

INTERNAL MEMORANDUM

Request for Procurement by Other Means (Deviation from normal bidding process) in terms of Treasury Regulations 16A.6.4

**Sole Source (Limited Bid), or
Single Source (Limited Bid)**

FINANCE Procurement

TO	NBAC	COST CENTRE NUMBER(s)	159000
FROM	Zamo Latha Operational Manager: Strategic Sourcing	REFERENCE (shopping cart)	
TEL NUMBER	063 649 4635	DATE	6 December 2024
REQUESTING DIVISION	NOE		
HEAD OF REQUESTING DIVISION	Herman Smith		
SUBJECT	Provision of truck and vehicle storage facility		
NAME OF SUPPLIER	Ryncor CC		
TERM REQUESTED	5 years	AMOUNT REQUESTED	R5 304 606
REASON FOR PROCUREMENT BY OTHER MEANS (DEVIATION)	Sole Source (Limited Bid):	Single Source (Limited Bid):	X
LEVEL OF APPROVAL REQUIRED PER DOA	NBAC		
For Procurement Use (after approval):			
Deviation (EX) number:	EX 48/2024	Date reported to National Treasury:	18/12/2024
		Date reported to Auditor-General:	18/12/2024

Forwarded to you for:

- ☒ Approval
☐ For Your Records
☐ Action as required

- ☐ Verification
☐ Information
☐ Proof Reading

On completion please forward to:

☒ Sender

☐ Other

Comments:

CHECKLIST - SUBMISSION PACK FOR APPROVAL

Tick the applicable box:		Yes	No	N/A	Comments
1.	This submission of deviation (procurement by other means)				
1.1	• Is the submission completed in full and correctly signed off?	x			
1.2	• Does the submission articulate the Purpose, Background, Scope, Sourcing Strategy, Stakeholders, Legal & Financial Implications, Recommendations and Signatures?	x			
2.	SOLE source				
2.1	• Is it confirmed that there is no other competition in the market and only one (1) supplier is able to provide the goods or services to justify the sole source?			x	
3.	SINGLE source				
3.1	• Is it confirmed that the supplier recommended for approval is justified of the best value in the market to maximize the return on investment and future cost reductions?	x			
4.	Internal checks:				
4.1	• Were the previous approved minutes, action plans and recommendations considered in this submission?			X	
4.2	• Is the request (inclusive of VAT) within the approved budget?	X			
4.3	• Was the project registered on the approved demand plan? Indicate in the comments the line item number of demand plan.		X		
4.4	• Does the financial implication in the submission agree to the supplier's pricing?	X			Landlord provided a rate per square metre.
5.	Documents to be attached:				
5.1	• Approved sourcing strategy to support the supplier selection.	x			
5.2	• <u>Sole source</u> : Sole Source supplier certificate.			X	
5.3	• <u>Single source</u> : Business Unit's approved long-term strategy.	X			
5.4	• Approved business case.	X			
5.5	• Minutes of the previous approval(s).			X	
5.6	• Supplier's proposal, quotation and/or pricing schedule.	X			
5.7	• Finance confirmation of budget availability approved in terms of the DOA.	X			
5.8	• CSD registration report.	X			
5.9	• SBD 4.	X			
5.10	• Supplier valid B-BBEE certificate.	X			
5.11	• Health and Safety Assessment Report	X			
5.12	• Security Assessment Report	X			

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INTERNAL MEMORANDUM

1. Purpose

The purpose of this memorandum is to request NBAC to consider and approve the Single Source Limited Bid procurement by other means (deviation from normal bidding process), in accordance with Treasury Regulations 16A.6.4, appointment of Ryncor CC on ad-hoc basis for the provision of truck and vehicle storage including towing services for a period of 5 years with a budgeted amount of R5 304 606.

2. Business requirement background

The South African Customs Administration plays an integral role in the facilitation of movement of goods and people entering or exiting the borders of South Africa. SARS' mandate and priorities include providing border control management, community protection and Industry protection, administer trade policy measures and industry schemes, and collection of all revenue due. Thus, Customs in pursuance of its mandate implements interventions that are aimed at improving Customs compliance including detention and seizure of goods, vehicle and trucks that are found to have been dealt with contrary to the provisions of the mandate.

The process of destruction requires that once the vehicle or truck has been detained by SARS, it must be removed from the point of detention into a secured facility until further investigations are finalised. The process of investigation is lengthy, and which may sometimes require legal processes to be finalise. During this period, it remains SARS' responsibility to ensure that consignments detained are kept safe.

The provision of infrastructure to accommodate such functions is critical to support operations to ensure successful execution of the mandate. Over the years there has been an increase in illicit trade and movement of goods including fuel which is hazardous with 32 trucks that were impounded by Customs officials at Lebombo port of entry in the month of April 2024.

Currently, SARS is using state and virtual warehouse to store detained trucks and vehicles. Several risks associated with using these facilities have been identified, hence the need to source a dedicated storage facility is vital.

The available state warehouse infrastructure within the Gauteng region does not have adequate space for storage of trucks and vehicles. Consequently, detained trucks and vehicles have been moved into various sites including Lehae la SARS and Alberton Campus and other SARS warehouses; these facilities are not designed for storage of trucks and vehicles especially trucks carrying hazardous and

flammable goods such as chemicals and fuel posing a serious health and safety risk to SARS employees and surrounding environment.

It is for this reason that a suitable and secure vehicle and storage facility be procured to comply with the Health and Safety requirements as well as ensure Customs effective operations for the enforcement drive. The central truck storage will accommodate inland operations promoting cost-effectiveness and better risk management.

3. Procurement background

The lack of suitable yard spaces at the state warehouse has forced SARS to source additional storage facility to store detained vehicles and trucks, with the aim of addressing this challenge, SARS through RFQ process contracted with Lebombo Border Dry Port (LBDP) (Pty) Ltd near KM 7 near Lebombo port of entry for the storage of detained fuel tankers. The facility was not conducive to store hazardous commodity which posed a health and environmental risks, however, due to lack of alternatives, it was the closest immediate solution. Subsequently, the lease agreement expired on 31 March 2023.

SARS could not renew the lease agreement with Lebombo Border Dry Port (Pty) Ltd because there was an ongoing legal battle regarding ownership of this land between the Department of Public Works and Infrastructure (NDPWI) and Lebombo EN Projects (Pty) Limited. SARS planned to directly engage and contract with NDPWI for the storage space, however, Corporate Legal Services advised that the storage space is not available for leasing until the current lease with LBDP is cancelled.

Considering the ongoing legal battle around the land at KM7, there was an urgent need to source an alternative storage for the detained tankers. The RFQ was subsequently published on 21 May 2024. On closing date, a total of 4 proposal was received and Ryncor CC was appointed for a period of 12 months. The contract commenced on 7 June 2024 and expires on 6 June 2025 for a capped amount of R1 000 000, VAT inclusive. Since the commencement of the contract, SARS has paid an amount of R232 699.88 on storage fees on 32 trucks.

4. Scope of goods and services

Below is the detailed scope of each of the required goods or services:

- 4.1. The truck and vehicle storage facility (yard) required must at least be 5000 - 6000 sqm for a period of 5 years, on an ad-hoc basis.

- 4.2. The appointed service provider will be required to tow trucks and vehicles to their facility, as-and-when-required.

5. Sourcing strategy conducted by Procurement in substantiating the procurement by other means (deviation)

	Procurement by other means option:	Description:	Please indicate option of this request:
1	Sole source limited bid	Where there is no competition in the market and only one (1) supplier is able to provide the goods or services.	
2	Single source limited bid	Where a thorough analysis of the market and a transparent and equitable pre-selection process is used to decide on one supplier among a few prospective bidders to make a proposal.	x

In substantiating this deviation, Procurement conducted a sourcing strategy covering such critical aspects which is detailed below.

5.1. Internal need analysis

The procurement of suitable vehicle and truck storage facility aligns to SARS objective of increasing cost-effectiveness, internal efficiency, and institutional responsibility through reduced security costs through a centralised vehicle storage facility.

Furthermore, the procurement of a storage facility will enhance Customs operations and compliance. The facility will assist SARS to avoid risks associated with detention of goods and vehicles such as theft which leads to loss of evidence.

5.2. Pre-selection process conducted.

The market analysis and research conducted in justification of this deviation, indicates that there are limited facilities that provide truck storage space.

The below table is the list of yard spaces that SARS viewed:

Building Elements / Property Agent/ Proposed Building	Louwlandia One Property Group	JR 209 Investments	Ryncor Storage Facility
Yard space should comprise a minimum 5000 m ² at minimum to 6000 m ²	x 8400	√ 5000	√ 5000
Electrical Fence	√	x	√
Electricity Supply	√	x	√

Building Elements / Property Agent/ Proposed Building	Louwlandia One Property Group	JR 209 Investments	Ryncor Storage Facility
Water Supply	√	x	√
Yard space only with no offices	x	√	√

The providers of truck storage facilities had the following conditions for SARS:

- SARS to conduct daily monitoring of trucks every morning to ensure they still in good condition.
- SARS trucks cannot be parked for longer periods.
- SARS must only bring on site trucks that are in good condition and not leaking of liquids
- Trucks carrying fuel or petroleum contents cannot be stored in the facility.
- Some Landlords offered SARS yards that were not fenced, and un-serviced land meaning had to register with the municipality for water and electrical supply. In addition, SARS had to invest in technical security infrastructure and minor general building works.
- Some landlords are not willing to enter into a lease agreement with SARS meaning the required space of 5000 sqm cannot be secured. The availability of space is based on first-come-first serve basis. In addition, the occupant is charged a daily rate which can result into exorbitant cost considering that SARS trucks and vehicles are kept for longer until legal proceeds are finalized.

5.3. Ryncor CC Storage Facility

a) Ryncor is offering SARS a storage facility measuring 5000 square metres located in Pretoria, already has the following infrastructure in place:

- 24-hour security guards.
- 24-hour armed response.
- Camera surveillance.
- Electric perimeter fencing at our Pretoria storage facility.
- Steel stake wall fencing.
- Insurance on SARS assets.
- Public liability coverage.
- Fidelity cover.
- Weekly detailed reporting to SARS on the condition of their assets.
- Daily inspections of your assets.

5.4. Health and Safety Report

Health and Safety Report highlighted the following requirements which must be addressed prior occupation:

- Conduct an assessment with a reputable Fire Engineer and to implement the corrective actions required.
- Measures are put in place to ensure that there is no soil contamination. This, however, is not only for the landlord but also for SARS to ensure that there is no soil pollution, and that spill kits and trip trays are made available once the space is occupied.
- Once approval is granted, a copy of the Electrical Fence COC must be submitted as well as the COC on the fire equipment installed.

5.5. Security Report

Security Report highlighted the following requirements which must be addressed prior occupation:

- Installation of security systems that will provide CCTV, Alarm and Access control coverage of the yard/plot, with the systems controlled and linked to the National and Regional Security Operation Centres
- A boom gate fitted with spike must be fitted in the SARS entry, exit and emergency gate.

5.6. Final sourcing strategy outcome

Procurement believes that the sourcing strategy process conducted above provides adequate motivation to substantiate the SINGLE SOURCE LIMITED BID procurement by other means (deviation):

- A competitive bidding process was not deemed feasible and had a high risk of a non-responsive tender considering that vehicle and truck storage providers work on a first-come-first serve basis and dependent on space availability. These service providers operate on an arm's length transactional basis. The transaction principle will not meet SARS requirement since SARS wants to enter into a long-term contract.

- The market does not have an appetite to respond to tender invites and form long-term relationships for truck and vehicle storage. This transpired even from the RFQ process where four (4) service providers were directly invited through emails and only two (2) proposals were received from the process.
- The Ryncor storage facility meets the SARS requirements in terms of space size and appropriate supporting infrastructure.

6. Motivating the reason for the procurement by other means (deviating from competitive bidding) i.t.o. TR16A.6.4

6.1. Single source limited bid

In view of the above facts, it would be impractical in terms of Treasury Regulation 16A.6.4 to procure the related goods or services by means of a normal open, fair, transparent, and competitive bidding process primarily as Ryncor storage facility is the one facility that's meets SARS vehicle and truck storage requirements.

Ryncor storage facility located in Pretoria is the only one that can provide SARS with 5000sqm for long-term storage.

7. Financial implications

Procurement by other means (Deviations) are reported to the relevant authorities (National Treasury and/or the Auditor-General). The amount approved is the amount which will be reported, and this amount cannot be exceeded.

For each space utilised by SARS, Ryncor will charge R28.00 per square meter per month. SARS will only be liable to pay for space occupied, though the Landlord will secure 5000 sqm for SARS.

An amount of R5 304 606 has been budgeted for vehicle and truck storage for a period of 5 years.

8. Legal Implications

On approval, Corporate Legal Services (CLS) will prepare a contract between SARS and Ryncor CC for the approved period.

9. Due diligence

Procurement has performed the following due diligence on the recommended supplier:

- Ryncor CC is registered on the CSD system, and the tax compliance status is verified as compliant.
- Ryncor CC is not a restricted supplier according to the CSD system.
- None of the directors listed on the CSD system are employees of the State.
- The supplier's responses on SBD 4 have been reviewed and verified.
- The supplier is a Level 2 B-BBEE contributor.
- Based on the CSD system, Ryncor CC has the following active directors listed:

	Director listed as per CSD	ID Number
1	Mari Molefe Van Heerden	8504221038089
2	Werner Rynners	7408225036084

10. Recommendation

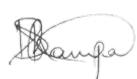
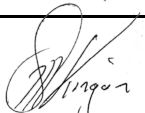
It is therefore recommended that NBAC approve the SINGLE source limited bid process of procurement by other means, for the appointment of Ryncor CC on ad-hoc basis for the provision of truck and vehicle storage including towing services for a period of 5 years with a budgeted amount of R5 304 606.

11. Declaration of interest

By signing this document, you hereby certify that you have at all relevant times acted within the ambit of the Public Finance Management Act (No. 1 of 1999) and the Treasury Regulations promulgated in terms of the PFMA. You hereby further certify that you are not personally related to any of the supplier(s) (if natural person(s)), or in the event of the supplier being a legal entity, you are not related to any of the director(s), shareholder(s), member(s), partner(s) or trustee(s) of the legal entity included in this request. You confirm that you were not influenced in any way by any person(s) or by any external factors. You confirm that you have at all relevant times acted in the best interest of SARS. In the event that you are related to any of the aforementioned persons, or were influenced in any manner by any person/s or external factors, please disclose such relations and/or factors, gifts, hospitality or material advantage received from the aforementioned person(s) and/or any other parties in the table below:

SARS official details	Name of supplier / person	Nature of relationship / details of interest	Nature of benefits received	Date	Signature

12. Signatories:

	Name & Surname	Designation	S-ID	Signature	Conflict of interest	Date		
Document author from Procurement								
1	Zamo Latha	Operational Manager Sourcing (Requestor)	S2024637		Y ☒ N	2024/12/06		
Procurement recommendation as per DOA								
1	Deliwe Rampa	BA Head: Acquisition Management	S2027073		Y ☒ N	2024/12/06		
Business unit support as per the Procurement DOA								
1	Herman Smith	Head: NOE	S1022468		Y ☒ N	2024-12-06		
Procurement approval of deviation as per DOA								
Sole / Single source limited bidding procurement by other means:								
Threshold value (incl. VAT)		Procurement support/ recommendation	Procurement approval delegation in terms of DOA		Tick level required			
1	Up to R3,000,000	• Manager Sourcing	• Executive Procurement					
2	Exceeding R3,000,000 up to R5,000,000	• Executive Procurement	• Chief Procurement Officer					
3	Exceeding R5,000,000 up to R300,000,000	• Executive (up to R30,000,000) • Chief Procurement Officer (exceeding R30,000,000)	• NBAC Chairperson		X			
4	Exceeding R300,000,000	• Chief Procurement Officer • NBAC Chairperson	• Accounting Authority of SARS (Commissioner)					
Delegation		Name	Support / Recommend		Approved	Signature	Conflict of interest	Date of approval
1	BA Head: Acquisition Management	Deliwe Rampa	☒ YES	☐ NO	☒ YES ☐ NO		Y ☒ N	
2	NBAC Chairperson	Mark Kingon	☒ YES	☐ NO	☒ YES ☐ NO		Y ☒ N	13 Dec 2024
Comments: As indicated that this is required for storage of vehicles and given nature of this type of property normal processes are difficult. The agreement is beneficial and we were assured the site was secure								