

# SANRAL TRANSFORMATION POLICY

DRAFT



**SANRAL**  
SOUTH AFRICAN NATIONAL ROADS AGENCY SOC LTD



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BUILDING SOUTH AFRICA  
THROUGH BETTER ROADS

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# FRAMEWORK

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This draft Transformation Policy is informed by the Transformation Framework set out in Horizon 2030 - SANRAL's long-term strategy.



- 2.1 SANRAL recognises the critical role it plays in the construction and related industries. It is mindful of the impact the construction industry and its procurement have on millions of people across South Africa.
- 2.2 SANRAL accepts the responsibility consequent to the above, especially the need to use its procurement to contribute to transforming the construction industry and the South African economy in general.
- 2.3 SANRAL accepts the responsibility to maximise the participation of black contractors, professionals and suppliers (i.e. black business) in all SANRAL-commissioned projects, beyond the minimum levels set by the prevailing legislative and regulatory framework.



- 2.4 SANRAL commits to breaking down monopolies in the supply chains of materials, equipment, technologies, systems and other areas within the construction and related industries to ensure broad-based participation by black South Africans.
- 2.5 SANRAL commits to facilitating structured arrangements for the direct benefit of local communities in ventures that source resources from local areas, including traditional and communal land.
- 2.6 SANRAL commits to providing to black business development support through structured development programmes and partnerships with industry players to ensure meaningful and rapid development and growth of black entities in the construction and related industries.
- 2.7 SANRAL commits to fully complying with localisation requirements to promote the local manufacturing industry in accordance with the Industrial Policy Action Plan of the Department of Trade and Industry.



- 2.8 SANRAL fully recognises that it has a corporate social responsibility to its stakeholders and citizens. Protection of the environment is thus a priority in all SANRAL projects.
- 2.9 SANRAL commits to pursuing engagements with all recognised industry associations to seek cooperation and support in advancing broad-based economic participation of black business in the construction industry in order to achieve inclusivity.



- 2.10 All SANRAL projects shall be facilitated through Project Liaison Committees (PLCs) that shall be set up locally in the targeted project areas with relevant stakeholders. For large / key projects, such PLCs shall be overseen by a Political Oversight Committee (POC) and/or Technical Steering Committee (TSC), subject to applicability and practicality.
- 2.11 SANRAL commits to ensuring that the procurement of professional services supports and nurtures black South African consultants through the encouragement of joint ventures, consortia, partnerships and other appropriate structures.

2.12 SANRAL commits to supporting the development and participation of businesses owned by people in designated categories, including black people, women, youth, people with disabilities and military veterans.

2.13 SANRAL shall use its own discretion to determine which of its projects use internal stakeholder management resources or external social facilitation services. With a threshold of R100m as a guide, any decision to use external social facilitation services shall be subject to a competitive bidding process.



2.14 SANRAL shall ensure that after the awarding of all projects, service providers provide a clear transformation plan outlining the participation of black South Africans in the project beyond minimum mandatory compliance requirements.

2.15 All second-tier procurement shall be executed in accordance with the provisions of the relevant clauses of this policy to maximise the participation of black businesses.

2.16 All service providers must be registered on the National Treasury Central Supplier Database (CSD) and must comply with any other relevant legislative requirements.

2.17 This Transformation Policy shall be included in SANRAL's procurement policy and procedures and in all tender documentation.



- **PFMA:** the Public Finance Management Act, Act 1 of 1999 as amended.
- **PPFA:** the Preferential Procurement Policy Framework Act, Act 5 of 2000.
- **Project Liaison Committee (PLC):** a committee whose responsibility it is to create a platform for project liaison, works execution, sub-contracting, employment facilitation and communication with the community.
- **Political Oversight Committee (POC):** a high-level committee chaired by the relevant political head to resolve policy and political issues pertaining directly to the project.
- **Technical Steering Committee (TSC):** a committee consisting of SANRAL personnel who oversees the design and execution of the contract. Their role is to liaise with all stakeholders during the design and construction phase.
- **Concessions:** a long-term contract awarded via a tender process for the design, construction and financing of a section of road. The successful concessionaire will recover their costs by collecting tolls from the road users.
- **Consortia:** an association of several entities for a singular purpose.
- **CTROM:** Comprehensive Toll Road Operations and Maintenance. This is a project awarded for the collection of toll fees and the routine maintenance of the road for a set period.
- **OEM:** Original Equipment Manufacturer.
- **SPV:** Special Purpose Vehicle.
- **ITS:** Intelligent Transport System.
- **FMS:** Freeway Management System.







- **ORT:** Open Road Tolling is the collection of tolls on toll roads via electronic systems without the use of traditional toll booths (free-flow tolling).
- **Established entities:** businesses that have been in existence over a long period of time, usually associated with being successful.
- **Emerging entities:** relatively newly established entities.
- **ICT:** information and communications technology.
- **Non-core services:** activities considered to be outside of the mandated scope of operations.
- **Traffic and Transportation Operations:** means ITS, FMS, ORT, CTROM, land and property technologies, overload control projects.
- **CSD:** Central Supplier Database of National Treasury.
- **Black individuals, contractors, suppliers and entities:** with reference to this policy 'black' encompasses all previously disadvantaged and designated groups with specific reference to African, Coloured, Indian, women, youth and people with disabilities.
- **Military veterans:** as per the Military Veterans Act, Act 18 of 2011, these are South African citizens who (a) rendered military service to any of the military organisations, statutory and non-statutory, which were involved on all sides of South Africa's Liberation War from 1960 to 1994; (b) served in the Union Defence Force before 1961; or (c) became a member of the new South African National Defence Force after 1994, and completed his or her military training and no longer performs military service, and was not dishonourably discharged from that military organisation or force: provided that this definition does not exclude any person referred to in paragraph (a), (b) or (c) who could not complete his or her military training due to an injury sustained during military training or a disease contracted or associated with military training.

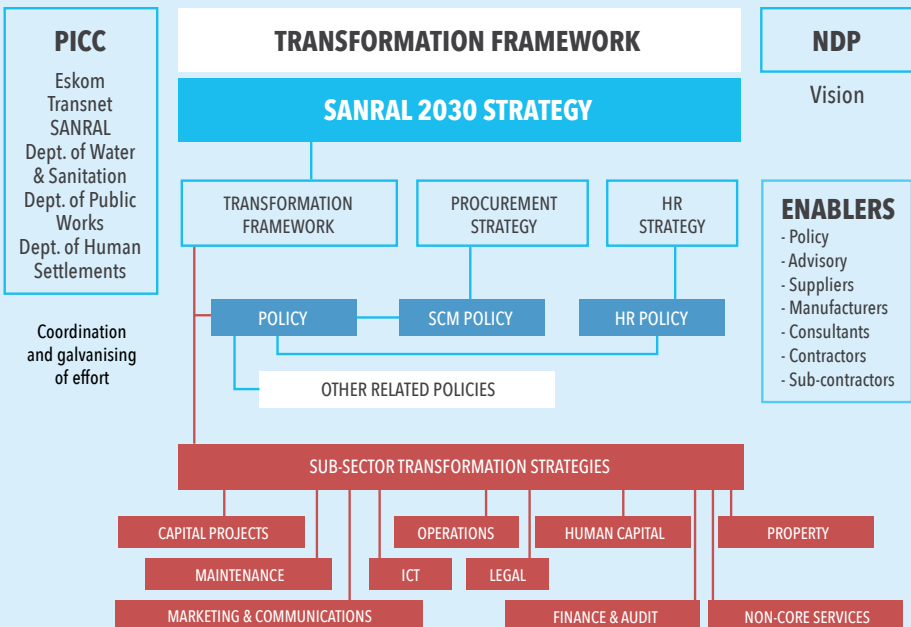
## 4.(A) PURPOSE

The purpose of the policy is:

- 4.1 To ensure inclusive participation of black South Africans in the opportunities generated by SANRAL through its annual financial investment in the construction and related industries.
- 4.2 To add to existing government preferential procurement legislation and relevant procurement policies, thus ensuring accelerated transformation.

## 4.(B) TRANSFORMATION FRAMEWORK

This policy seeks to articulate the Transformation Framework as outlined in the Horizon 2030 Strategy document.





SANRAL's Transformation Policy is informed by:

**5.1 The Constitution of the Republic of South Africa, Act 108 of 1996**

The Constitution enshrines the right of all South Africans to equality and provides for specific measures to be taken to redress historical imbalances.

**5.2 Broad-Based Black Economic Empowerment, Act 53 of 2003**

This act provides the legislative framework for broad-based black economic empowerment in South Africa.

The primary purpose of the B-BBEE Act and the Sector Codes – some of which are referred to in the SANRAL Transformation Policy – is to address the legacy of exclusionary apartheid policies and enhance the economic participation of black people in the South African economy.



### 5.3 **Preferential Procurement Policy Framework Act (PPPFA), Act 5 of 2000**

The Preferential Procurement Regulations which came into effect on 1 April 2017 have the following provisions

- Introducing the prequalification criteria which allow the advancement of selected categories by limiting competition only among themselves.
- Encouraging procurement from small enterprises and designated groups, particularly through sub-contracting for contracts above R30m.
- Allowing organs of state and public entities to specify conditions that only locally produced or locally manufactured goods meeting the stipulated minimum threshold for local production and content will be considered for certain designated sectors.

### 5.4 **Public Finance Management Act, Act 1 of 1999**

This act seeks to secure transparency, accountability and sound management of revenue, expenditure, assets and liabilities of the institutions to which the Act applies.

### 5.5 **Mineral and Petroleum Resources Development Act, Act 28 of 2002**

This act makes provision for equitable access to and sustainable development of the nation's mineral and petroleum resources; and to provide for matters connected therewith.

### 5.6 **Industrial Policy Action Plan (IPAP)**

This policy aims to achieve higher levels of inclusive, sustainable economic growth and radical transformation through structural change in the economy by breaking out of commodity dependence and moving towards a diversified, knowledge economy in which increasing value-addition and export intensity, define South Africa's growth trajectory. It further prioritises labour intensive sectors with the view to increase job opportunities; increasing their participation in global value chains and broadening economic participation which are critical for radical economic transformation.



## 6. SCOPE

The provisions of this policy apply to all sub-sectors of SANRAL's business, namely:


- 6.1 Capital Projects
- 6.2 Road Maintenance
- 6.3 Operations
- 6.4 Property
- 6.5 Information and Communications Technology (ICT)
- 6.6 Finance and Audit
- 6.7 Legal
- 6.8 Marketing, Advertising and Communication Services
- 6.9 Human Capital
- 6.10 Non-Core Services.

## POLICY POSITIONS ON SUB-SECTORS

### 6.1 Capital Projects

- 6.1.1 In the generic CIDB Grades 8-9 SANRAL shall only do business with contractors that are minimum 51% black-owned with a minimum of 30% management control by black people and a B-BBEE Level 2 rating.
- 6.1.2 Clause 6.1.1 shall also apply to large, established consultants whose annual turnover exceeds R50m.
- 6.1.3 Clause 6.1.1 shall also apply to large, established suppliers whose annual turnover exceeds R50m.
- 6.1.4 The maximum amount of tenders to be issued to a single entity shall be limited to three per province, but shall not exceed 15 nationally, per annum. For entities that are only based in one province, the maximum amount of tenders to be issued shall be five per annum.
- 6.1.5 Main contractors shall use a SANRAL approved sub-contractor database in all sub-contracting on SANRAL projects. The database shall be developed and signed-off under the auspices of the PLCs. The appointment of sub-contractors in projects using this database shall be in accordance with the prevailing legislative framework and any additional principles agreed in the PLCs and/or POCs and TSCs that seek to advance transformation while in compliance with the prevailing legislative framework.
- 6.1.6 SANRAL shall promote joint ventures, consortia and other partnerships in all SANRAL issued projects in order to ensure inclusivity, participation and growth of black businesses.



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- 6.1.7 Where necessary, SANRAL shall provide direct development support, or through its partners, to emerging contractors, professionals and suppliers in the generic CIDB grades of 1-4 or other equivalent benchmarks to ensure that their status and prevailing conditions are not a barrier to entry to opportunities created by SANRAL.
- 6.1.8 SANRAL shall enter into empowerment agreements with entities at the apex of supply chains for construction materials, equipment and other supplies to level the playing field, and to ensure that space is secured for emerging entities to secure and supply such materials and equipment for SANRAL projects. Such empowerment agreements shall include measures to benefit local communities if such supplies are sourced locally. To this end, it is preferred that such empowerment agreements are broad-based in nature and not only empowering a few.
- 6.1.9 SANRAL shall structure projects in a manner that guarantees balanced and fair access to black business in the general categories of CIDB Grades 1-9; or other equivalent benchmarks. Such projects shall promote joint ventures and consortia by allocating a larger percentage of the contract to such partnerships with a larger black content, while ensuring larger sub-contractor participation if the main service provider is an established business that is not sufficiently transformed.
- 6.1.10 SANRAL shall ensure that the contract terms and conditions are set to balance contractor, professional and supplier incubation with broad participation of black entities in projects. This consideration shall include project amount, project length, and contract duration.
- 6.1.11 SANRAL shall set an annually adjustable target of the total number of black contractors, professionals and suppliers that will be given contracts and the total budgeted contract value to be reserved for black entities.
- 6.1.12 SANRAL shall award contracts exclusively to black contractors, professionals and suppliers in the generic CIDB Grades 1-4, or equivalent benchmarks in all community development projects in compliance with the provisions of the PPPFA.

## 6.2 Road Maintenance



- 6.2.1 SANRAL shall fully apply the principles 6.1.1 to 6.1.12 above to road maintenance except where not applicable.
- 6.2.2 Infrastructure protection projects shall be structured to benefit Military Veterans in accordance with the PPPFA Regulations. Such projects shall be issued through a mechanism agreed with the Department of Military Veterans and in compliance with the prevailing legislative framework.
- 6.2.3 SANRAL shall continuously review and improve, the existing routine road maintenance (RRM) contract model to maximise the broad-based participation of black and local entities and communities.
- 6.2.4 SANRAL shall engage with Original Equipment Manufacturers (OEMs) in traditional road furniture and road safety material supply chains to ensure that black entities participate in the areas of manufacturing, distribution, installation and maintenance.



- 6.2.5 SANRAL shall promote the supply of innovative materials for roads. This shall be used as an empowerment venture to ensure the entry of black entities in the areas of manufacturing, distribution, installation and maintenance.

### 6.3 Operations

- 6.3.1 All toll concessions shall be 51% black-owned, with a minimum 30% black management control, and consortia-level minimum B-BBEE Level 2 rating.

- 6.3.2 All CTROM tenders shall specify a minimum 51% black ownership of toll operators, with a minimum 30% black management control and a corresponding minimum B-BBEE Level 2 rating.

- 6.3.3 All toll development and operations advisory services shall be provided by qualifying service providers in accordance with the principles stipulated in relevant clauses of this policy as applicable to that supplier category e.g. Professional Services, Legal, Financial Services, Audit, etc.

- 6.3.4 Toll operations contracts shall be awarded to majority South African-owned entities, consortia or Special Purpose Vehicles (SPVs). Exceptions shall be approved by the Board.

- 6.3.5 All traffic and transport-related operations contracts shall be awarded in accordance with the principles stipulated in this policy for operators and professionals.



- 6.3.6 Toll operations contracts shall be limited to three for any single toll operator where the operations period overlaps or is concurrent. Exceptions shall be approved by the SANRAL Board.
- 6.3.7 Toll operations contract terms shall be limited to six years with an option to extend by a further two years subject to technical and transformation performance.
- 6.3.8 SANRAL shall drive and support initiatives to develop and grow black professional capacity in the fields of traffic engineering and operations.

#### 6.4 Property



- 6.4.1 SANRAL shall pursue black real estate and property developer empowerment to ensure that there is adequate supply of black entities and professionals within this industry. SANRAL shall engage established black industry associations in this regard.

6.4.2 SANRAL shall only do business with real estate and property development entities that are 51% black-owned, with a corresponding minimum B-BBEE Level 2 rating for contracts above R300m.

6.4.3 SANRAL shall target and allocate all opportunities below R100m to black real estate and property development entities.

## 6.5 Information and Communications Technology

6.5.1 SANRAL shall only do business with ICT entities that are 51% black-owned, with a minimum B-BBEE Level 3 rating for contracts above R50m.



6.5.2 SANRAL shall reserve contracts below R50m exclusively for 100% black-owned businesses segmented as follows:

- R0 – R10m Exempt Micro Enterprises (EMEs)
- R10 – R50m Qualifying Small Enterprises (QSEs)

6.5.3 SANRAL shall structure and package ICT projects in a manner that guarantees balanced and fair access to black ICT suppliers. Such projects shall apply the principle captured in clause 6.1.9 to maximise the participation of black businesses in joint ventures or sub-contracts.

6.5.4 SANRAL shall engage with OEMs in various ICT supply chains including infrastructure, software, systems and technology to ensure that empowerment ventures are concluded to broaden the participation of black businesses in the provision of corporate and road related ICT services.

## 6.6 Finance and Audit



6.6.1 SANRAL shall only do business with Finance and Audit entities that are 51% black-owned, with minimum B-BBEE Level 2 rating.

6.6.2 SANRAL shall limit opportunities for tendering to one service area, i.e. (audit or non-audit) per firm, to ensure that opportunities for black participation are maximised.

6.6.3 SANRAL shall promote joint ventures in all SANRAL issued finance and audit tenders in order to maximise the participation of black businesses.

6.6.4 Finance and Audit services provided to toll concessions and toll operations shall be required to include black business participation plans before any contract extensions or renewals are considered.

## 6.7 Legal



6.7.1 SANRAL shall only do business with legal entities that are 51% black-owned, with minimum B-BBEE Level 2 rating.

6.7.2 SANRAL shall promote joint ventures in all SANRAL-issued legal tenders in order to maximise the participation of black business.

6.7.3 Legal services provided to toll concessions and toll operations shall be required to include black business participation plans before any contract extensions or renewals are considered.

## 6.8 Marketing, Advertising and Communication Services



- 6.8.1 SANRAL will only do business with 51% black-owned businesses with corresponding minimum B-BBEE Level 2 rating in the marketing, advertising and communication services non-core services for all tenders above R200m.
- 6.8.2 For projects between R50m and R200m SANRAL will do business with 45% black-owned businesses with a corresponding minimum B-BBEE Level 2 rating. This is aligned to the Marketing, Advertising and Communications Sector Code.
- 6.8.3 SANRAL will target and allocate all marketing, advertising and communication services contracts below R50m to black-owned suppliers with a B-BBEE Level 1 rating.
- 6.8.4 SANRAL primary contractors shall allocate a minimum 30% of the value of outsourced work to sub-contractors with at least 51% black ownership and a B-BBEE Level 2 rating for projects above R30m.
- 6.8.5 SANRAL will allocate a minimum 30% of its media spend for community and small-scale media owners.



## 6.9 Human Capital

6.9.1 SANRAL shall ensure full compliance with its Employment Equity (EE) Plan targets in all internal recruitment. Where practical such targets shall be deliberately exceeded.

6.9.2 SANRAL shall set specific targets for scholarships, bursaries and internships to grow the pool of young professionals. All skills development ventures shall be intended to generate sufficient capacity to meet internal needs and supply the market.

6.9.3 SANRAL shall continue to pursue skills development and research, and development initiatives through strategic partnerships with institutions of higher learning. Partnerships and support to institutions of higher learning shall be inclusive of previously disadvantaged institutions.

6.9.4 SANRAL shall accelerate the number of registered engineers through its on-the-job training at the Technical Excellence Academy. This shall include specific focus on women and youth professional engineers.

6.9.5 SANRAL will form strategic partnerships with service providers with minimum 51% black-owned, minimum 30% black management control with corresponding minimum B-BBEE Level 2 to facilitate the growth and development of black SMMEs.

6.9.6 SANRAL through its projects will train and develop local labour in order to attain the relevant skills.



6.9.7 SANRAL shall identify, train, develop and nurture black small contractors through its projects, especially the Community Development Programme (CDP) and Routine Road Maintenance (RRM) programme with the aim of improving their CIDB grade.

6.9.8 SANRAL shall pursue exchange programmes with reputable international institutions/associations to expose its staff to global best practice.

## 6.10 Non-Core Services

6.10.1 SANRAL shall target and allocate all non-core service contracts below R50m to black business (EMEs and QSEs).

6.10.2 SANRAL shall only procure non-core services from 51% black-owned businesses with corresponding minimum B-BBEE Level 2 rating for contracts above R50m.

6.10.3 SANRAL shall promote joint ventures in all SANRAL issued non-core services tenders in order to maximise the participation of black business.





## 7.



## PROCESS FOR SUBMISSION OF INPUT/COMMENT BY STAKEHOLDERS

The Transformation Policy in hand is a draft and following its official launch by the Minister of Transport will go through an extensive process of consultation.

This consultative process will be done at a national level by means of several roundtable stakeholder engagements.

For more information and to provide comments on this Draft Transformation Policy, please visit the SANRAL website at [www.nra.co.za](http://www.nra.co.za).









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