



**tourism**

Department:  
Tourism  
REPUBLIC OF SOUTH AFRICA

# **BRIEFING BY THE NATIONAL DEPARTMENT OF TOURISM ON THE AMENDED TOURISM B-BBEE SECTOR CODE**

## **Portfolio Committee on Tourism**

### **20 May 2016**

# ACRONYMS

ACRONYM	FULL REFERENCE
B-BBEE	Broad-Based Black Economic Empowerment
CIPC	Companies and Intellectual Property Commission
EME	Exempted Micro Enterprise
LE	Large Enterprise
QSE	Qualifying Small Enterprise
ESD	Enterprise and Supplier Development

# PURPOSE

- To brief members of the Portfolio Committee on Tourism on the Amended Tourism B-BBEE Code; and
- Outline the way forward to support the implementation of the Amended Tourism B-BBEE Code in the sector.

# DEVELOPMENT OF B-BBEE

- 2003** B-BBEE Act No 53 was enacted for the promotion of B-BBEE;
- 2005** Tourism Charter signed and first Tourism Charter Council appointed;
- 2009** Tourism B-BBEE Charter gazetted as a Section 9 Code (under B-BBEE Act);
- 2012** New members to establish the Tourism B-BBEE Charter Council appointed;
- 2012/2013** Amendment of the B-BBEE Act and the Generic B-BBEE Codes of Good Practice;
- 2014/2015** The Council developed the draft Amended Tourism B-BBEE Code in consultation with tourism stakeholders – setting new targets for transformation in the sector;
- 2015** The Amended Tourism B-BBEE Sector Code was gazetted for implementation in terms of Section 9 (1) of the B-BBEE Amendment Act No. 46 of 2013;

Tourism was the first sector to gazette its amended B-BBEE Code

# OBJECTIVES OF THE AMENDED TOURISM SECTOR CODE

- To advance the objectives of the B-BBEE Amendment Act No.46 of 2013 within the Tourism Sector;
- To ensure that opportunities and benefits of the tourism sector are extended to Black South Africans;
- Represent a partnership programme as outlined in government's strategy for B-BBEE;
- Provide a basis for the sector's engagement with other stakeholders.

# SCOPE OF APPLICATION

The amended Tourism Sector Code applies to all enterprises within the following Sub-Sectors:

## **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, Casinos, Consulting and professional services companies.

## **Travel and Related Services**

- Tour wholesalers, Tour operators, Travel agents, Tourist guides, Car rental companies;
- Coach operators.

# APPLICABLE THRESHOLDS

CATEGORIES OF ENTERPRISES	TOURISM THRESHOLDS
Exempted Micro Enterprises (EMEs)	Total annual revenue of less than R 5 Million
Qualifying Small Enterprises (QSEs)	Total annual revenue of between R5m and R45m
Large Enterprises (LEs)	Total annual revenue of over R 45 Million

# ELEMENTS OF THE AMENDED TOURISM SECTOR CODE

- The amended Code has been consolidated from seven into five elements in line with the (dti) amended generic codes.
- The new elements are:
  - ❖ Ownership (*Priority*)
  - ❖ Management Control
  - ❖ Skills Development (*Priority*)
  - ❖ Enterprise and Supplier Development (*Priority*)
  - ❖ Socio-Economic Development



# PRIORITY ELEMENTS AND THE DISCOUNTING PRINCIPLE

PRIORITY ELEMENT	MINIMUM COMPLIANCE REQUIREMENT
Ownership	Forty percent (40%) of 8 Net Value points
Skills Development	Forty percent (40%) of Skills Development points
Enterprise and Supplier Development (ESD)	Forty percent (40%) for each of the three categories within ESD element

Non-compliance with the 40% sub-minimum requirements of any of the above Priority elements will result in the measured entity's B-BBEE Status Level and corresponding B-BBEE Recognition Level being discounted by one level.

# COMPLIANCE PARAMETERS

- All LEs and QSEs must comply with all elements of the Tourism Sector B-BBEE Scorecard;
- Large Entities must comply with all three priority elements;
- QSEs must comply with at least two of the priority elements as follows:
  - ❖ Ownership (compulsory) and;
  - ❖ Either ESD or Skills Development;
- An EME which is 100% Black Owned qualifies for a Level One B-BBEE Contributor status;
- An EME which is at least 51% Black Owned qualifies a Level Two B-BBEE Contributor status.

# COMPLIANCE PARAMETERS (cont.)

- A QSE which is 100% Black Owned qualifies for Level One B-BBEE Contributor status;
- A QSE which is at least 51% Black Owned qualifies for a Level Two B-BBEE recognition level;
- Black women should form between 40% and 50% of the beneficiaries of the relevant Elements of the scorecard;
- Black People with disabilities, Black youth, Black People living in rural areas and Black unemployed people are intended beneficiaries of the relevant Elements of the Scorecard.

# NEW RECOGNITION LEVELS

BBBEE status	Current qualification	Revised qualification	BBBEE recognition
<b>Level one contributor</b>	≥100 points on the Generic Scorecard	≥100 points on the Generic Scorecard	135%
<b>Level two contributor</b>	≥85 but <100 points on the Generic Scorecard	≥95 but <100 points on the Generic Scorecard	125%
<b>Level three contributor</b>	≥75 but <85 on the Generic Scorecard	≥90 but <95 on the Generic Scorecard	110%
<b>Level four contributor</b>	≥65 but <75 on the Generic Scorecard	≥80 but <90 on the Generic Scorecard	100%
<b>Level five contributor</b>	≥55 but <65 on the Generic Scorecard	≥75 but <80 on the Generic Scorecard	80%
<b>Level six contributor</b>	≥45 but <55 on the Generic Scorecard	≥70 but <75 on the Generic Scorecard	60%
<b>Level seven contributor</b>	≥40 but <45 on the Generic Scorecard	≥55 but <70 on the Generic Scorecard	50%
<b>Level eight contributor</b>	≥30 but <40 on the Generic Scorecard	≥40 but <55 on the Generic Scorecard	10%
<b>Non-compliant contributor</b>	<30 on the Generic Scorecard	<40 on the Generic Scorecard	0%

# THE EMPOWERING SUPPLIER

A B-BBEE compliant entity must comply with all regulatory requirements of the Employment Equity Act, Skills Development Act and the Skills Development Levies Act. Additionally a large entity must meet at least four of the qualifying criteria and a Qualifying Small Enterprise must meet two of the criteria listed below:

- At least 25% of cost of sales excluding labour cost and depreciation must be procured from local producers or local suppliers in SA;
- At least 85% of Total Labour Cost should be paid to SA employees by service industry entities;
- Job creation – at least 50% of jobs created during the Measurement Period are for Black People provided that the number of Black employees since the immediate prior verified B-BBEE Measurement is maintained;
- At least 51% of Total Measured Procurement Spend must be from SA suppliers;
- Skills transfer by Senior and Top Management (as defined by the Employment Equity regulations) - at least 12 days per annum assisting 51% Black Owned EMEs and QSEs to increase their operational and/or financial capacity.

# POINTS TO NOTE ON B-BBEE VERIFICATION

- Verifications performed after the 20<sup>th</sup> November 2015 not valid unless based on the amended Tourism Codes (39430);
- Only B-BBEE verification professionals or Rating Agencies accredited by the Minister of the Department of Trade and Industry are authorised to conduct verification of Tourism sector enterprises for B-BBEE compliance;
- An EME is only required to obtain a sworn affidavit annually, confirming the total annual revenue of up to R5 million and the level of Black ownership;
- An EME may be measured in terms of the QSE scorecard should they wish to maximise their points and move to a higher B-BBEE recognition level;
- A QSE that is 51% or 100% Black Owned is only required to obtain a sworn affidavit or certificate issued by the CIPC on an annual basis, confirming the total annual revenue of between R 5 Million and R45 Million, the level of Black ownership and its empowering supplier status;
- Other QSEs are required to obtain a verification certificate to substantiate their B-BBEE status.

# WAY FORWARD

- The Process of appointing the new Tourism *B-BBEE Charter Council* to drive and monitor transformation in the sector is currently underway. Once appointed, they will craft a programme of action for implementation;
- A *Baseline Study* will be conducted to establish the current state of transformation in the sector ahead of the full implementation of the Amended Tourism B-BBEE Sector Code;
- In consultation with a wide range of stakeholders, a *B-BBEE Strategy* will be developed mapping out a comprehensive set of targeted actions for transforming the sector beyond compliance with the Code;
- A *Tourism B-BBEE Portal* for black owned enterprises is under development to accelerate the empowerment of SMMEs in the sector. Key components of the portal will be the matchmaking function, the self assessment tool and the reporting functionality to monitor compliance with the Amended Tourism B-BBEE Sector Code;
- The department will commence implementation of the *Executive Development Programme for Women* in association with the UNISA Graduate School of Business Leadership.

# THANK YOU





# ANNEXURES



# LARGE ENTERPRISE SCORECARD: OWNERSHIP ELEMENT

Indicator	Measurement Category & Criteria	Weighting Points	Compliance Targets
<b>Voting Rights</b>	Exercisable Voting Rights in the entity in the hands of Black People;	4	30%
	Exercisable Voting Rights in the entity in the hands of Black Women.	2	15%
<b>Economic Interest</b>	Economic Interest in the entity to which Black People are entitled;	4	30%
	Economic Interest in the entity to which Black Women are entitled;	2	15%
	Economic Interest of any of the following Black Natural Persons in the measured entity: Black Designated Groups; Black Participants in Employee Share Ownership Programmes; Black People in Broad-Based Ownership Schemes; Black Participants in Co-operatives.	3	3%
	Black New Entrants	4	10%
<b>Realisation Points</b>	Net Value	8	Refer : TSC100 (E)

# LARGE ENTERPRISE SCORECARD: MANAGEMENT CONTROL ELEMENT

Measurement Category & Criteria	Weighting Points	Compliance Targets
<b>Board Participation:</b>		
Exercisable Voting Rights of Black Board Members as a percentage of all Board Members;	2	50%
Exercisable Voting Rights of Black Female Board Members as a percentage of all Board Members;	1	30%
Black Executive Directors as a percentage of all Executive Directors;	2	50%
Black Female Executive Directors as a percentage of all Executive Directors.	1	30%

# LARGE ENTERPRISE SCORECARD: MANAGEMENT CONTROL ELEMENT

Measurement Category & Criteria	Weighting Points	Compliance Targets
<b>Other Executive Management:</b>		
Black Executive Management as a percentage of all Other Executive Management;	2	60%
Black Female Executive Management as a percentage of all Other Executive Management.	1	30%
<b>Senior Management</b>		
Black Employees in Senior Management as a percentage of all Senior Management;	2	60%
Black Female Employees in Senior Management as a percentage of all Senior Management.	1	30%
<b>Middle Management</b>		
Black Employees in Middle Management as a percentage at all Middle Management;	2	75%
Black Female Employees in Middle Management as a percentage of all Middle Management.	1	38%

# LARGE ENTERPRISE SCORECARD: MANAGEMENT CONTROL ELEMENT

Measurement Category & Criteria	Weighting Points	Compliance Targets
<b>Junior Management</b>		
Black Employees in Junior Management as a percentage of all Junior Management;	1	80%
Black Female Employees in Junior Management as a percentage of all Junior Management.	1	40%
<b>Employees with disabilities</b>		
Black Employees with Disabilities as a percentage of all Employees.	2	2%
<b>Bonus Points:</b>		
Number of Black Employees with Disabilities over and above the 2% target for Black Employees with Disabilities, as a percentage of all Employees.	2	1% (over and above 2% target in 2.6.1)

# LARGE ENTERPRISE SCORECARD: SKILLS DEVELOPMENT ELEMENT

Measurement Category & Criteria	Weighting Points	Compliance Targets
<b>Skills Development Expenditure on any programme specified in the Learning Programme Matrix for Black People as a percentage of the Leviable Amount</b>		
Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for Black People in any of the following three tourism sub-sectors as a percentage of Leviable Amount:  Accommodation; Hospitality and related services; and Travel and related services.	5	6%
Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for Black People with disabilities in any of the above three tourism sub-sectors as a percentage of Leviable Amount.	3	0.3%

# LARGE ENTERPRISE SCORECARD: SKILLS DEVELOPMENT ELEMENT

Measurement Category & Criteria	Weighting Points	Compliance Targets
<b>Learnerships, Apprenticeships, and Internships</b>		
Number of Black Employees participating in Learnerships, Apprenticeships and Internships paid for by the measured entity as a percentage of total Employees.	8	3.5%
Number of Black Unemployed Learners participating in Learnerships, Apprenticeships and Internships paid for by the measured entity as a percentage of number of total Employees.	4	3%
<b>Bonus points:</b>		
Number of Black People absorbed by the measured and/or industry entity at the end of the Learnerships/internship or apprenticeship programme.	5	100%

# LARGE ENTERPRISE SCORECARD: ESD ELEMENT

Measurement Category & Criteria	Weighting Points	Compliance Targets
<b>Preferential Procurement</b>		
B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend;	5	80%
B-BBEE Procurement Spend from all Empowering Suppliers that are Qualifying Small Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend.	3	15%
B-BBEE Procurement Spend from all Exempted Micro Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend.	4	15%
BB-BBEE Procurement Spend from Empowering Suppliers that are at least 51% Black Owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend.	9	40%



# LARGE ENTERPRISE SCORECARD: ESD ELEMENT

Measurement Category & Criteria	Weighting Points	Compliance Targets
BB-BBEE Procurement Spend from Empowering Suppliers that are at least 30% Black Women Owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend.	4	12%
<b>Supplier Development</b>		
Annual value of all qualifying Supplier Development contributions made by the measured entity as a percentage of the target	10	3% of NPAT
<b>Enterprise Development</b>		
Annual value of all qualifying Enterprise Development contributions and sector specific contributions made by the measured entity as a percentage of the target.	5	0.5% of NPAT
<b>Bonus Points</b>		
Bonus point for graduation of one or more qualifying Enterprise Development beneficiaries to graduate to the Supplier Development level	1	Yes
Bonus point for creating one or more jobs directly as a result of qualifying Supplier Development and Enterprise Development contributions by the measured entity	1	Yes

# LARGE ENTERPRISE SCORECARD: SOCIO ECONOMIC DEVELOPMENT ELEMENT

Measurement Category & Criteria	Weighting Points	Compliance Targets
Annual value of all Qualifying Socio-Economic Development Contributions by the measured entity as a percentage of the target.	5	1% of NPAT
Status as TOMSA levy collector.	3	Yes

# QUALIFYING SMALL ENTERPRISE SCORECARD: OWNERSHIP ELEMENT

Indicator	Measurement Category & Criteria	Weighting Points	Compliance Targets
<b>Voting Rights</b>	Exercisable Voting Rights in the entity in the hands of Black People;	5	30%
	Exercisable Voting Rights in the entity in the hands of Black Women.	2	15%
<b>Economic Interest</b>	Economic Interest in the entity to which Black People are entitled;	5	30%
	Economic Interest in the entity to which Black Women are entitled;	3	15%
	Economic Interest of Black New Entrants or Black Designated Groups.	3	3%
<b>Realisation Points</b>	Net Value	8	Refer : TSC100 (E)

# QUALIFYING SMALL ENTERPRISE SCORECARD: MANAGEMENT CONTROL ELEMENT

Measurement Category & Criteria	Weighting Points	Compliance Targets
<b>Executive Management:</b>		
Black representation at Executive Management;	5	60%
Black Female representation at Executive Management.	2	30%
<b>Senior, Middle and Junior Management:</b>		
Black representation at Senior, Middle and Junior management;	6	60%
Black Female representation at Senior, Middle and Junior management.	2	30%
<b>Bonus Points:</b>		
Number of Black Employees with Disabilities as a percentage of all Employees.	2	1%

# QUALIFYING SMALL ENTERPRISE SCORECARD: SKILLS DEVELOPMENT ELEMENT

Measurement Category & Criteria	Weighting points	Compliance Targets
Skills Development Expenditure on any programme specified in the Learning Programme Matrix for Black People as a percentage of the Levable Amount		
Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for Black People in any of the following three tourism sub-sectors as a percentage of Levable Amount: Accommodation, Hospitality & Travel and related services	10	3%
Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for Black Females in any of the following three tourism sub-sectors as a percentage of Levable Amount: Accommodation, Hospitality & Travel and related services	9	1.5%
<b>Learnerships, Apprenticeships, and Internships</b>		
Number of Black People participating in Learnerships, Apprenticeships and Internships paid for by the measured entity as a percentage of total Employees.	6	2.5%
<b>Bonus points:</b>		
Number of Black People absorbed by the measured and/industry entity at the end of the Learnership, Apprenticeship or Internship programme.	5	100%

# QUALIFYING SMALL ENTERPRISE SCORECARD: ESD ELEMENT

Measurement Category & Criteria	Weighting Points	Compliance Targets
<b>Preferential Procurement</b>		
B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend;	8	60%
B-BBEE Procurement Spend from Empowering Suppliers that are at least 51% Black Owned based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend.	10	30%
<b>Supplier Development</b>		
Annual value of all Qualifying Supplier Development Contributions made by the measured entity as a percentage of the target.	7	2% of NPAT
<b>Enterprise Development</b>		
Annual value of all Qualifying Enterprise Development Contributions made by the measured entity as a percentage of the target	5	1% of NPAT

# QUALIFYING SMALL ENTERPRISE SCORECARD: SOCIO ECONOMIC DEVELOPMENT ELEMENT

Measurement category & criteria	Weighting Points	Compliance Targets
Annual value of all Qualifying Socio-Economic Development Contributions by the measured entity as a percentage of the target.	5	1% of NPAT
<b>Bonus Points:</b>		
Status as TOMSA levy collector.	3	Yes