



Inquiry into the levels of compliance with the localisation and local public procurement policy

Parliament of the Republic of South Africa
Committees Section
Portfolio committee on Trade and Industry

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1. Marcopolo South Africa (Pty) Ltd. (MASA) Basic figures

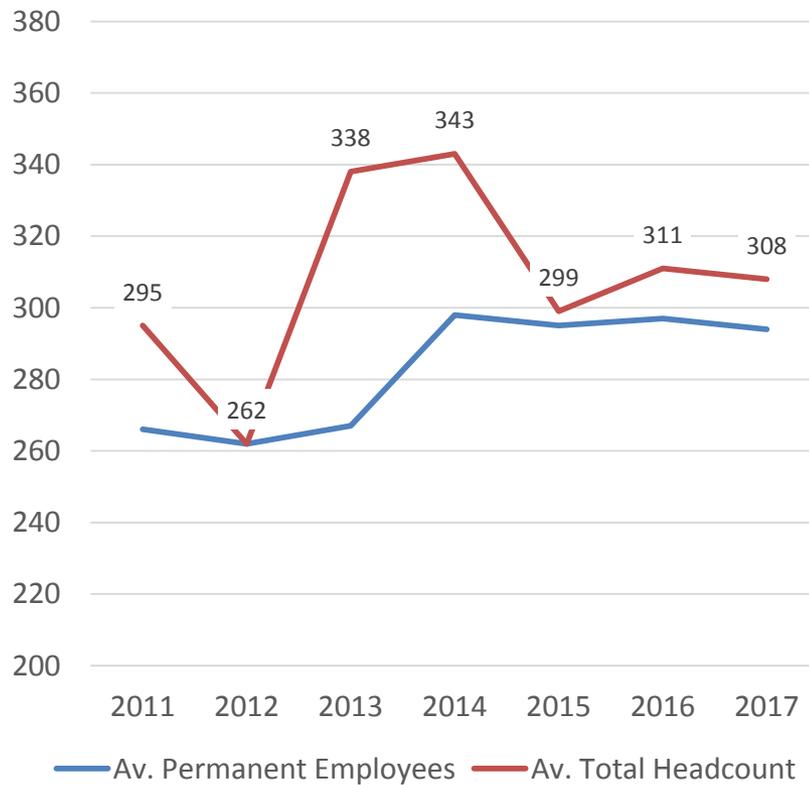


- Marcopolo South Africa (Pty) Ltd, owned by Marcopolo SA (Brazil) - a listed company in the Brazilian Stock Exchange Market –
 - been present in South Africa since 1996, with the establishment of a sales representative and
 - then with the establishing of Marcopolo South Africa (Pty) Ltd with its own manufacturing and assembly facility in 1999.
- Since 1999, Marcopolo has increased volumes from approximately 190 units per year to 354 units in 2017 – a considerable achievement in a limited market.
- Envisaging future growth in the South African and sub-Saharan region, Marcopolo South Africa undertook major financial investment in 2009 to increase factory output capacity and introduce new technology and processes – allowing Marcopolo to become a first class competitor in the bus building industry in South Africa.
- Currently, Marcopolo has infrastructure to produce over 1,600 units per year and the company holds 30% market share in South Africa (Source: NAAMSA – Buses above 8.5 ton).

1. Marcopolo South Africa (Pty) Ltd. (MASA) Basic figures



Head Count Average (2011 – 2017)



Job Creation & Skills Development - Average number of Contractors:

Year	Av. Temp Employees	Reason
2011	70	Peak in export market
2013	67	Rea Vaya 1B Tender
2014	69	TRT Tender
2015/16	13	Stock preparation for industry strike & GNT
2016/17	30	GNT Tender that was suspended after being awarded. Contracts had been sign for expected duration of build starting with training and skills Development in Aug/Sep 2016

2. Inquiry



A) Are you able to meet local content requirements and how are you doing it?

- Yes, MASA has demonstrated the capabilities to build good quality buses meeting the local content requirements.

The revised Preferential Procurement Policy Framework Act (PPPFA) regulations which came into effect in 2011, designated the bus manufacturing to a minimum of 80% local content.

MASA complied with over 90% of local content on the REA VAYA Phase 1B, which was the first ever audited bus supply in South Africa.

- MASA handles a proper local supplier development plan, including financial assistance to BBBEE suppliers, bringing expert to perform training in-house and prioritizing local SME.

2. Inquiry



B) How do you ensure that your suppliers are meeting local content requirements?

- MASA performs different audits in suppliers to guarantee that the requirements are met.
- We work with voluntary disclosure contracts before awarding contracts to supply.
- When participating in public tenders, our legal advisors define deep contractual agreements stipulating what materials should be used in order to comply at different levels. MASA acts as TIER 2 supplier (OEM-s act as Main contractors) and we take care of the goods included in our bodies to the deepest TIER level possible.

2. Inquiry



C) What supplier development initiatives do you have?

- We empower local companies from scratch with finance, raw material, training, quality supervision and management assistance. MASA believes in the strategical effectiveness of a local competitive supply chain.
- MASA establishes long term contracts with local suppliers to ensure the feasibility of a new starting company. We also encourage SME-s to learn from us and then diversify the risks by offering their capabilities to other industries and players.

2. Inquiry



D) If there are any challenges with respect to compliance with local content requirements

- Lack of regular volume (yearly consumed buses in the country) to justify local investments in some parts (injection moulding, air conditioners, carpets, etc.) . MASA is forced to buy from overseas.
- Lack of competitiveness in some links of the supply chain make local costs much higher than importing.
- Many suppliers not interested in being BBEE compliant due to the difficulties to manage the certification vs market volume.
- Happened more than once. Tender awarded with official purchase orders (MASA hired people, bought material, engineering designs, investments in place) and then suspended or changed body builder in the middle of the game. Accountability from the Municipalities involved in tenders.

3. Conclusion



- The best way to upgrade the effectiveness of the localization of bus body building in South Africa is by increasing the demand of the yearly number of buses built. Different bus public transportation policies have given great results in the global economic development of other emerging countries, as Brazil for example.
 - ✓ BRT and feeders in main cities
 - ✓ Compulsory worker transportation within private and public companies.
 - ✓ Special purpose programs to take children to school
 - ✓ (etc.)
- MASA is fully committed with the development of localization of our high quality products in South Africa. We will be bringing new products / technologies in the coming months/years.