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TOURISM SECTOR B-BBEE

Parliament's Committee briefing on Tourism B-BBEE

By National Department of Tourism

30 Oct 2012

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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.



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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



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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



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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.



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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



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7 Elements of B-BBEE

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



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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%



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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%



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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%



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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	



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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	



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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%



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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%



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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	



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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	



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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



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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



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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



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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



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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



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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

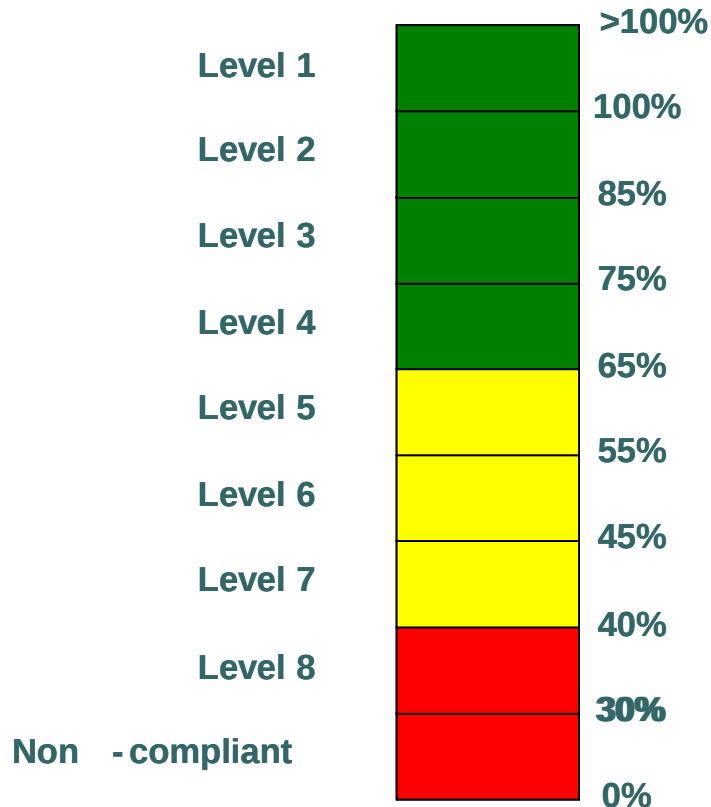


Procurement planning & evaluation criteria

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	$< 30\%$



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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



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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. Sipho 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.



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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.



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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.



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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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