached.
6. The Process to verify that local content requirements are being met.
7. The progress with meeting the localisation target set in the 2012 bus body designation

Background – Mandate and core activities of the NHBRC

Established under the Housing Consumer Protection Measures Act of 1998

**Protect Housing
Consumer**

Key activities

Regulation and Protection

Legal Compliance and Enforcement

Research and Development

Provision of Warranty Cover

VISION

To be champion of the housing consumer

MISSION

To protect the housing consumers and to regulate the homebuilding environment

MOTTO

Assuring Quality homes

STRATEGY

- To ensure that housing consumers and homebuilders are educated on their rights and obligations
- To entrench a culture of compliance through fair and efficient enforcement mechanisms
- To research and introduce innovative products, methods and technologies within the homebuilding industry
- To maintain a sustainable warranty fund.

NHBRC Key procurement activities

1. Information, Communication and Technology (ICT) services and products
2. Remedial work contractors
3. Forensic engineering services
4. Rental of office space
5. Consumer awareness services
6. Travel services
7. Home Builder Training services
8. Legal services

Applicable Regulatory Frameworks

- Industrial Policy Action Plan 2007
 - ✓ (Automotive assembly and components)
- National Treasury Circular – Invitation and Evaluation of Bids Based on A Stipulated Minimum Threshold for Local Production and Content for the Bus Sector (2012)
 - ✓ Specifications and stipulated minimum threshold percentages and requirements for local production and content in respect of Bus/Bus body

Procurement of Mobile Offices

- (a) The volume and value of bus bodies procured by the NHBRC since bus bodies were designated in July 2012
 - (b) Timeframe associated with procurement of bus bodies
- In February 2015 the NHBRC entered into a procurement process to lease two mobile office buses for a period of three years (R11,080,800).
 - The purpose of the mobile offices is to enable the NHBRC to increase its service delivery to remote and rural areas.
 - As part of this process, advice and expertise of the Departments of Trade and Industry and National Treasury was secured.
 - The bid was awarded in December 2015
 - The service level agreement for the mobile buses was signed in March 2016.
 - NHBRC took delivery in May 2017.

Procurement of Mobile Offices

(b) Any other bus body procurements subject to procurement obligations including the National Industrial Participation Programme (NIPP)

- NIPP places a statutory obligation on the suppliers of goods and services to Government that have an imported content of \$10 million and above, to participate in domestic economic activity, by supporting the productive sectors of the economy through any or a combination of investment, export sales, research and development, technology transfer and transformation of domestic economy with special emphasis on the manufacturing sector.
- The NHBRC did not have any transaction of affected by this.

Procurement of Mobile Offices

(c) Any challenges in finding suppliers that meet the local requirements

- The NHBRC did not struggle to find suppliers that met the local specification requirements.

Procurement of Mobile Offices

(d) Local content requirements set in tender documents and final agreed contractual obligation reached

The specification stipulated minimum threshold percentage and requirement content in respect of bus/bus body is as follows:

- Any other bus / bus body whether it be commuter, city or semi luxury coach not fitting a specific description, whether of monocoque structure or not **80%**.
- The chassis, engine and transmission must be assembled completely knocked down in South Africa. Hang-on parts (fuel tank, tyres, battery, wheel rims) for the chassis which could be localized are specific to this bid.
- The chassis, engine and transmission assemblies must comply with the CKD definition of the amended Note 5 as stipulated in Chapter 98 of the Customs and Excise Act, 1964.
- Only locally produced or locally manufactured Buses which meet the stipulated threshold of 80% for local production and content will be considered further .

Procurement of Mobile Offices

(e) Process to verify that local content requirements are being met

- The process to verify that local content requirements are being met was put in place.
- The process required bidders to complete local content form SBD 6.2 which forms part of their tender documentation for submission to NHBRC.

Procurement of Mobile Offices

(F) Progress with meeting the localisation targets set in the 2012 bus body designation

- The localisation targets are the chassis, engine and transmission which must be assembled completely knocked down in South Africa.
- Hang-on parts (fuel tank, tyres, battery, wheel rims) for the chassis which could be localised should be bid specific.
- The supplier met the localisation target stated under the specification threshold above.

Conclusion

- The NHBRC procured the leasing of 2 mobile offices in line with the National Treasury circular.
- The transaction was audited by the Auditor General as part of its compliance audit to ensure it complies with the respective regulatory requirements.
- The NHBRC will continue to endeavour to promote local supply and industrialisation of services it procures.

Thank you

