national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

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Mr. Ayanda Kanana
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Dear Mr Kanana

EXTENSION OF CONTRACT IN EXCESS OF THE 15% THRESHOLD: APPOINTMENT OF MOBILE TELEPHONE NETWORKS (PTY) LTD (MTN)

1. The National Treasury acknowledges receipt of your letter dated 24 August 2021 and additional information received on 30 August 2021.

2. Your Institution is requesting approval to extend the Mobile Telephone Networks (Pty) Ltd (MTN) contract for Wide Area Network (WAN) and Access Point Name (APN) for a period of twelve (12) months (01 September 2021 to 31 August 2022), in the amount of R5 065 238.40 at 37.78% variance. The original contract is for a period of five (5) years at an amount of R 13 405 633.55 (01 September 2016 to 31 August 2021). The scope of the contract has been expanded internally 3 times at an accumulative amount of R 1 524 201.60 and accumulative variance of 11.37%.

3. The request for contract extension was recommended by the Chief Executive Officer on 26 Auugst 2021.

4. The reasons provided for contract extension are In March 2021 the SCM department advised the IT division of the contract lapsing in September and the potential for the bank to leverage off the recently concluded National Treasury Transversal agreement with network providers. In June 2021, the IT division after studying and scrutinising the offering in the National Treasury Transversal agreement in relation to the current and future design requirements for the WAN and APN,

concluded that the bank would not benefit from this arrangement due to its limited scope. Thus, the bank would need to go on an open tender for the intended services.

5. The WAN and APN contract is a major part of the bank's infrastructure and these contracts normally are 5 year contracts with designated network infrastructure commissioned as part of the contract. It might be unwise to approach the market for a new solution while the bank is still in the process of refining itself with respect to its future needs and strategies e.g. future staff complement in relation to Fit for Purpose structure, branch channel strategy in relation to the operating model review etc. These processes are still work in progress in the bank, and as such the IT division has not been able to package the full requirements to inform the infrastructure design needs for the new WAN and APN future contract. The bank to approach MTN as part of the contract extension negotiations to relook their current costing as it pertains to data costs over the past 5 years, which could also include a bigger APN bundle to counter the high cost of out of bundle cost due to work from home.

6. The reasons provided for the contract extension are justifiable.

7. National Treasury supports the extension of this contract on condition that the Transversal Contract (RT15-2021) is not beneficial to LandBank and the reasonableness of the prices has been assessed.

8. The Institution has an obligation to ensure that any contract for goods and services is in accordance with a system that is fair, equitable, transparent, competitive and cost effective.

9. This award must be published on the e-tender portal.

Kind regards

Signed by:Molefe Isaac Fani
Signed at:2021-09-09 13:50:36 +02:00
Reason:Witnessing Molefe Isaac Fani

MOLEFE-ISAAC FANI
ACTING CHIEF PROCUREMENT OFFICER
DATE: 09/09/21