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Purpose

The purpose of this presentation is:

- ❑ To brief the Committee on the provisions of Tourism B-BBEE Codes
- ❑ To brief the Committee on the appointment of Tourism B-BBEE Charter Council, and
- ❑ To update the Committee on the current projects undertaken by the Charter Council.

Background

- ❑ 2003 B-BBEE Act No 53 enacted to provide legislative framework for the promotion of broad-based black economic empowerment (B-BBEE)
- ❑ 2004 Tourism sector embarks on a Tourism BEE Charter development process
- ❑ 2005 Tourism Charter is signed and Charter Council is appointed
- ❑ 2006 Charter is launched and 5 year transformation strategy developed
- ❑ 2007 Tourism Charter is aligned to the B-BBEE Codes of Good Practice launched in the same year
- ❑ 2009 Tourism B-BBEE Charter gazetted as Section 9 Code (under B-BBEE Act), and
- ❑ Tourism Sector Code is binding on all stakeholders operating in the Sector
- ❑ 2011 NDT makes Transformation one of the key pillars of NTSS
- ❑ 2011 National Treasury aligns PPPFA to B-BBEE



Tourism B-BBEE Codes

The Tourism Sector Charter and Scorecard (Code) were developed within the objectives of addressing the following:

- ❑ Transformation of the sector and
- ❑ Creating a globally competitive industry
- ❑ Human Resource and Enterprise development were identified as the key factors to address both challenges. In the first 5 years of implementation, the industry will focus on the human development elements i.e.
 - Management Control
 - Employment Equity
 - Skills Development
 - Enterprise Development and Preferential Procurement

Scope of application

Accommodation

- Hotels, Resort properties and timeshare, B&B, Guesthouses, Game lodges;
- Backpackers & Hostels.

Hospitality and Related Services

- Restaurants & Conference venues – (Not attached to hotels);
- Professional Catering, Attractions, Consulting & professional services companies.

Travel Distribution Systems

- Tour wholesalers, Tour operators, Travel agents, Tourist guides, Car rental companies;
- Coach operators;
- Organs of state & public entities, organized labor & communities involved with or interested in the Tourism Sector.



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key differences

- ❑ The Tourism Sector Scorecard is focused on Human Development Elements in first five years of implementation – MC, EE, SD, ED, PP
- ❑ EME threshold = under R2.5m vs. COGP at R5m
- ❑ QSE category classified R2.5m – under R35m
- ❑ Industry Specific
 - TOMSA Levy collector
 - Employment of black people with no work experience.

Public sector role

- ❑ As a Section 9 Code (under B-BBEE Act), the Tourism Scorecard has the same legal status as the dti's B-BBEE Codes of Good Practice, making it binding on the Public sector.
- ❑ And when dealing with tourism goods and services providers, the Tourism B-BBEE Code takes precedence.
- ❑ In terms of Section 10 of the B-BBEE Act, in order to advance transformation, organs of state and public entities must apply the B-BBEE requirements during:
 - Sale of tourism assets
 - Issuing of licenses and concessions
 - Procurement of tourism products and services
 - Public Private Partnership agreements



7 Elements of B-BBEE

- ❑ Ownership – applicable to private sector only
- ❑ Management Control
- ❑ Employment Equity
- ❑ Skills Development
- ❑ Enterprise Development
- ❑ Preferential Procurement
- ❑ Socio-Economic

Ownership

2012 Milestone			2012 milestone targets
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
15	7	Exercisable voting rights in the enterprise in the hands of black people	21%+1 vote
	0	Exercisable voting rights in the enterprise in the hands of black women	10%
	8	Economic interest of black people in the enterprise	21%
	0	Economic interest of black women in the enterprise	10%
	0	Economic interest of black designated groups; ESOPS; co-operatives	2.5%
	0	Realisation points: ownership fulfilment	Yes
	0	Net value	Refer to Codes of Good Practice
	0	Bonus: black new entrants	10%
	0	Bonus: broad-based scheme/ESOPs	10%

Ownership

2017 Milestone			2017 milestone targets
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
20	3	Exercisable voting rights in the enterprise in the hands of black people	30%+1 vote
	2	Exercisable voting rights in the enterprise in the hands of black women	10%
	4	Economic interest of black people in the enterprise	30%
	2	Economic interest of black women in the enterprise	10%
	1	Economic interest of black designated groups; ESOPS; co-operatives	2.5%
	1	Realisation points: ownership fulfilment	Yes
	7	Net value	Refer to Codes of Good Practice
	2	Bonus: black new entrants	10%
	1	Bonus: broad-based scheme/ESOPs	10%



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Management Control

2012 Milestone			2012 milestone targets
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
14	3.5	Exercisable voting rights of black board members using the Adjusted Recognition for Gender	50%
	3.5	Black executive directors using the Adjusted Recognition for Gender	50%
	3.5	Black senior top management using the Adjusted Recognition for Gender	40%
	3.5	Black other top management using the Adjusted Recognition for Gender	40%
	1	Bonus points board participation: black independent non-executive directors	40%

Management Control

2017 Milestone			2017 milestone targets
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
12	3	Exercisable voting rights of black board members using the Adjusted Recognition for Gender	50%
	3	Black executive directors using the Adjusted Recognition for Gender	50%
	3	Black senior top management using the Adjusted Recognition for Gender	40%
	3	Black other top management using the Adjusted Recognition for Gender	40%
	1	Bonus points board participation: black independent non-executive directors	40%

Employment Equity

2012 Milestone			2012 milestone targets
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
14	2	Black disabled people as a percentage of total employees	2%
	4	Black senior management representation	43%
	4	Black middle management representation	63%
	4	Black junior management representation	68%
	3	Bonus point for meeting or exceeding the Economically Active Population EAP targets in each category above	

Employment Equity

2017 Milestone			2017 milestone targets
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
12	1.5	Black disabled people as a percentage of total employees	3%
	3.5	Black senior management representation	60%
	3.5	Black middle management representation	75%
	3.5	Black junior management representation	80%
	3	Bonus point for meeting or exceeding the Economically Active Population EAP targets in each category above	

Skills Development

2012 Milestone			2012 milestone targets
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
20	8	% of payroll spend on skills development for black employees using the Adjusted Recognition for Gender	3%
	2	% of payroll spend on skills development for black disabled employees using the Adjusted Recognition for Gender	0.3%
	10	Number of black employees participating in Learnerships of Category B, C and D programmes as % of total employees using Adjusted Recognition for Gender	5%

Skills Development

2017 Milestone			2017 milestone targets
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
18	7.5	% of payroll spend on skills development on black employees using the Adjusted Recognition for Gender	3%
	1.5	% of payroll spend on skills development on black disabled employees using the Adjusted Recognition for Gender	0.30%
	9	Number of black employees participating in Learnerships of Category B, C and D programmes as % of total employees using Adjusted Recognition for Gender	5%

Preferential Procurement

2012 Milestone			2012 milestone targets
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
15	10	B-BBEE Procurement as % of total measurable procurement	50%
	2	QSE and EME spend as a % of total measurable procurement	10%
	3	B-BBEE procurement from 50% black owned enterprises	15%
	B-BBEE procurement from 30% black women owned enterprises		

Preferential Procurement

2017 Milestone			2017 milestone targets
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
20	12	B-BBEE Procurement as % of total measurable procurement	70%
	3	QSE and EME spend as a % of total measurable procurement	15%
	5	B-BBEE procurement from 50% black owned enterprises	20%
B-BBEE procurement from 30% black women owned enterprises			

Enterprise Development

2012 Milestone			2012 milestone targets
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
14	14	Average annual value of qualifying Enterprise Development contributions	3% of NPAT

Enterprise Development

2017 Milestone			2017 milestone targets
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
10	10	Average annual value of qualifying Enterprise Development contributions	3% of NPAT

Socio-Economic Development

2012 Milestone			2012 milestone targets
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
8	3	Average annual value of qualifying Socio-Economic Development contributions	1% of NPAT
	2	% black new recruits with no prior work experience as a percentage of all new recruits adjusted using the recognition factor for gender	10%
	3	Status of TOMSA levy collector	Yes

Socio-Economic Development

2017 Milestone			2017 milestone targets
Weighting	Sub-weighting	Indicators to measure BEE achievements	Target
10	6	Average annual value of qualifying Socio-Economic Development contributions	1% of NPAT
	1	% black new recruits with no prior work experience as a percentage of all new recruits adjusted using the recognition factor for gender	10%
	3	Status of TOMSA levy collector	Yes

Framework for measuring Tourism B-BBEE

**Companies exceeding R35m
Revenue:**

Comply with all 7 elements of
scorecard

**Qualifying Small Enterprise (QSE):
R2.5m – R35m Revenue**

Relaxed scorecard. Select four of the 7
elements of the QSE scorecard

**Exempt Micro Enterprises:
Below R2.5m revenue**

Automatic level 4 recognition

PPPFA/ B-BBEE alignment

- ❑ On 08 June 11, the Minister of Finance, brought PPPFA regulations in line with the principles and objectives of B-BBEE, using the balance scorecard methodology as prescribed by the B-BBEE Act and its Codes of Good Practice
- ❑ The Regulations started to apply to all public entities with effect from 07 Dec 11
- ❑ Emphasises, the use of Verification Certificates issued in terms B-BBEE Scorecard to calculate points out of 10 or 20, and
- ❑ Certificates issued by registered auditors approved by the Independent Regulatory Board of Auditors (IRBA).

Amendments

Previously PPPFA

- Focus - Narrow based BEE i.e. **Ownership, management control elements**
- 80/20 – goods and services to the value of **R30k to R500k**
- 90/10 – goods and services to the value of **more than R500k**
- Aims to advance HDIs

Amended PPPFA

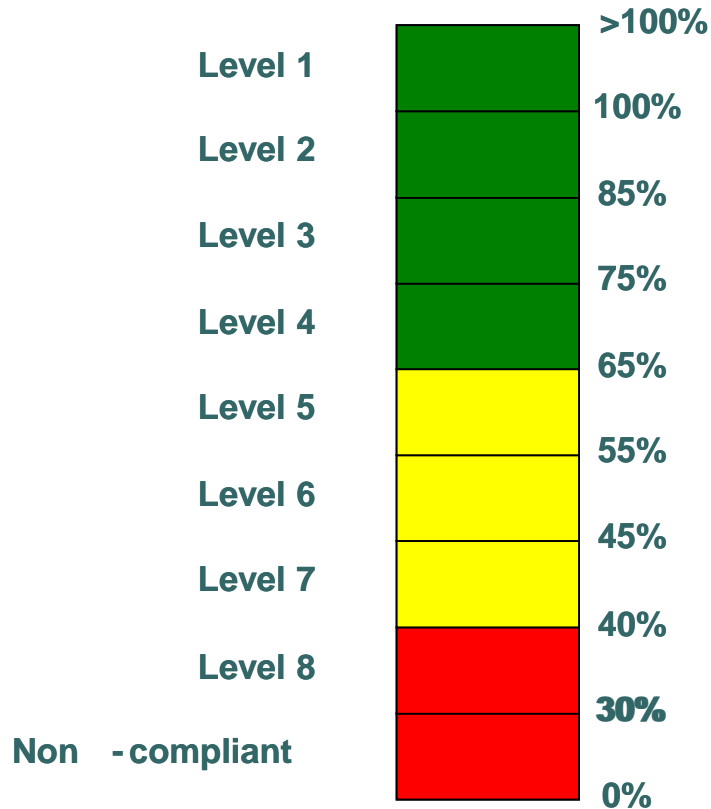
- Focus – Broad based BEE i.e B-BBEE Scorecard calculated from 7 or 4 elements
- 80/20 – goods and services to the value of **R30K to R1m**
- 90/10 – goods and services to the value of **more than R1m**
- Use Verification Certificates issued in terms B-BBEE Scorecard to calculate points out of 10 or 20
- **Certificate or letter issued by registered auditor, accountant/ bookkeeper, accounting officer** will be acceptable for EMEs
- Aims to advance B-BBEE: Alignment of definitions i.e. designated groups as per B-BBEE Act vs HDIs

Procurement planning & evaluation criteria

Prior to making invitation for tender, an organ state must:

- ❑ Properly plan and accurately estimates costs for goods, services or works for tender
- ❑ Determine and stipulate appropriate preference points system to be utilised in the evaluation and adjudication of tender, i.e. applicants should meet a minimum B-BBEE Status of Level 3
- ❑ Determine whether the services, goods or works has been designated for local production and content.

B-BBEE Classification



Contribution Level	BBBEE Score
Level 1	$\geq 100\%$
Level 2	$\geq 85\%$ and $< 100\%$
Level 3	$\geq 75\%$ and $< 85\%$
Level 4	$\geq 65\%$ and $< 75\%$
Level 5	$\geq 55\%$ and $< 65\%$
Level 6	$\geq 45\%$ and $< 55\%$
Level 7	$\geq 40\%$ and $< 45\%$
Level 8	$\geq 30\%$ and $< 40\%$
Non Compliant	$< 30\%$

B-BBEE status level of contribution/ points scoring

80 / 20 principle		90/10 principle	
B-BBEE status level of contributor	Number of points	B-BBEE status level of contributor	Number of points
1	20	1	10
2	18	2	9
3	16	3	8
4	12	4	5
5	8	5	4
6	6	6	3
7	4	7	2
8	2	8	1
Non - compliant	0	Non- compliant	0



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Application

The Regulation applies to organs of state

(section 1(iii) of the Act) and all public entities listed in schedules

2,3A,3B,3C and 3D and municipal entities

Conditions for subcontracting and JV/ consortium/ trust

- ❑ No B-BBEE points will be awarded for person intending to subcontract more than 25% of the value of the contract unless the subcontractor is EME (with capacity and ability to execute the subcontract)
- ❑ Person awarded the contract may not sub-contract more than 25% of the value of the contract that does not have an equal or higher B-BBEE status (unless if it's EME with ability and capacity to do the work)
- ❑ JV/ consortium/ trust will qualify for points for B-BBEE status level as a legal entity provided they submit their B-BBEE status level certificate as such.

Verification

- ❑ All tourism enterprises that wish to participate in public sector tender processes must obtain BEE Verification Certificate.
- ❑ Only verification certificates issued by accredited verification agencies and IRBA approved auditors will be acceptable
- ❑ If your annual turnover is less than R2,5m you are automatically BEE compliant at EME Level 4.
- ❑ However if your business is majority black woman owned you will be upgraded to EME level 3
- ❑ EME must obtain a registered Accountant's statement that confirms your turn over as below R2.5m This statement will serve as proof of BEE compliance (BEE Certificate)
- ❑ A BEE Certificate is valid for a period of 12 months from date of issue.

List of Accredited Tourism Verification Agencies

- ❑ 55 Verification Agencies were accredited by SANAS for tourism (as of Oct 12)
- ❑ 116 auditors were approved by IRBA (as of Oct 12). They are qualified to verify all sectors.

The list is available on:

- ❑ SANAS website: www.sanas.co.za
- ❑ IRBA website: www.irba.co.za
- ❑ The dti website: www.thedti.gov.za



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TOURISM B-BBEE CHARTER COUNCIL

Establishing Tourism B-BBEE Charter Council

- ❑ On 27 August 2012, the Minister appointed members of the Tourism B-BBEE Charter Council to serve for the next 3 years
- ❑ The NDT provides secretariat support to the Charter Council
- ❑ The Council held its inaugural meeting on 10 September 2012, and the planning meeting on 26 October 2012
- ❑ The Council will meet four times a year.

Charter Council Members

1. **Mr. Monwabisi Peter Fandeso:** Chairman of Beige Holdings Limited and former Chief Executive Officer (CEO) of the Thebe Tourism Group – *Minister has also appointed him as **Chairperson of the Council.***
2. **Mr Moeketsi Mosola:** Chief Executive Officer (CEO) of the Imperial Group’s Tourism Division comprising of Springbok Atlas, Grosvenor Tours, Eastgate Safaris and Imperial Chauffeur Drive.
3. **Mr. Eddy Rhulani Arnold Khosa:** Founder and Chief Executive of the Magelevendze Investments and former member Tourism Empowerment Council of South Africa (TECSA).
4. **Ms. Lindiwe Sangweni-Sido:** Co-owner and founder member of the Freedom Square Hotel (Pty) Ltd and Managing Director of the Birchwood Hotel.
5. **Mr. Siphso Zikode:** Deputy Director General for Empowerment and Enterprise Development, Department of Trade and Industry.
6. **Mr. Victor Tharage:** Deputy Director General for Policy and Knowledge Services, National Department of Tourism.

Charter Council Members Cont..

7. **Mr. Shoni Makhari:** Chief Executive Officer (CEO) of Flow Public Relations & Reputation Management.
8. **Mr. Dhrupal Amin:** Group Commercial Executive at Tsogo Sun Group.
9. **Mrs. Bunny Bhoola:** Owner of African Link Tours and Travel and SATSA executive committee member. *She was appointed Deputy Chairperson of the Council.*
10. **Mr. Titus Baloyi:** Chief Executive Officer of Bembani Sustainability Training (Pty) Ltd.
11. **Mr. Michael Tatalias:** Chief Executive Officer of Southern Africa Tourism Services Association (SATSA) and a board member of the Tourism Business Council of South Africa (TBCSA).
12. **Mr. Bheki Ntshalintshali:** Deputy General Secretary of the Congress of South African Trade Unions (COSATU).
13. **Ms. Robyn Christie:** Former Chief Executive Officer (CEO) of the Association of South African Travel Agents (ASATA).
14. **Ms. Heather Prinsloo:** Managing Director of Ibhaso Consulting and former Divisional Director: Transformation for the City Lodge Hotel Group.

The Council Mandate

The Charter Council will play the following roles:

- ❑ Provide guidance on sector-specific matters effecting B-BBEE in entities within the sector,
- ❑ Compile reports on the status of broad-based black economic empowerment within the sector, and
- ❑ Share information with sector members, approved accreditation agencies and the Minister.

The Current projects

The Charter Council is currently carrying out the following projects on transformation:

- ❑ Public Sector Spend - to determine how much of the procurement budget of the selected public entities go to B-BBEE compliant enterprises
- ❑ Public Private Partnerships, Concession and Licenses – to determine to what extent tourism transformation has occurred since the establishment of the PPP regulations by the National Treasury
- ❑ To determine the State of Transformation in the Tourism sector based on the gazetted Tourism Sector Charter/ Codes. It is a follow-up to the previous studies conducted in 2011 on the matter.



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