NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 454 [NW508E]
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454. Mr A R McLoughlin (DA) to ask the Minister of Finance:

1) (a) What percentage of South Africa's bank notes are printed in foreign countries, (b) where precisely are such banknotes printed in each case, (c) at what exact and precise cost per note and (d) why are South Africa's bank notes not all printed in South Africa;

2) (a) what are the specific reasons for using private charter flights for the transport of such bank notes, (b) what was the total cost of such flights in the (i) 2012-13, (ii) 2013-14 and (iii) 2014-15 financial years, (c) which company(ies) were contracted for this purpose and (d) what tender process was followed in the awarding of the contract(s) in each case;

3) (a) how often are orders for such bank notes placed, (b) to whom are such orders given and (c) what (i) procurement process is used in the granting of these contracts and (ii) has been the total cost of such orders for each of the specified financial years?

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REPLY:

The South African Reserve Bank (SARB) has provided the following response:

The SARB is responsible for production of banknotes and coins. The response below takes into account the need for appropriate security and confidentiality related to their production and distribution:

1)(a) South Africa is mostly self-sufficient as far as the production of banknotes and coins are concerned. The majority of the South African banknotes (close to 90%) are produced domestically with the small percentage produced externally.

(b) The current arrangements are with a European based service provider.

(c) The production costs per unit externally ranged below R1,00 in the 2015/16 financial year. The production costs per unit is determined by the denominational values and volumes that are ordered, which might differ from year to year and is influenced by factors such as the exchange rate. The costs do not vary significantly from domestic production.

(d) This is done as part of a risk mitigation and diversification framework. This prudent approach is consistent with best practice by central banks to provide for more than one production house.

2)(a) The choice of haulage reflects security and cost considerations. South Africa currently does not have long-haul heavy-lift aircraft available to transport the required volumes of banknotes in a single flight which would not require re-fuelling stop-overs. Furthermore, the limited number of two to three flights per year does not warrant the purchase of an aircraft. Air chartering for banknote transport is an international common practice by central banks.

(b) Total associated costs of air transportation:
2012/13 FY – R125 million;
2013/14 FY – R147 million;
2014/15 FY – R53 million.
The total associated costs include, amongst others, the international transport / handling costs and customs value-added taxes.

(c) The Bank contracts with a lead logistics provider. The identity of this provider is confidential and the Bank cannot for security reasons publically disclose the identity of the company.

(d) In accordance with the Bank's policy, the Bank followed a closed tender process for the procurement of currency related products and services.

3)(a) These production orders are placed annually.

(b) Refer to 1(b).

(c) (i) In accordance with the Bank's policy, the Bank followed a closed tender process for the procurement of currency related products and services.

(ii) For the past few years the total costs ranged between approximately R150 million and R180 million per annum.