



THE TERMS OF REFERENCE FOR THE APPOINTMENT OF A SERVICE PROVIDER TO CONDUCT RESEARCH ON THE IMPACT OF DESIGNATING WORKING WATERBORNE VESSELS (INCLUDING SHIPS AND BOATS) FOR LOCAL MANUFACTURING

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REQUEST FOR PROPOSALS TO CONDUCT RESEARCH ON THE IMPACT OF DESIGNATING WORKING WATERBORNE VESSELS (INCLUDING SHIPS AND BOATS) FOR LOCAL MANUFACTURING

Terms of reference for the appointment of a service provider to conduct research on the impact of designating working waterborne vessels (including ships and boats) for local manufacturing



1. PURPOSE

Trade and Industrial Policy Strategies (TIPS), on behalf of the Department of Trade, Industry and Competition (the dtic), invites interested Service Providers to submit proposals to conduct research on the impact of designating working waterborne vessels (including ships and boats) for local manufacturing.

The purpose of the project is to appoint a Service Provider to conduct a comprehensive research and review the impact of the designation for local manufacturing of marine vessels, including all categories of ships and boats for commercial and recreational purposes, procured by public entities (national, provincial, and local departments, as well as State-Owned Companies) on the growth of the South African economy across various sectors.

2. OBJECTIVES OF THE STUDY

The study aims at conducting a deep dive into the impact on the economy, of the designation policy for local procurement of waterborne vessels with a minimum threshold of 60% in all public expenditure related to working boats and ship. The rationale behind the study is to determine, using a scientifically proven methodology, the value addition in terms of jobs, exports, investment, capability, and any other developmental impact as a result of procurement under designation policy, of vessels from the local Marine Manufacturing industry. Furthermore, the study will identify and project the future impact of the industry's designation and identify components with potential for localisation, meaning components that can be produced locally and/or accredited to the marine standards.

3. BACKGROUND

In 2011, the Industrial Policy Action Plan (IPAP) identified the boatbuilding industry as a priority sector in supporting the objectives of industrial growth and a movement towards a knowledge

economy. Furthermore, in early 2014, Operation Phakisa was established as an initiative to enhance the potential of the ocean economy, based on the Malaysian model “Big Fast Result”. Among the labs established, the Marine Transport and Manufacturing (MTM) was identified with their associated key performance indicators to unlock growth and delivery in the ocean economy.

As a result of the potential of job creation and multipliers across industries in the value chain, the manufacturing of working vessels was designated for local manufacturing with a mandatory threshold of local content value of 60% effective from 01 October 2014. The Instruction Note was later amended and re-issued by the National Treasury on 11 June 2018. Since then several ships and boats have been manufactured locally under the designation policy but the impact of such the designation policy has not yet been scientifically quantified.

4. PROBLEM STATEMENT OBJECTIVES

Since the designation policy for local procurement of public working vessels, the impact of designation on the manufacturing industry of boats and ship, has never been determined. The new Procurement Bill that was assented by the President in July 2024, makes provision for the designation of sectors/industries for local production. The Procurement Bill states explicitly the role of **the dtic**, that the Minister by notice in the Gazette:

- Designate a sector, sub-sector, industry, or product in accordance with national development and industrial policies for local production and content, where only locally produced or manufactured goods meet the stipulated minimum threshold for local production and content, taking into account economic and other relevant factors;
- Stipulate a minimum threshold for local production and content and stipulate the period of the designation;
- Reviewed all comments received and provided responses to the comments in a schedule setting out the comments and responses, updated the proposed designation after considering the comments and proposals.

- In determining the threshold, **the dtic** Minister must, in addition to considering the public comments and responses, consider whether there are sufficient local manufacturers in the country who are capable of competing for the provision of goods designated for local production and content by determining— the number of existing manufacturers available in the country.

Among considerations for designation, the Minister must also take into account:

- The security of supply or capability to supply or the period that the designation is to be in effect;
- The contribution of other role-players in the supply chain of the commodity or product including distributors and product agents; and
- The effect of local production and content on employment; and the economic impact on imported goods.

The designation and stipulation may only occur after the responsible Minister has— published the proposed designation, including the proposed minimum thresholds, for public comment for thirty days in the Gazette and on the departmental website and has notified the Minister of such publication.

As a result of the above regulations stated in the new Procurement Bill, there is a need for the review of the existing Marine Manufacturing designation policy of 2014 and amended in 2018.

5. METHODOLOGY

- 5.1. The service provider is required to identify and use appropriate quantitative and qualitative methods, as appropriate, to assist in the analysis of the designation taking into account the dynamics of related industries, stakeholder's views, and regulations on the matter.
- 5.2. The methodology used in measuring the impact of designation, should be able to separate the impact of the designation of waterborne vessels from any other factor that may influence or may have influenced the result observed in the economy in general and the marine manufacturing industry and related value chain in particular. Thus, the methodology

should be able to create the scenarios reflecting outlook of the economy and the industry if the designation policy was not implemented in 2014. Furthermore, the methodology should be able to simulate and project the impact of the designation if implemented in the future.

- 5.3. The model should be based on the industry context in terms of the availability of data and response rate to engagement.
- 5.4. The Service Provider is expected to stipulate the approach and provide a step-by-step explanation of the proposed process to reach the end result of this requirement.
- 5.5. It will be imperative for the Service Provider to outline in the methodology why a particular method was chosen, and what pros, cons, and risk factors are.
- 5.6. The use of appropriate research techniques or approaches based on the need to involve and achieve the highest participation rate possible of individual companies/ industry associations into the process.
- 5.7. The service provider will also identify stakeholders to engage in the process.

6. SCOPE OF WORK

The minimum work required under the project must include the following:

6.1. Market Analysis

- Identified domestic manufacturers of waterborne vessels and established their number, their spread geographically, their levels of output (volume and value where appropriate), sales, value-added, capacity and capability, their existing level of employment and the potential for employment growth.
- An assessment of the current ability of the industry to supply public demand and sequentially scale up to meet future demand
- Levels of industry concentration and competition, including identification of the large / lead / dominant firms in the industry, with information disaggregated by firm where possible
- Type of skills used in the industry, including challenges for the growth of the industry (including minimum and maximum NQF level)

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- An assessment of the current level of local content in terms of inputs with the exception of labour
 - Assessment of technologies, currently used including ownership of the Intellectual Property (IP).

6.2. Determination of the impact of public procurement

- Using the list of tenders, quantification of the impact of the procurement done under designation policy through modelling that establishes the linkages and multipliers across value chains of the industry
- Establish a methodology and/or economic modelling based on an Input-Output matrix that quantifies distinctly from any other factors, the impact of designation for local procurement of waterborne vessels on the SA economy in general and on the manufacturing sector in particular with a special focus on industries in the value chain of the ship- and boat-building that may impact the outlook, including the impact on:
 - The Gross Domestic Product (GDP),
 - The employment,
 - The production output,
 - The investment,
 - The technology learnings,
 - The exports, and
 - The Imports ((import substitution)
- To establish the impact of the source of the design, including the impact on spares for maintenance and repair services, the impact on the insurance of the vessel locally and internationally, and the impact on the export market of marine vessels
- To establish the investment levels in the sector
- To establish the impact of designation on SMMEs, were there new entrants and determine the number of SMMEs that benefitted through supply chains
- To determine new products/services and the type of products/services
- To determine new certificates/standards acquired at the back of the designation

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- Explore whether there have been any international orders at the back of the designations (Africa and the rest of the World)
 - To determine what the capacity utilisation is in the sector before and after designation
 - Establish whether any new skills were developed/honed and new artisans trained at the back of the designation
 - Established as detailed as possible historical data and three-year MTEF projections of values and volumes procured waterborne vessels through engaging the National Treasury and/or the specific organs of state / public entities procuring products must provide as
 - Explore potential tendering opportunities in the African market and how the SA industry can participate
 - Determine how many (and value), since the designation policy, has been procured on the local and global markets by public procuring entities.

6.3. Cost structure and competitiveness

- Establish the structure and drivers of cost in the manufacturing of waterborne vessels in South Africa and benchmark such cost drivers with one or more countries competing with the South African ship- and boat-building industry on the local and global markets.
- Estimate the cost of designation of the industry to the economy and establish the cost-benefit to the procuring entities, local shipyards, and the SA economy in general. The analysis will include also the cost and price premium derived thereof.
- Identify initiatives that can enhance the industry competitiveness and close the gaps in the shortfall of the local industry in comparison to the same industry in the benchmarked country (ies).

6.4. Recommendations

The service provider will also provide among others a guideline in the form of overall recommendations on:

- Key considerations for the designation of waterborne vessels for local manufacturing.

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- Competition and price premium benchmark considerations that should be taken into account in the procurement process.
 - List of components to be considered for local sourcing in the manufacturing of vessels
 - The optimal minimum threshold for local content on waterborne vessels.

7. DELIVERABLES

The completed study is to be delivered to Trade and Industrial Policy Strategies (TIPS) six month from the signing of the Service Level Agreement (SLA).

The deliverables from the service provider will include but not be limited to the following to be submitted:

- Work plan;
- An inception report which will be presented to the Steering Committee (SC) made of TIPS, **the dtic** team and identified stakeholders;
- Monthly, and quarterly progress reports;
- Interim report;
- Comprehensive final report with concrete recommendations;
- Draft final report following inputs from the Steering Committee;
- A workshop to present final results to the Steering Committee;
- Final report: recommendations, action to undertake, and expected outcomes, impacts, and sustainability.

The service provider will ensure the buy-in of the industry on the strategy suggested and/or recommendations from the project outcome.

8. SUBMISSION OF THE FINAL REPORT

The section will cover the format in which the final report will be submitted:

- Final report with notes on the methodology used;
- Executive summary in Word;
- PowerPoint presentation of the report;
- E-copies: 1 electronic version of the Executive Summary and 1 electronic version of the final report.



The service provider will be expected to provide over and above:

- A separate Annexure for the list of attendees to the workshop, respondents, consulted and interviewed. This will be used as proof of industry consultations and engagements and for future reference.

9. QUALIFICATIONS, EXPERIENCE AND EXPERTISE

1. To be considered for this project the service provider must demonstrate capacity and capabilities in the following:
 - a. The education qualifications of the project leader and key team members must include among others, Masters or Honours Degrees in areas such as Economics, Mathematical Statistics, Engineering, Naval Engineering, etc.
 - b. At least one of the leading team members must have at least five (5) years of technical experience in the manufacturing or design of ships/boats or project management of shipbuilding;
 - c. The proposed key staff should have at least 10 years of combined research or experience in research the boat-building and ship-building industry;
 - d. Good understanding of the dynamism of the ship/boatbuilding industry, extensive knowledge of, and expertise in the ship/boatbuilding sector;
 - e. Extensive experience in developing projection models, ability to conduct feasibility studies, and project management. Demonstrate expertise by referring to feasibility studies and 3 previous studies by the leader or key project members;
 - f. Clear understanding of **the dtic** objectives and its role in the development of industry;
 - g. Good knowledge and understanding of the Industrial Policy;
 - h. Good understanding of the aims and objectives of Preferential Procurement Regulations and the designation/localisation policy of **the dtic**;
 - i. The proposed key staff should have the ability to analyse data and propose an economic model measuring impact;



2. Bidders must submit comprehensive CVs of all proposed key staff and a summary table in the following format: **1st column**: Name and ID number of key staff member; **2nd column**: Relevant qualification(s) and courses successfully completed; **3rd column**: number of years of relevant experience indicated in numerical format; **4th column**: case studies to prove relevant experience and knowledge in field of expertise (as indicated in below table):

Name and ID number of key staff member	Relevant qualification(s) and courses successfully completed	Number of years' relevant experience in numerical format (Only indicate the number of years performing this specific work/service).	Only relevant case studies or relevant other proof and relevant references to prove relevant experience and knowledge in field of expertise.
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3. The bidding company must be in existence for at least 5 years, with 3 years of relevant experience in delivering the required service:
- Proof of the number of years in existence should be provided by submission of a copy of the CIPC certificate or any other relevant registration document;
 - Proof of relevant experience should be provided by means of case studies detailing the type of project, the period of the project, the magnitude of the project, and the result of the project. Reference letters from former clients will be an added advantage.

NB: TIPS reserves the right to vet all documentation and information provided by bidders to prove their relevant experience and ability to perform the service.

For the service provider to be considered for the project the service provider must demonstrate capacity and capabilities in the following (including but not limited to education, skills, research experience, and industry knowledge):

- The leading team members;
- The overall project investigator or leader;
- Education qualifications of the projects leaders and key team members;
- Clear understanding of the dtic objectives and its role and focus on human capital development;
- Good knowledge and understanding of the Industrial Policy;
- Demonstrate ability in stakeholder mobilisation and management, including mediation by referring to projects reports written and presentations conducted by the company (team).

10. TECHNICAL EVALUATION

Key scores

Score	Description
0 – Non-compliant	No evidence provided to substantiate compliance
1 – Poor	Unacceptable, does not meet set requirements
2 – Average	Reasonable but not sufficient to fully satisfy the set requirements
3 – Good	Fully complies to the set minimum requirements
4 – Very Good	Above-average compliance with the set requirements
5 – Excellent	Meets and exceeds the set requirements

PHASE 1: FUNCTIONAL EVALUATION

No.	Criteria	Weighting	Rate (0-5)	Total Score
1.	Qualifications and experience of proposed key staff			
1.1	Qualification of the project leader and key team members (Masters or Honours Degrees in areas such as Economics, Mathematical Statistics, Engineering, Naval Engineering, etc.)	10		

No.	Criteria	Weighting	Rate (0-5)	Total Score
1.2	Experience of the Leading Team Members (At least one of the leading team members must have at least five (5) years of technical experience in the manufacturing or design of ships/boats or project management of shipbuilding)	15		
1.3	Research or experience in the Ship/boatbuilding Industry (At least 10 years of combined research or experience in research the boat-building and ship-building industry)	10		
2.	Understanding of the dtic mandate and key policies			
2.1	Key staff relevant experience proven by case studies detailing the type of project, the period of the project, the magnitude of the project and the result of the project.	10		
2.2	Knowledge and understanding of the dtic's objectives, the Industrial Policy, the Preferential Procurement Regulations, and the designation/localisation policy of the dtic .	10		
2.3	The ability to analyse data and propose an economic model	10		

No.	Criteria	Weighting	Rate (0-5)	Total Score
	measuring impact of an intervention/policy.			
3.	Methodology and research models			
3.1	Methodology proposed in line with requirements stipulated in the Terms of Reference.	30		
4.	Project plan			
4.1	The must provide a detailed project plan to undertake the assignment; the plan must indicate key activities, timelines, milestones/ deliverables.	5		
5.	MAXIMUM POINTS	100		

PRICE AND PREFERENCE POINTS

	<u>80/20 PRINCIPLE</u>	POINTS
1	<u>Price</u>	80
2	<u>B-BBEE status level of contribution</u>	20

11. REPORTING

TIPS, the dtic and other identified stakeholders will form a Steering Committee to oversee the project, with specified Project Manager and Project team as the contact for the service provider to report on progress of the project, within the stipulated timeframes. The reports will be required to be documented in a specific format as provided by the Project Manager.

The service provider must provide the **Project Manager and Project team** with a project plan indicating time frames, processes of implementation and provide reports, evaluation and statistical data.

The **Steering Committee** will evaluate each phase before any payment is approved.



The final report should be presented to the Steering Committee. All meetings are to be arranged by the Service Provider who is expected to keep the record of such meetings and to deliver the record of a meeting within 10 working days of it having taken place.

On conclusion of the project, a meeting will be held between the service provider and the key stakeholders who will be identified by the Steering Committee.

12. PROPOSAL REQUIREMENTS

The proposal will comprise the following elements:

- Understanding of the Programme Context and the Assignment
- Organisation and methodology
- Proposed Team Composition and Key Experts Profile
- Financial proposal with a budget breakdown and a cash flow forecast
- Attachment of the B-BBEE certificate

The **budget breakdown** will include:

- The estimated number of days per expert and other personnel and fee rate per expert/personnel and output.
- The incidental and disbursement costs (including travel, stationery etc. as well as outsourced or insourced costs not covered by key expert fee days) per output.
- Any additional costs.

Please Note: Proposals with a budget over R1.2 million (including VAT) will not be considered.

13. CONTRACTUAL PERIOD

The project should be completed within **six (6) months** from the date of last signature on the Service Level Agreement that will be signed by both parties.

14. CLOSING DATE

Closing Date: 19 September 2025 at 16h00.



Proposals should be sent to Trade and Industrial Policy Strategies (TIPS) for the attention of **Ms. Daphney Mabuza** (daphney@tips.org.za)