
TERMS OF REFERENCE FOR THE APPOINTMENT OF A SERVICE PROVIDER TO REVIEW THE APPLICATION OF THE MAGISTERIAL DISTRICT ZONE SYSTEM TO DETERMINE THE TRANSPORT TARIFFS INCLUDED IN THE PRICE STRUCTURES OF PETROL, DIESEL AND ILLUMINATING PARAFFIN FOR A PERIOD OF 6 MONTHS

1. Background

- 1.1 The Department of Energy (DoE) publishes the elements of various prices of certain petroleum products. The primary transport costs (Magisterial Zone Differentials) form one element of the price of fuel. Primary transport costs are costs to transport refined petroleum products which are mainly transported by road and pipeline or a combination of these transport modes from coastal refineries/ports of entry to inland storage facilities. Although refined petroleum products are also transported by rail, the volumes are small compared to that of road and pipeline.
- 1.2 During 2007 a review of the MDZ System (primary transport cost recovery) was done by the DoE/SAPIA Working Group on the MDZ System and the final conclusions were documented in a Report dated May 2008.
- 1.3 The main findings culminating from the MDZ Review are listed below:
- 1.3.1 Road transport has replaced rail transport in all zones (except in some cases where rail is used for onward-railing from pipeline draw-off points) due to the high annual increases in rail transport tariffs which made rail transport uneconomical from a cost-recovery perspective;
- 1.3.2 Transnet Freight Rail (TFR) no longer transported products to many areas for financial reasons;

- 1.3.3 TFR only focused on major routes with high volumes; and
 - 1.3.4 TFR transport tariffs have increased substantially.
- 1.4 The Working Group recommended to the former Minister of Minerals and Energy that the MDZ System should be revised as follows:
- 1.4.1 All rail zones be replaced by road zones;
 - 1.4.2 That road transport tariffs be set on the Road Freight Association models;
 - 1.4.3 Current MDZ's based on road should not be changed; and
 - 1.4.4 Some pipeline zones be changed due to the fact that (i) Transnet Pipelines (TPL) closed its pipeline service to some of the previous pipeline zones and product is now transported by road; (ii) in some pipeline zones the actual transport tariffs were lower than the recovery from fuel prices; and (iii) transport tariff differentials between zones had to be minimised;
- 1.5 The abovementioned recommended changes in the MDZ System were approved by the former Minister of Minerals and Energy and the revised transport costs were implemented into regulated fuel prices on 7 January 2009.
- 1.6 Secondary distribution:
- 1.6.1 Regulatory Accounting System (RAS) Margin Models only account for petrol; the distance of delivery from secondary storage facilities to retail service station sites is based on a national average round-trip of 92 km. The asset base is determined by the number of trucks (Vehicle Cost Schedule 17 of the Road Freight Association) which is required to deliver that volume to service stations in a calendar year and adding trucks to this asset base to make provision for normal maintenance of vehicles.
 - 1.6.2 As indicated above, the national average return trip from secondary storage facilities to retail outlets is 92 km. However, Magisterial District Zones differ in size and therefore the return trip distances too. Should any return trip distance exceed 92 km, a financial loss in the secondary transportation cost recoveries is

realized. Secondary transport return trips will differ from one MDZ to the next. The opposite is true when the return trip is lower than 92 km. It is expected that the consultant will determine the secondary transport volume weighted round-trip for each fuel pricing zone.

2. SCOPE OF WORK

The scope of work is divided into two scenarios, namely where the Durban to Johannesburg Pipeline (DJP) and the New Multi-Products Pipeline (NMPP) operates concurrently and a scenario where only the NMPP is in operation. For each scenario the following should be covered:

- 2.1 Identify and list all the coastal supply points for petrol, diesel, illuminating paraffin and Liquefied Petroleum Gas (“fuels”);
- 2.2 Identify and list all the directly supplied depots (coastal supply point to depot) and all the pipeline connected terminals (coastal to pipeline terminal – pipeline supply point) as applicable supplied with “fuels” from these coastal Supply Points;
- 2.3 Determine and record the Magisterial Fuel Zone (MFZ) areas to which these directly supplied depots (SP) and terminals (coastal and pipeline SP’s) are able to supply “fuels” of the appropriate type and grade as is required in the MFZ;
- 2.4 Determine and record the distance from the Supply Points to the centre point of each of their associated MFZs;
- 2.5 Determine and record the most cost efficient mode of transport (pipeline and or road and or rail) available to transport fuels from the coastal Supply Points (SP) via a directly supplied Depot (SP) or via a pipeline terminal (SP) followed by a depot or as applicable to the centre point of each of their (SP) associated MFZs;

- 2.6 Determine the total cost (pipeline and or road and or rail) of transporting fuels from coastal Supply Points (coastal SP) to MFZs by means of the identified efficient mode of transport by applying the current pipeline transport tariff approved by the National Energy Regulator of South Africa (NERSA) in respect of petrol and diesel as applicable and feasible and defensible road and rail transport tariffs;
- 2.7 In the case of road transport determine the most appropriate formula to arrive at the average payload per vehicle;
- 2.8 Group adjacent Municipalities (MFZs) with similar total transport costs into MFZGs;
- 2.9 Map Supply points, depots and Supply Areas by means of the application of electronic mapping programmes;
- 2.10 Consider the introduction of scheduled adjustments to transport tariff adjustments and the reasons therefore; adjustments that take into account structural changes affecting the supply of petrol and diesel;
- 2.11 Provide recommendations with respect to adjustments to the system should new ports of entry and/or modes of transport (new rail capacity and/or pipeline infrastructure such as Multi-Products Pipeline) become available, to deal with resulting changes to Supply Areas;
- 2.12 Avoid the indiscriminate use of averaging – the total transportation allowance for each MFZ and each MFZG must reflect the actual cost of doing business in the different zones.

- 2.13 Consider and define the pros and cons on the proposals related to the secondary storage and secondary distribution and make recommendations thereto.

NOTE: Petroleum pipeline rates can be obtained from the National Energy Regulator of SA and road rates from the Road Freight Association Vehicle Cost Schedules.

3. PROJECT OUTPUT AND OUTCOMES

- 3.1 As per the above scope of work the following must be delivered by the Service Provider in hard copy, as well as in electronic format for two scenarios, namely (1) where both the DJP and Multi-Products Pipeline operate concurrently and (2) where only the Multi-Products Pipeline is in operation:
 - 3.1.1 An adjustable electronic mapping model containing all the Supply Points, centre points of all MFZs and MFZGs;
 - 3.1.2 A numerically coded list of MFZs with similar transport costs and modes of transport; based on municipal demarcation;
 - 3.1.3 Frequency of transport costs adjustments and the reasons therefore;
 - 3.1.4 Working Rules to determine and adjust transport tariffs and the administration of the Transport tariff system; and
 - 3.1.5 Report on the findings and recommendations.

4. INTELLECTUAL PROPERTY

- 4.1 All the information, documents and reports that would be compiled for this project would become the property of the Department of Energy and must be handed over to the Department before the final payment is made.

5. DURATION OF THE PROJECT

- 5.1 The duration of this project would be six (6) months from the date of signing the contract with the successful service provider.

6. COMPULSORY INFORMATION SESSION

- 6.1 A compulsory information / briefing session will be held on **11th August 2014 at 10h00** at the Department of Energy – 192 Visagie & Paul Kruger Street, Pretoria.

7. EVALUATION METHODOLOGY

7.1. Cost

- 7.1.1 The service provider will be required to provide a quote regarding the work to be undertaken for this project. The total cost must be VAT inclusive and should be quoted in South African currency (i.e. Rands). A detailed breakdown of the total bid must be attached.

- 7.1.2 The service provider should provide the hourly rates as prescribed by the Department of Public Service and Administration (DPSA) and or the body regulating the profession of the Service Provider.

- 7.1.3 The Service Provider should provide (S&T) rates that are aligned to the National Treasury instruction note as follows:

- (i) Hotel accommodation – R1300 per night per person, including breakfast, dinner and parking

- (ii) Air travel must be restricted to economy class
- (iii) Claims for kilometres may not exceed the rates approved by the Automobile Association of SA

7.1.4 Costing should be aligned with the project activities/project phases.

7.1.5 A ceiling price (all-inclusive capped total) should be specified.

7.2 Broad-Based Black Economic Empowerment (B-BBEE)

7.2.1 Provisions of the Preferential Procurement Policy Framework Act (PPPFA) of 2011 and its regulation will apply in terms of awarding points.

7.2.2 Bidders are required to submit original and valid B-BBEE Status Level Verification Certificates or certified copies thereof together with their bids to substantiate their B-BBEE rating claims.

7.2.3 Bidders who do not submit their B-BBEE status level verification certificates or certified copies thereof together with their bids to substantiate their B-BBEE or are non-compliant contributors to B-BBEE will not qualify for preference points for B-BBEE.

7.2.4 A trust, consortium or joint venture must submit a consolidated B-BBEE status level verification certificate for every separate bid.

7.2.5 The B-BBEE status level verification certificates submitted must be issued by the following agencies

7.2.5.1 For bidders who qualify as Exempted Micro enterprises:

- (a) Accounting officers as contemplated in the CCA;
- (b) Verification agencies accredited by SANAS; or

(c) Registered auditors (registered auditors do not need to meet the prerequisite for IRBA's approval for the purpose of conducting verification and issuing EME's with B-BBEE Status Level Certificates).

7.2.5.2 For bidders other than EMEs:

- (a) Verification agencies accredited by SANAS
- (b) Registered auditors approved by IRBA

The table below depicts the B-BBEE status level of contribution:

B-BBEE Status Level of Contributor	Number of points (90/10 system)
1	10
2	9
3	8
4	5
5	4
6	3
7	2
8	1
Non-compliant contributor	0

7.3 Company Experience

7.3.1 The company must have at least five (5) years consulting experience in the local transportation sector service or relevant research and should provide proof accompanied by correspondence from three (3) contactable referees indicating that such projects were executed.

7.4 Team Leader and Members Experience

7.4.1 Team Leader must have at least five (5) years of experience and individual team members must have at least three (3) years of experience in consultation/research in the local transportation sector.

7.4.2 Comprehensive CV's of the Team leader and Team members must be attached to the technical proposal as proof.

7.5 Qualification

7.5.1 Team leader and team members must have a B-Degree majored in Transport Economics.

7.5.2 Copy of certified certificates must be attached to the proposal, failure to attach bidders will forfeit functionality points.

7.6 Project Plan

7.6.1 Project plan with intermediate and final outputs and identified timeframes/milestones.

7.6.2 Proposed Methodology.

7.6.3 Management of the project.

7.6.4 The successful service provider will be required to present their Project Execution Plan.

8. EVALUATION CRITERIA

8.1 Bids will be evaluated on **90/10 preference point system** as outlined in the PPPFA.

8.2 The proposals will be evaluated in two phases:

Phase 1:

Bidders will be evaluated based on functionality. The minimum threshold for functionality is **70 out of 100 points**. Bidders who fail to meet minimum threshold will be disqualified and will not be evaluated further for price and preference points.

No.	Criteria	Weights
1.	Company Experience: <ul style="list-style-type: none">❖ The company must have at least five (5) years of experience related to consultation/research in the local transportation sector.❖ Proof accompanied by correspondence from three (3) contactable referees indicating that such projects were executed.	20 15 5
2.	Team Leader and Members Experience <ul style="list-style-type: none">❖ Team Leader must have at least five (5) years of experience related to consultation/research in the local transportation sector.❖ Individual team members must have at least three (3) years of experience of consultation/research in the local transportation	30 15 10

	<p>sector.</p> <ul style="list-style-type: none"> ❖ The CV's of the Team leader and Team members must be attached to the technical proposal as proof. 	5
3.	<p>Qualification</p> <ul style="list-style-type: none"> ❖ Team must have a B-degree majored in Transport Economics. ❖ Team members must have a B-degree majored in Transport Economics ❖ Copy of certified certificates must be attached. 	<p>10</p> <p>5</p> <p>3</p> <p>2</p>
4.	<p>Project Plan</p> <ul style="list-style-type: none"> ❖ Detailed Project/ Execution Plan and Management should be attached. ❖ Proposed Methodology ❖ Management of the project. 	<p>40</p> <p>20</p> <p>10</p> <p>10</p>
	Total	100

For purpose of evaluating functionality, the following values will be applicable:

0=	Very Poor	Do not meet the requirements
1=	Poor	Will not be able to fulfil the requirements
2=	Average	Will partially fulfil the requirements
3=	Good	Will be able to fulfil the requirements
4=	Very Good	Will be able to fulfil better in terms of the requirements adequately
5=	Excellent	Will fulfil the requirements exceptionally

Phase 2:

Bidders will be evaluated on price and B-BBEE compliance

Price	90
B-BBEE compliance	10

9. FORMAT AND SUBMISSION OF THE PROPOSAL

- 9.1 All the standard bidding documents (SBD) that are included in the bid document must be completed in all respects by bidders. Failure to comply will invalidate a bid.
- 9.2 Bidders are requested to submit two (2) copies: 1 original plus copy of the proposal and bid documents.

10. CLOSING DATE

- 10.1 Proposals must be submitted by **21 August 2014 at 11H00** at 192 Cnr Visagie & Paul Street, Pretoria in the bid box marked Department of Energy. **No late bids will be accepted.**

11. ENQUIRIES

All general enquiries relating to bid documents should be directed to Rachel Moerane/ Daisy Maraba

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E-mail: rachel.moerane@energy.gov.za/daisy.maraba@energy.gov.za

Technical enquiries can be directed to:

Mr Mashudu Sinthumule

Tel: 012 406-7377

E-mail: Mashudu.Sinthumule@energy.gov.za