

Baseline Study on the State of Transformation in the Tourism Sector

Presented by: Dr V. Mahlati

Chairperson: Tourism B-BBEE Charter Council

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broadening horizons



tourism

Department:
Tourism
REPUBLIC OF SOUTH AFRICA



Presentation Overview

Acronyms

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- Background
- Composition and Mandate of the Charter Council

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Acronyms

- **B-BBEE**: Broad-Based Black Economic Empowerment
- **BEE**: Black Economic Empowerment
- **FEDHASA**: Federated Hospitality Association of South Africa
- **EMEs (Band 1)** : Exempted Micro Enterprises
- **QSEs (Band 2)**: Qualifying Small Enterprises
- **LEs (Band 2)**: Large Enterprises
- **NPAT**: Net Profit After Tax
- **SMMEs**: Small, Medium and Micro Enterprises
- **TOMSA**: Tourism Marketing South Africa
- **TBCSA**: Tourism Business Council of South Africa



I. Introduction



Purpose

- To brief members of the Portfolio Committee on Tourism on the findings of the “***State of Tourism Sector Transformation Report***”, 2017.



Background

- 2003: B-BBEE Act No 53 was enacted to provide legislative framework for the promotion of broad-based black economic empowerment (B-BBEE);
- 2005: Tourism Charter signed and first Charter Council appointed;
- 2009: Tourism B-BBEE Charter gazetted as a Section 9 Code (under B-BBEE Act);
- 2012: New members to form the Tourism B-BBEE Charter Council appointed;
- 2012-2013: the dti amends the B-BBEE Act and the Generic B-BBEE Codes of Good Practice to strengthen the transformation agenda;
- 2014/ 2015: The Council develops 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 – binding on all stakeholders operating in the Tourism Sector;
- Tourism was the first sector to gazette its amended B-BBEE Code – ahead of the rest of the sectors. (20 November 2015)
- 2016 May: The Minister of Tourism appoints the new Council – Chaired by Dr. Vuyo Mahlati.



Composition of the Charter Council

1. **Dr Vuyo Mahlati:** National Planning Commissioner at the Presidency (Chairperson)
2. **Mrs Lindiwe Sangweni-Siddo:** COO of the City Lodge Hotel Group (Deputy Chairperson)
3. **Mr Blacky Komani:** Deputy Group CEO of Tourvest
4. **Ms Gail Westphal:** Managing Director at McCann Westphal Tourism Holdings
5. **Mr Tshifhiwa Tshivhengwa:** CEO of Federated Hospitality Association of South Africa (FEDHASA)
6. **Mr Adriaan Liebetrau:** General Manager at FAIRCITY.

Composition of the Charter Council

7. **Mr Ravi Nadasen:** COO at Tsogo Sun
8. **Ms Nyeleti Mushuana:** CEO of Karibu Hotel & Conference Centre
9. **Ms Mmatšatši Ramawela:** CEO of Tourism Business Council of South Africa (TBCSA)
10. **Mr Duma Gqubule:** Founder of KIO Advisory Services
11. **Ms Morongoe Ramphele:** DDG for Tourism Sector Support Services at the National Department of Tourism



Mandate of the Charter Council

The Council is appointed to fulfil the following mandate, as provided under Section 6.4 Statement 003 of the B-BBEE Codes:

- ✓ provide guidance on sector-specific matters affecting B-BBEE in the tourism sector;
 - ✓ compile reports on the status of broad-based black economic empowerment within the sector, and
 - ✓ share information with sector members, Minister of Tourism, approved accreditation agencies, B-BBEE Commission, B-BBEE Presidential Advisory Council, and the Minister of Trade and Industry.
- The Council holds four (4) quarterly meetings per year;
 - The Council has three sub-committees aligned to the Codes, namely:
 - ✓ Accommodation sub-committee
 - ✓ Hospitality sub-committee
 - ✓ Travel sub-committee
 - As part of its monitoring on B-BBEE in the tourism sector, in 2017 the Council conducted a study to establish the status of transformation in the sector.



2. Baseline Study



Objective of this Study



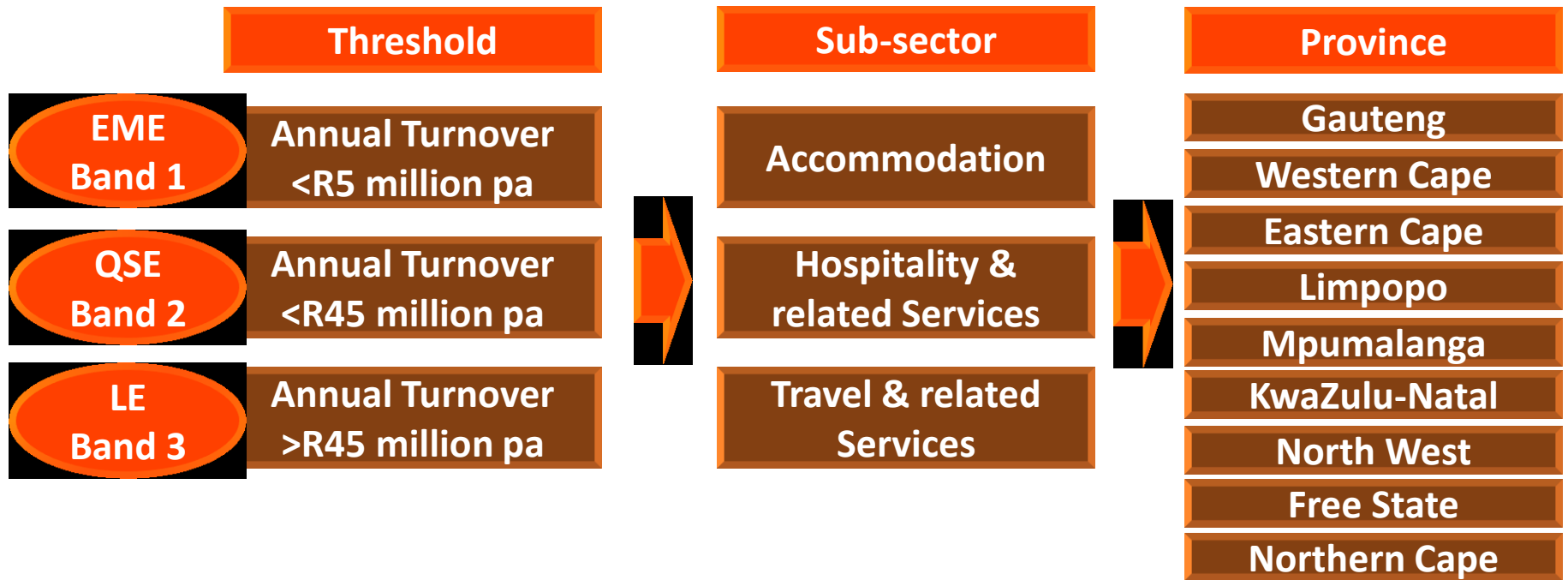
1. A new baseline study was conducted to establish the **current state of transformation** in the sector.
2. The research **will set a baseline** for the **amended code**.
3. The research **provides recommendations** to inform the Council's plans to rapidly advance the course of transformation in the tourism sector.
4. The results of the study will be shared once the research is complete.
5. The results of the baseline study will **inform the development of the transformation strategy**.



Methodology



Sample Frame Design



3. Study Results



Tourism B-BBEE Code Elements

PRIORITY

Ownership

Management Control

PRIORITY

Skills Development

PRIORITY

Enterprise and Supplier Development

Socio-Economic Development



Ownership



Ownership Scorecard

Ownership

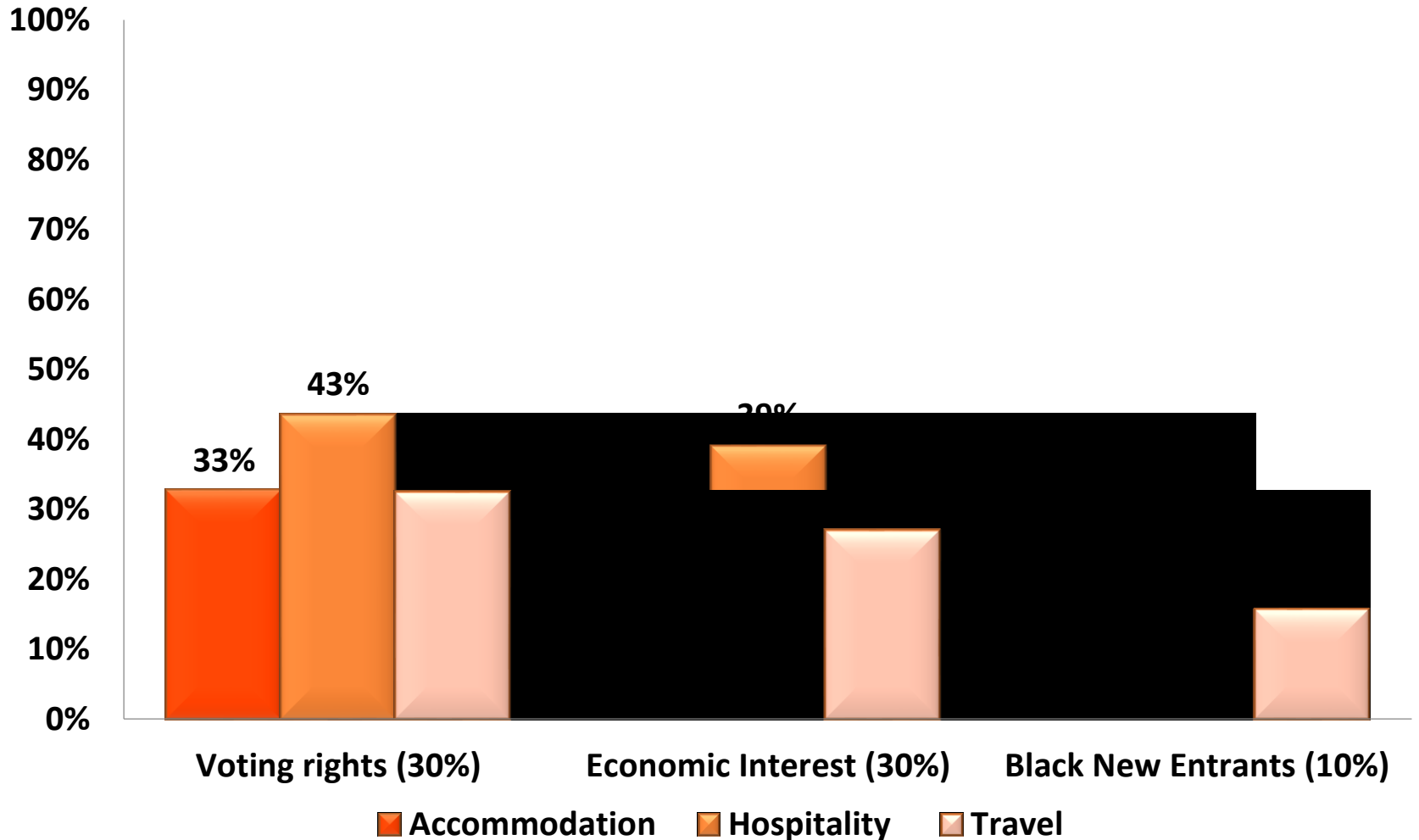
INDICATOR	MEASUREMENT CATEGORY AND CRITERIA	LE COMPLIANCE TARGETS		QSE
		Black People	Black Female	
Voting Rights	Exercisable Voting Rights in the entity in the hands of Black People	30%	15%	✓
Economic Interest	Economic Interest in the entity to which Black People are entitled	30%	15%	✓
	Economic Interest of any of the following Black Natural Persons in the measured entity: <ul style="list-style-type: none"> • Black Designated Groups; • Black Participants in Employee Share Ownership Programmes; • Black People in Broad-Based Ownership Schemes; • Black Participants in Co-operatives. 	3%		✓
	Black New Entrants	10%		



Ownership Targets Achieved by Sub-sector

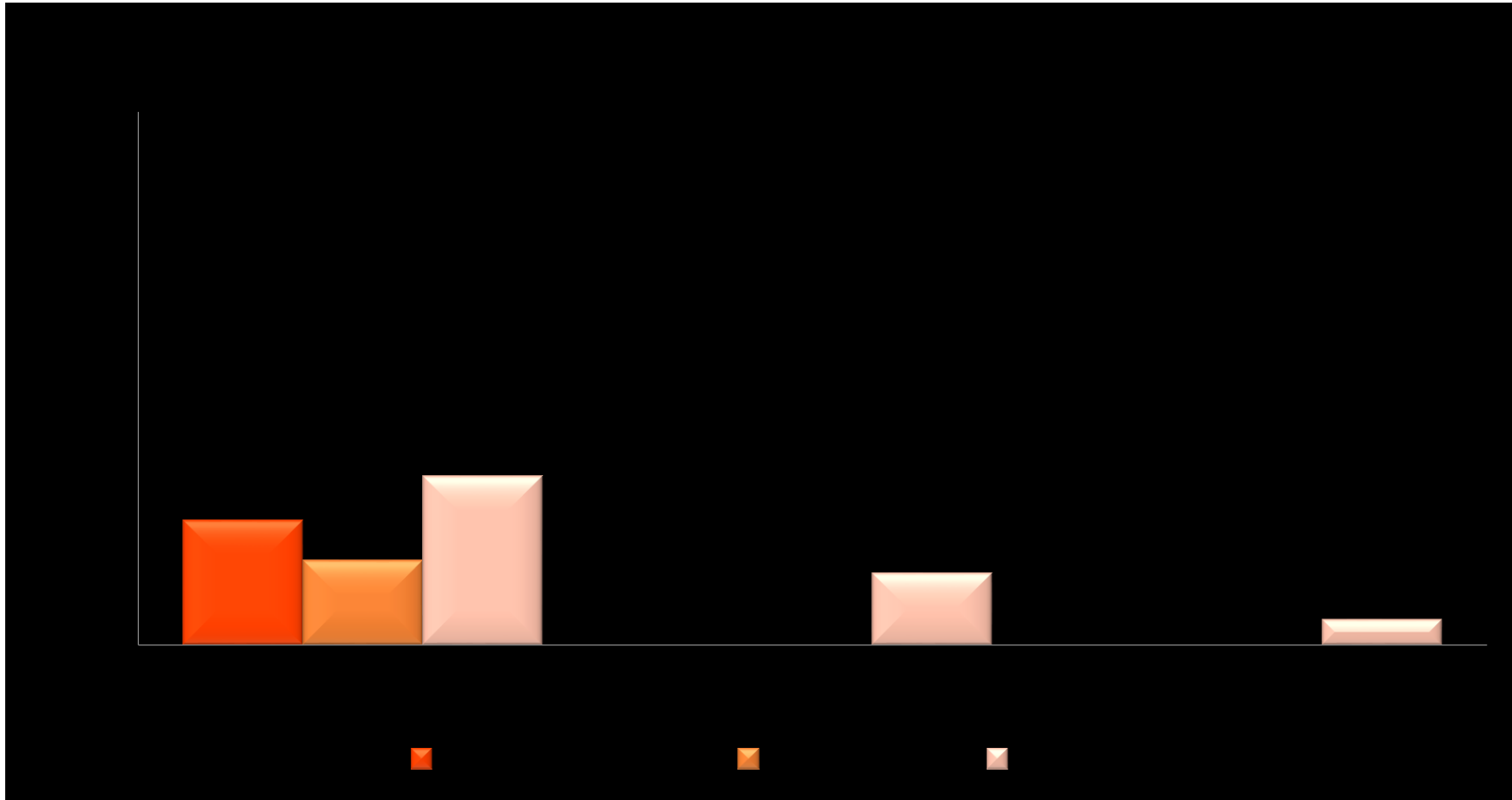
Ownership

Black Ownership



Advancement of Black Women in Ownership by Sub-sector

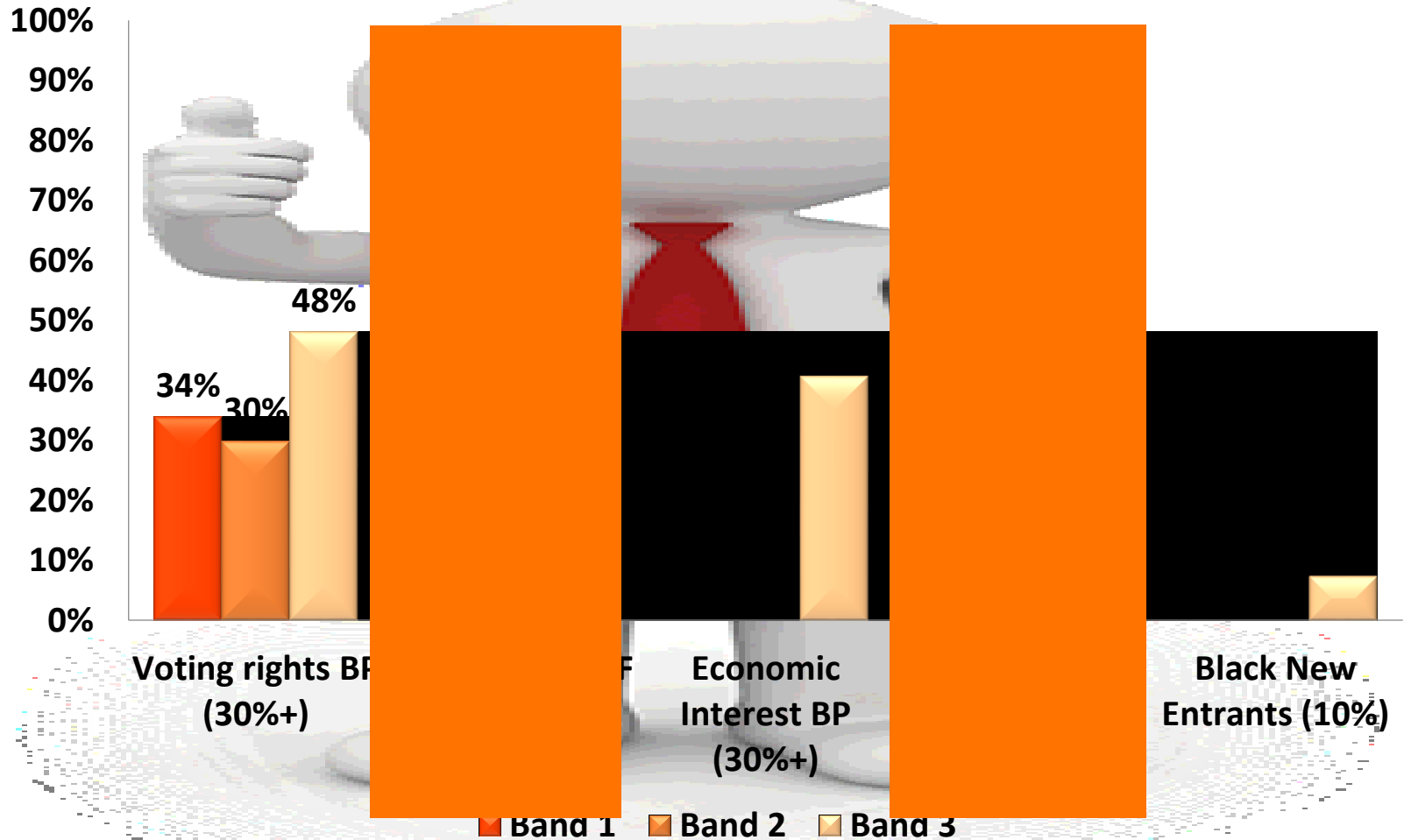
Ownership



Ownership Targets Achieved by Band

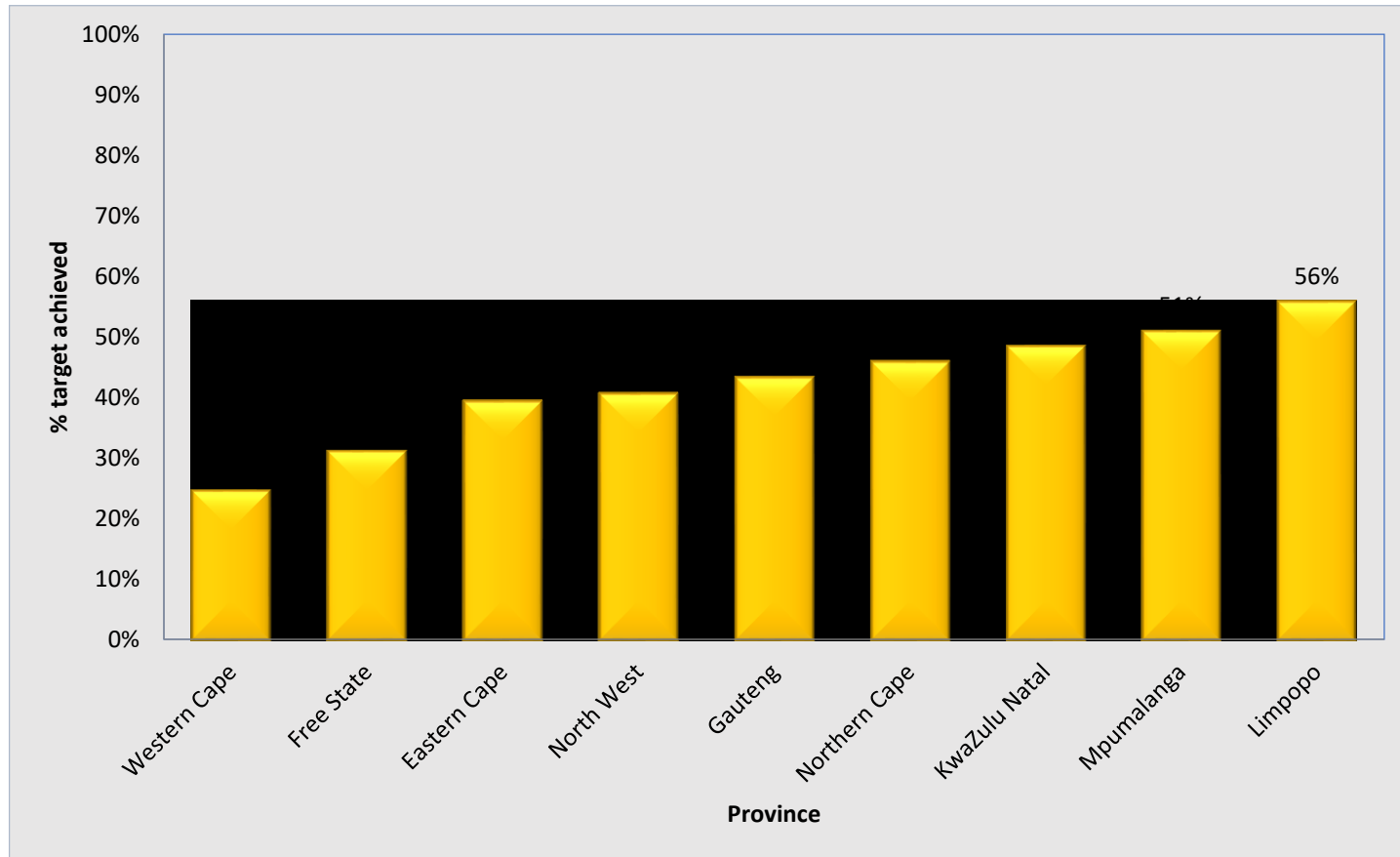
Black People (BP) & Black Females (BF)

Ownership



Ownership Targets Achieved by Province

Voting Rights for Black People



Ownership



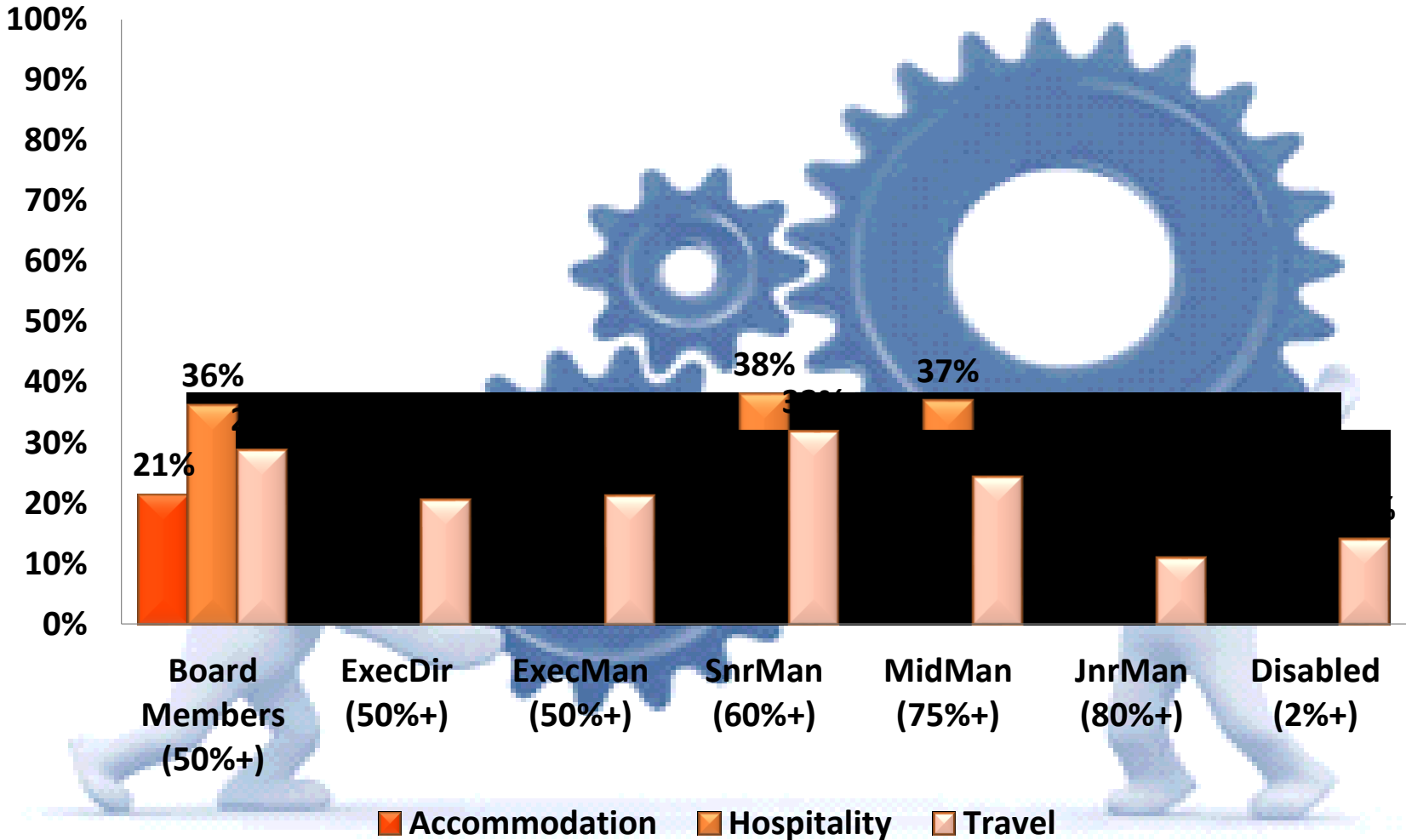
Management Control



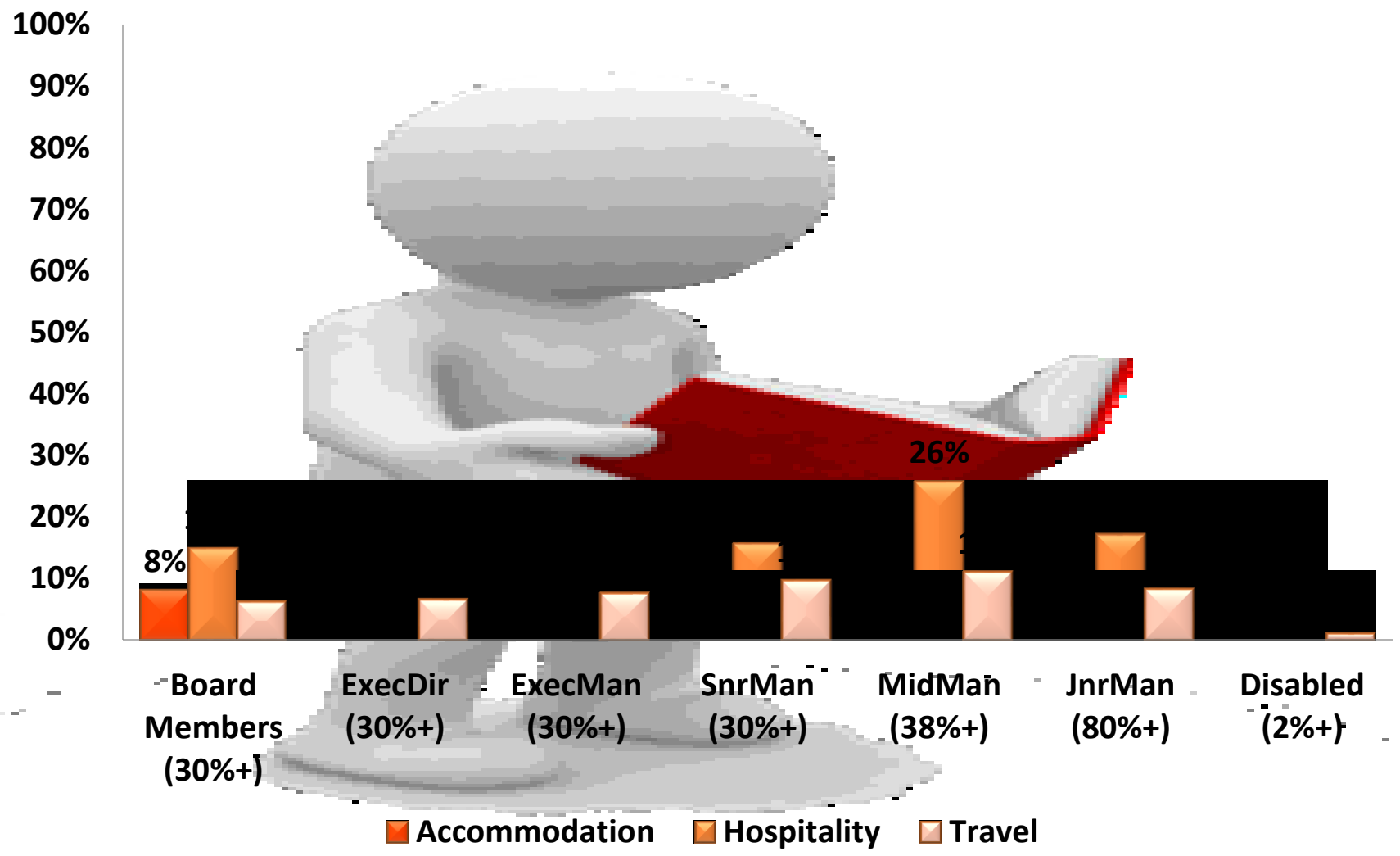
Management Control Scorecard

INDICATOR	MEASUREMENT CATEGORY AND CRITERIA	LE COMPLIANCE TARGETS		QSE
		Black People	Black Female	
Board Participation	Exercisable Voting Rights of Black Board Members as a percentage of all Board Members	50%	30%	
	Black Executive Directors as a percentage of all Executive Director	50%	30%	
Other Executive Management	Black Executive Management as a percentage of all other Executive Management	60%	30%	✓
Senior Management	Black Employees in Senior Management as a percentage of all Senior Management	60%	30%	✓
Middle Management	Black Employees in Middle Management as a percentage of all Middle Management	75%	38%	✓
Junior Management	Black Employees in Junior Management as a percentage of all Junior Management	80%	40%	✓
Employees with Disabilities	Black Employees with Disabilities as a percentage of all Employees	2%		1% Bonus

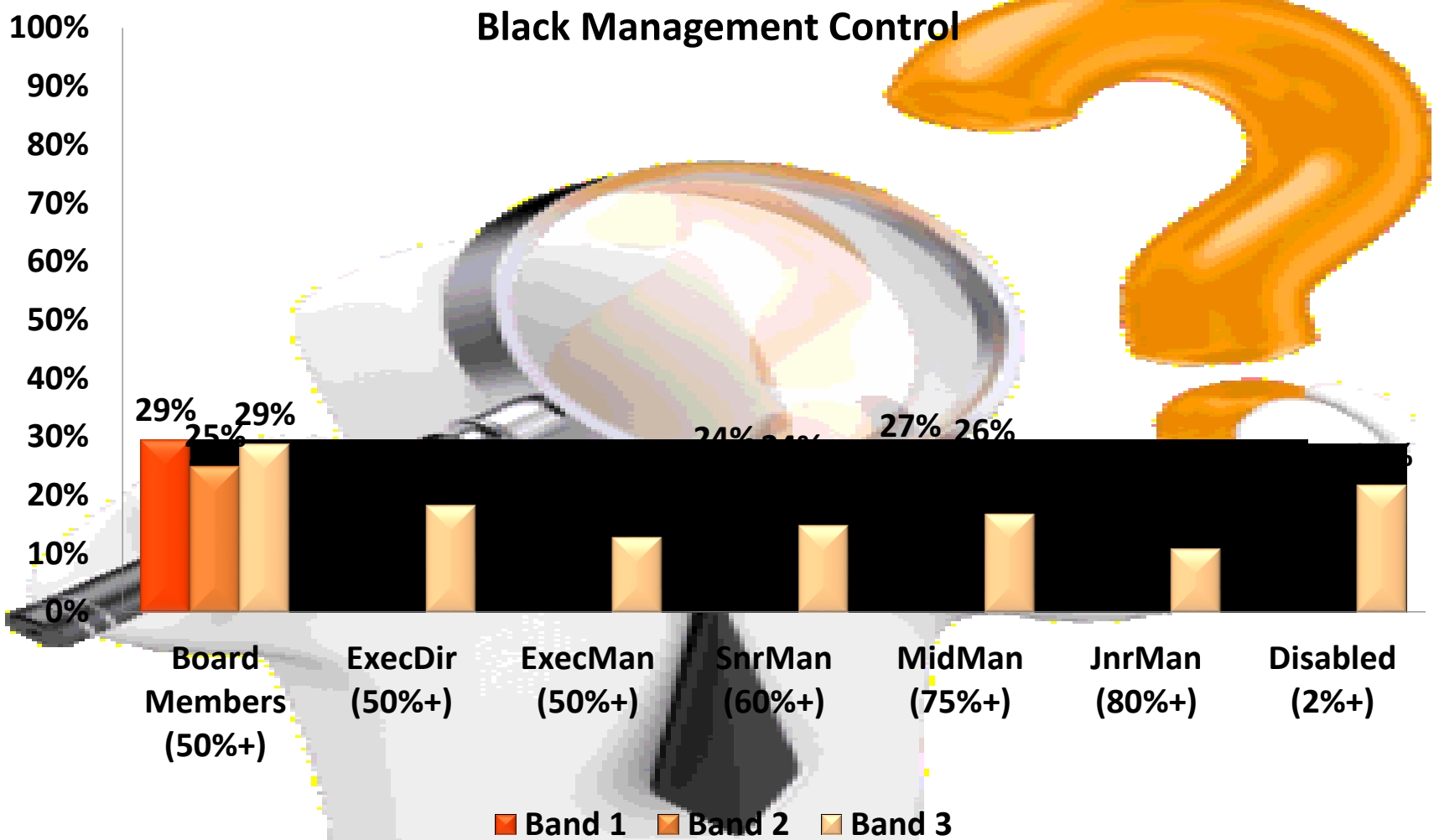
Management Control Targets Achieved by Sub-sector



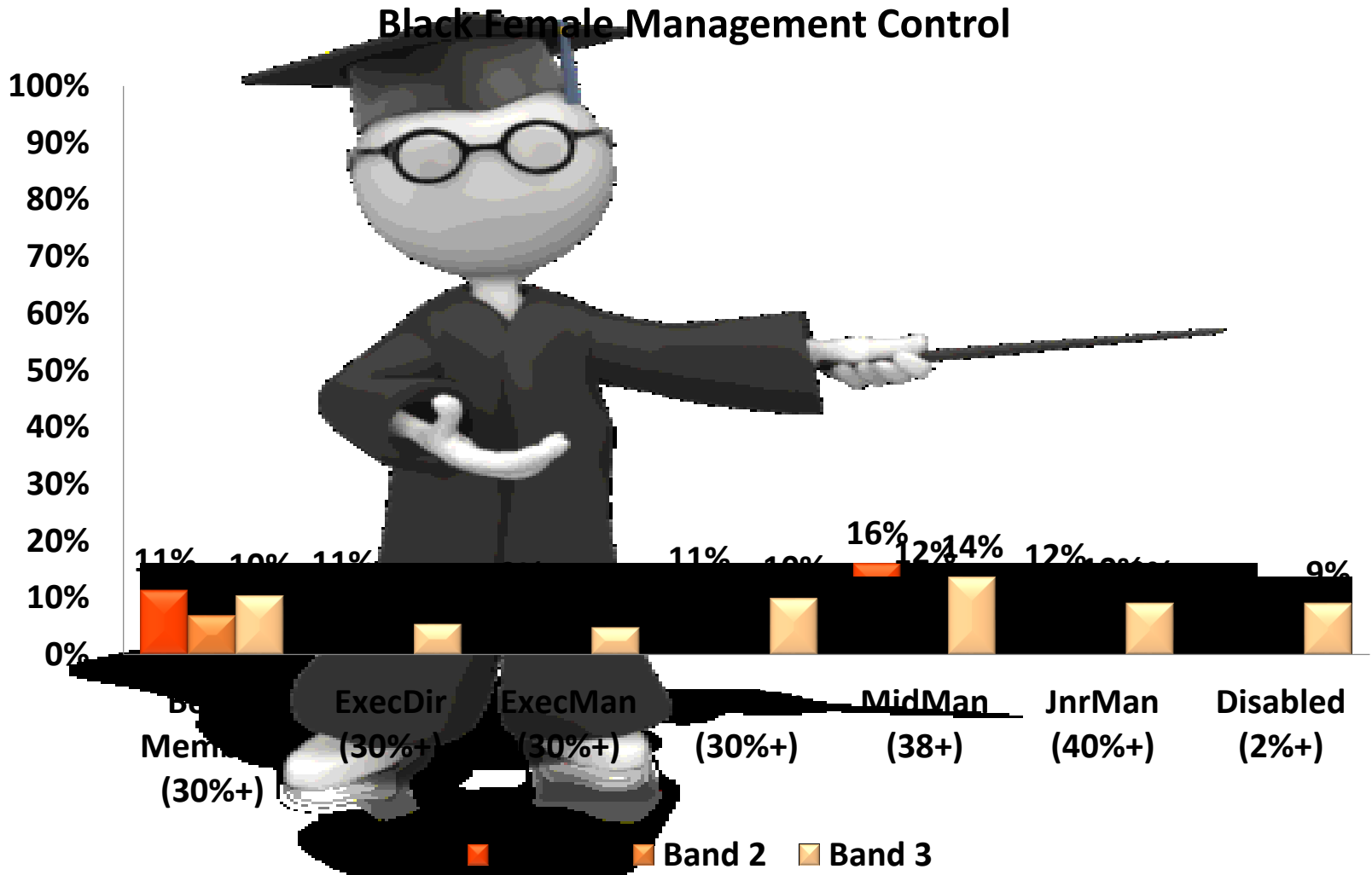
Advancement of Black Women in Management Control by Sub-sector



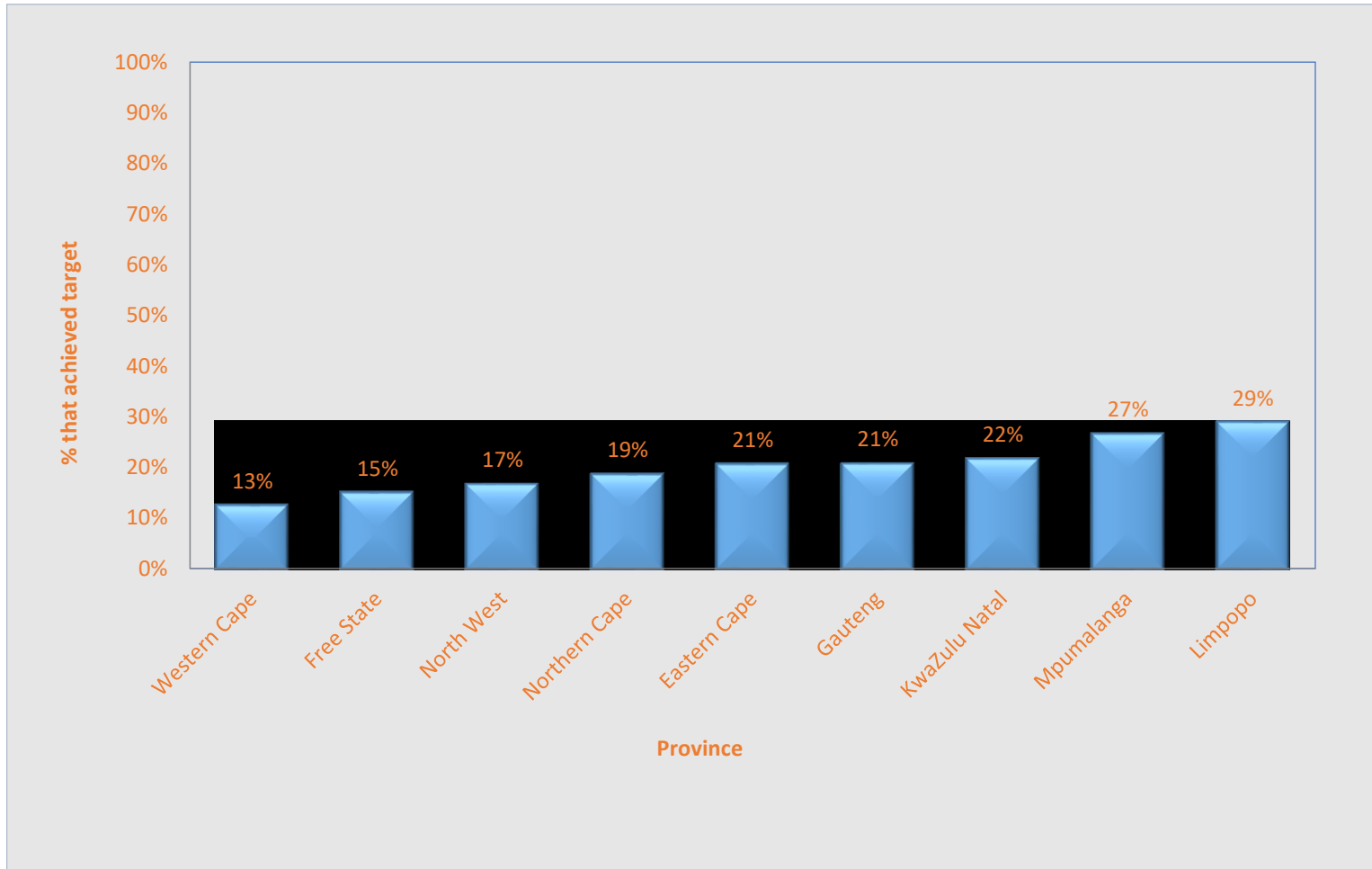
Management Control Targets Achieved by Band



Advancement of Black Women in Management Control by Band



Black Executive Directors by Province



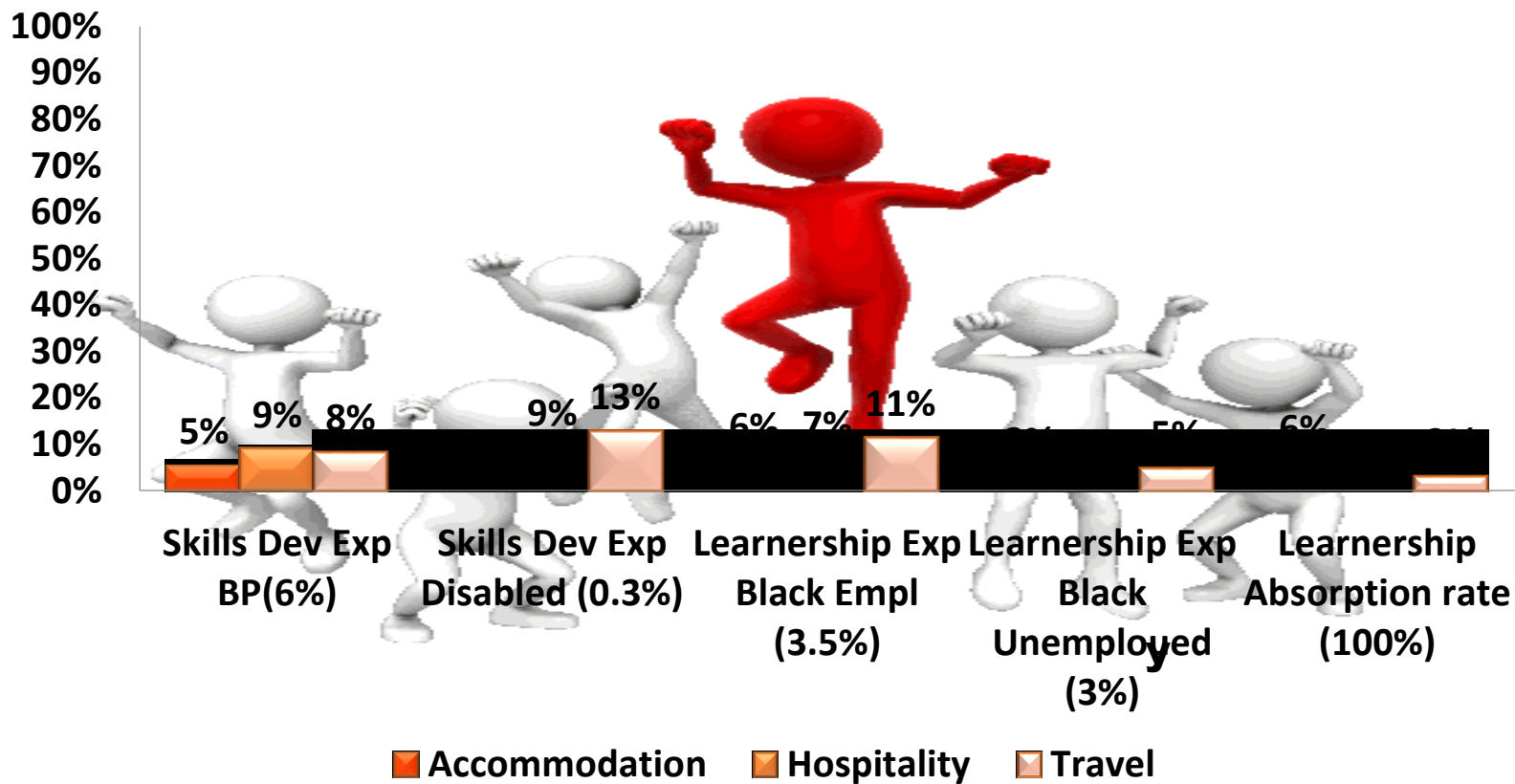
Skills Development



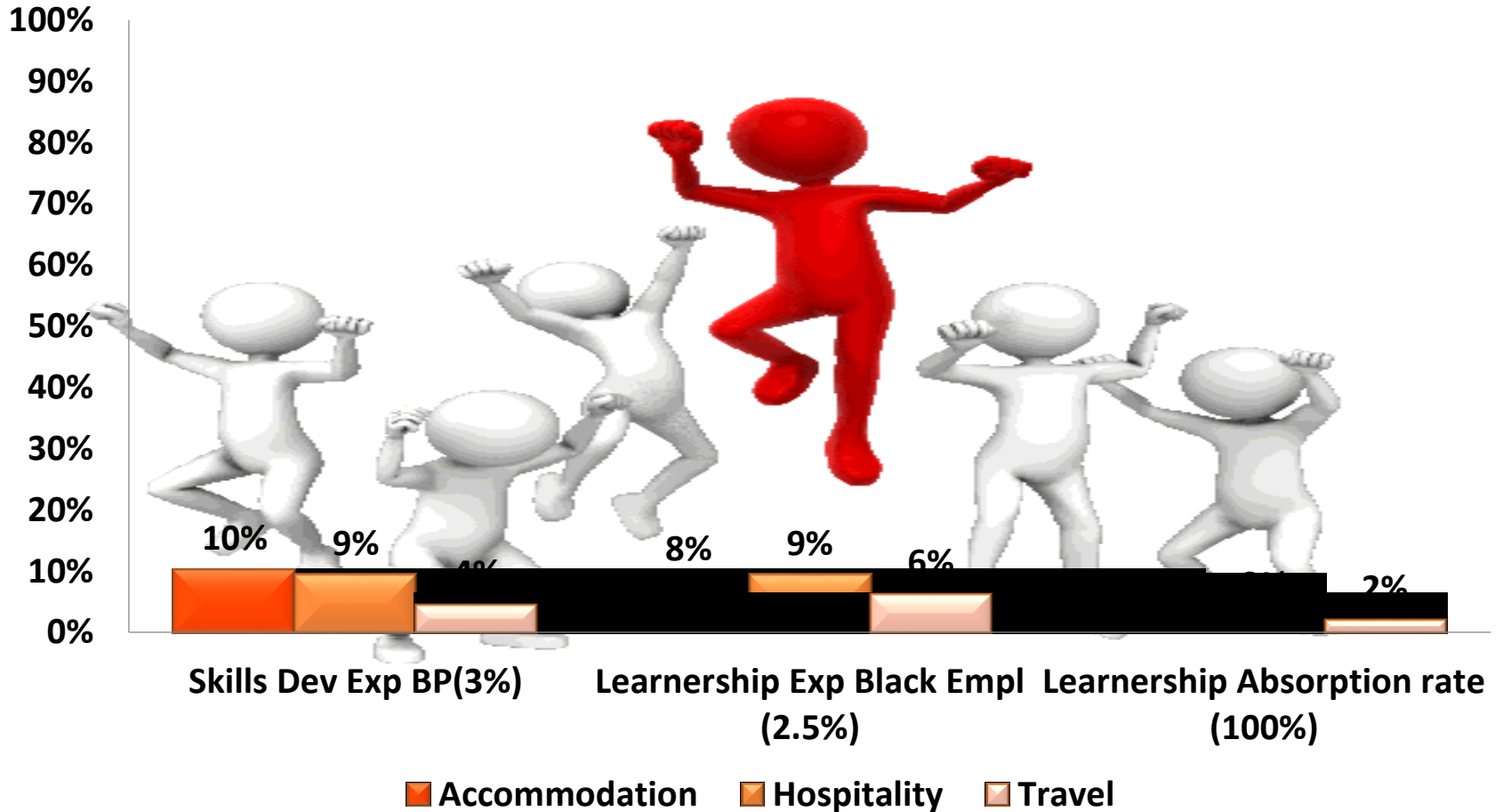
Skills Development Scorecard

INDICATOR	MEASUREMENT CATEGORY AND CRITERIA	LE COMPLIANCE TARGETS	QSE
Skills Development Expenditure on any programme specified in the Learning Programme Matrix for Black People as a percentage of the Leivable Amount	Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for Black People	6%	3%
	Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for Black People with Disabilities	0.3%	
Learnerships, Apprenticeships, and Internships	Number of Black Employees participating in Learnerships, Apprenticeships and Internships paid for by the measured entity as a percentage of total Employees.	3.5%	2.5%
	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.	3%	
	Number of Black People absorbed by the measured entity and industry at the end of the Learnerships Programme.	100%	✓

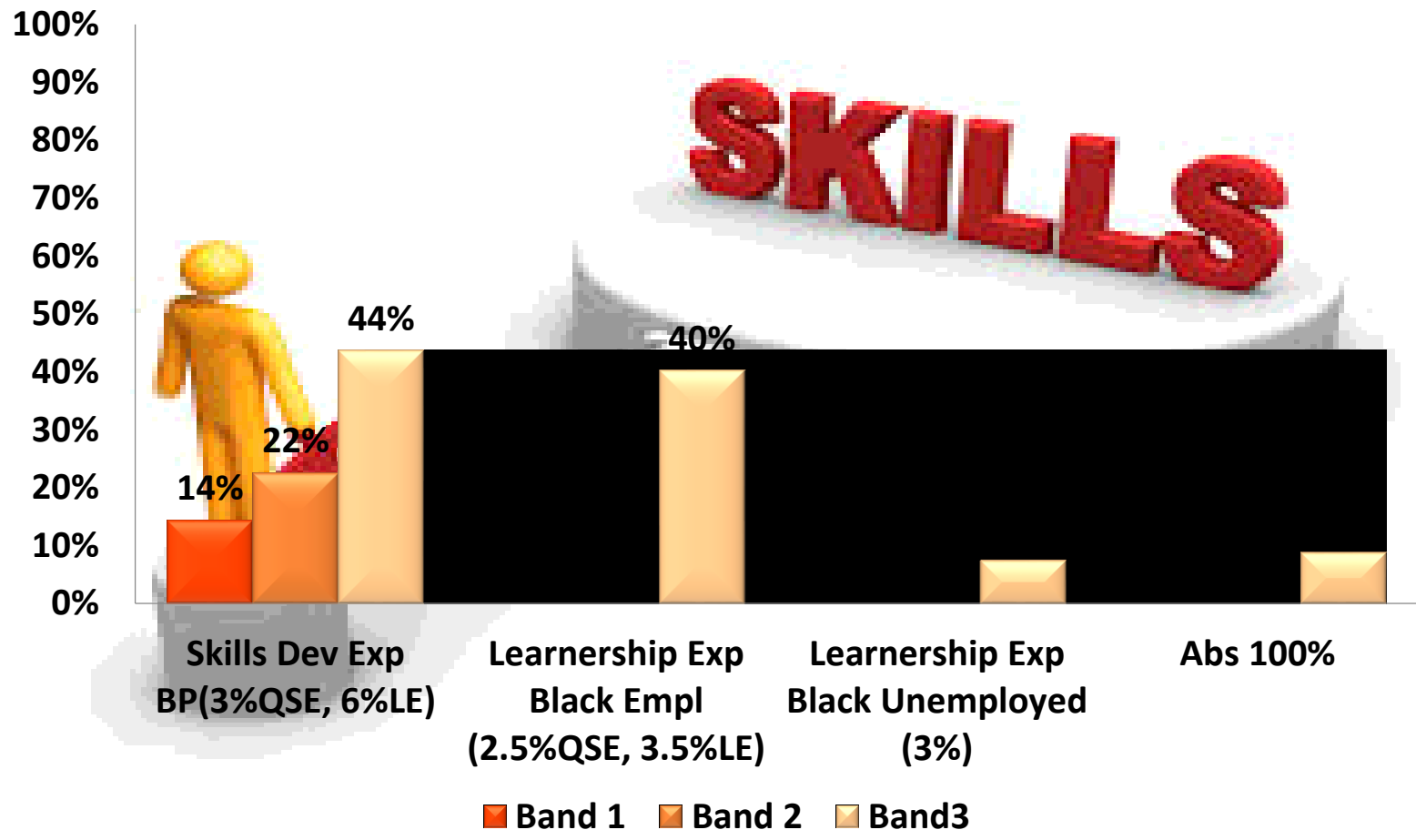
Large Enterprises' Targets Reached for Skills Development



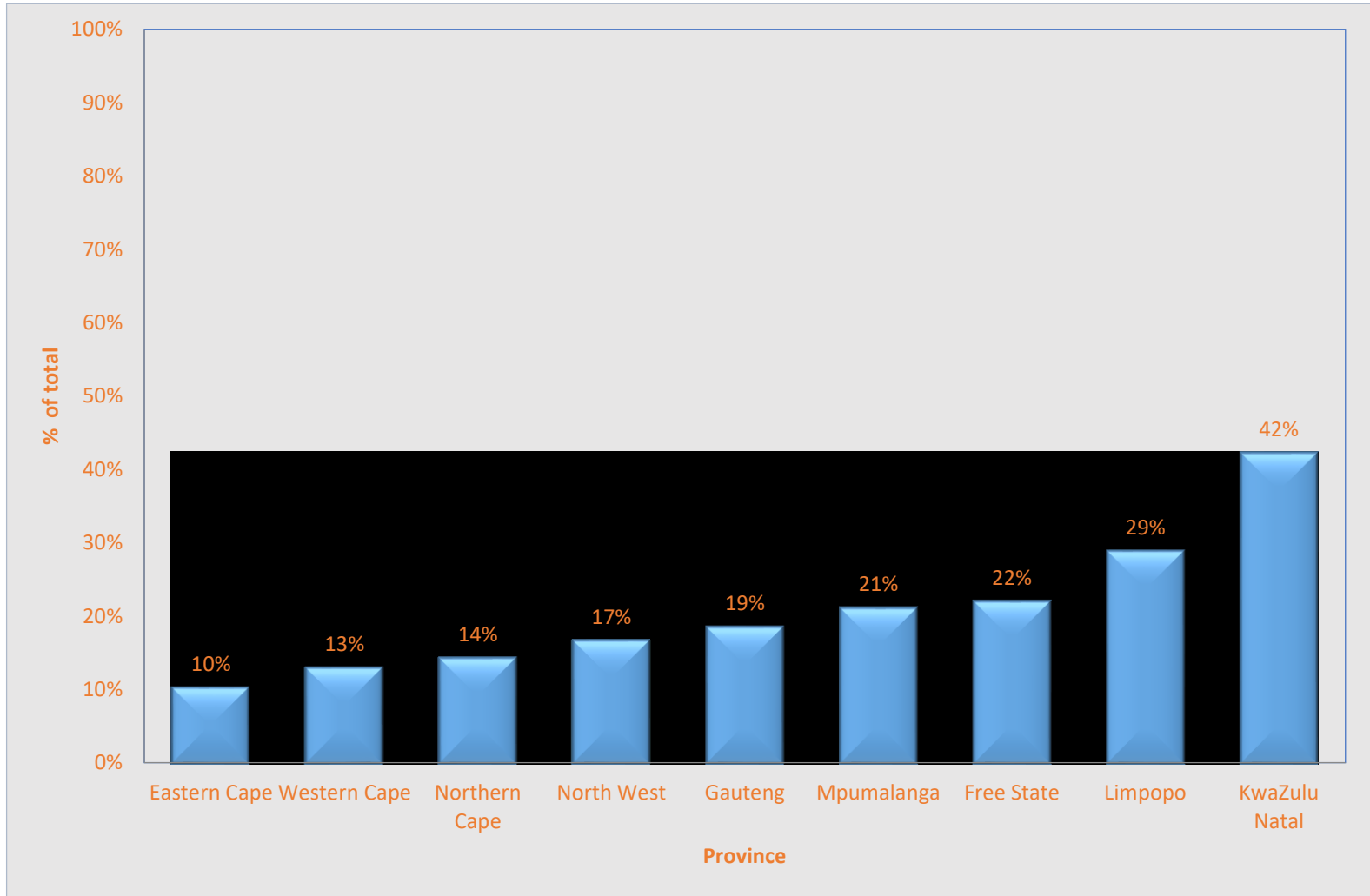
Qualifying Small Enterprises' Targets Reached for Skills Development



Skills Development by Band



Skills Development Expenditure by Province



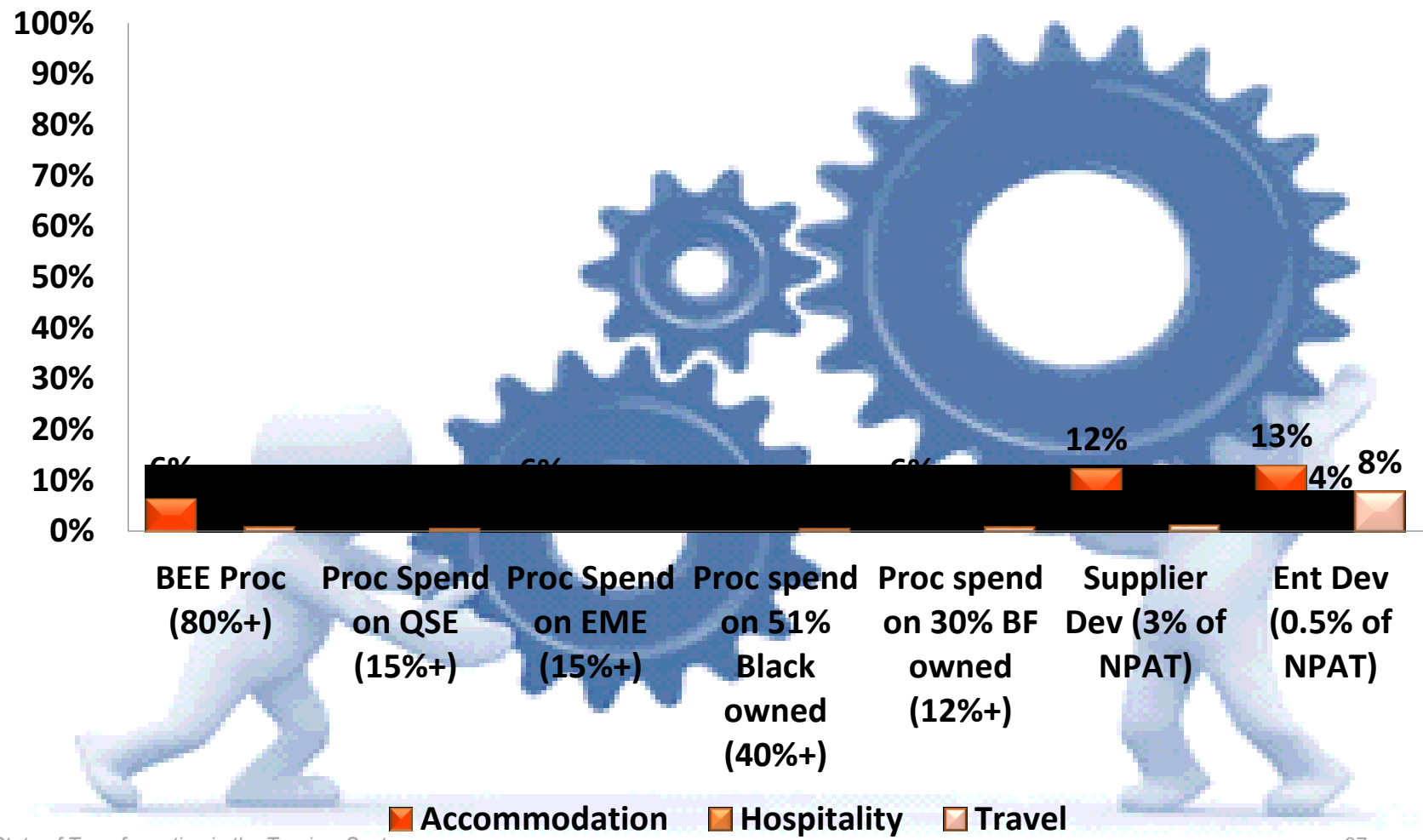
Enterprise and Supplier Development



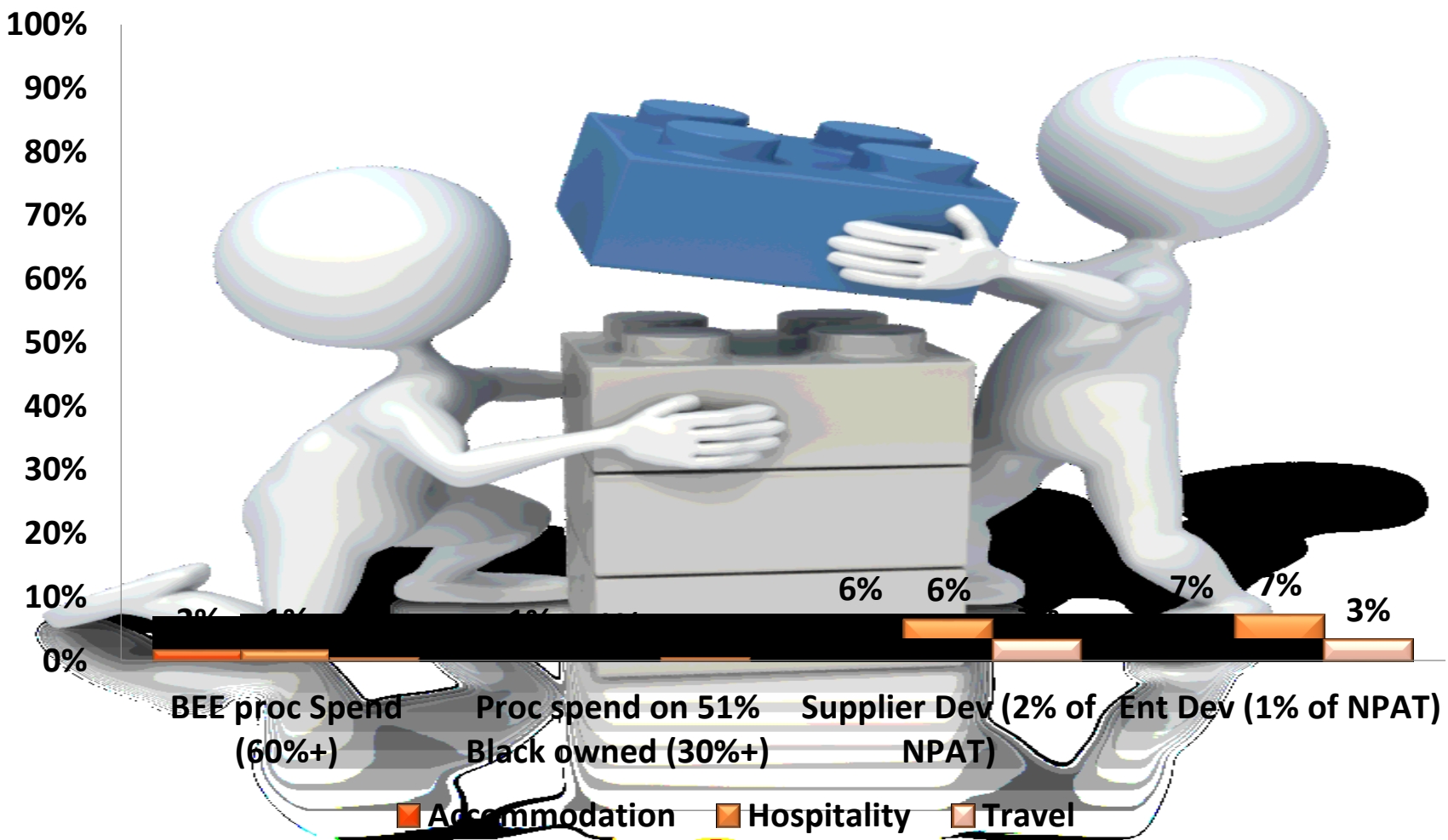
Enterprise and Supplier Development

INDICATOR	MEASUREMENT CATEGORY AND CRITERIA	LE COMPLIANCE TARGETS	QSE
Preferential Procurement	B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels	80%	60%
	B-BBEE Procurement Spend from all Empowering Suppliers that are Qualifying Small Enterprises based on the applicable B-BBEE Procurement Recognition Levels.	15%	
	B-BBEE Procurement Spend from all Exempted Micro Enterprises based on the applicable B-BBEE Procurement Recognition Levels	15%	
	B-BBEE Procurement Spend from Empowering Suppliers that are at least 51% Black Owned based on the applicable B-BBEE Procurement Recognition Levels	40%	30%
	B-BBEE Procurement Spend from Empowering Suppliers that are 30% Black Women Owned based on the applicable B-BBEE Procurement Recognition Levels	12%	
Supplier Development	Annual value of all qualifying Supplier Development contributions made by the measured entity as a percentage of the target.	3% of NPAT	2% of NPAT
Enterprise Development	Annual value of all qualifying Enterprise Development contributions and Sector Specific Contributions made by the measured entity as a percentage of the target.	0.5% of NPAT	1% of NPAT

Enterprise and Supplier Development Targets Achieved by Large Enterprises



Enterprise and Supplier Development Targets Achieved by Qualifying Small Enterprises



Socio-Economic Development

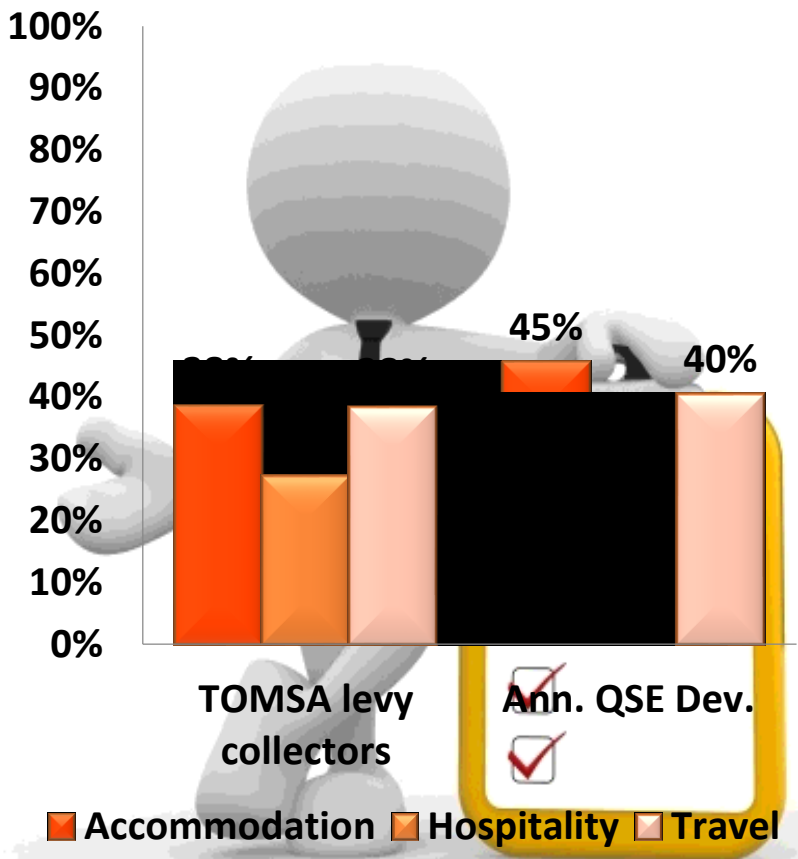


Socio-Economic Development Scorecard

MEASUREMENT CATEGORY AND CRITERIA	COMPLIANCE TARGETS
Annual value of all Qualifying Socio-Economic Development contributions by the measured entity as a percentage of the target.	1% of NPAT
Status as Tourism Marketing South Africa (TOMSA) levy collector.	Yes



Socio-economic Development Targets Achieved by Sub-sector



TOMSA levy collector registrations are equitably spread between the sub-sectors

Almost 50% of the Accommodation and Travel sub-sectors have achieved the Annual Value of all Qualifying Socio-Economic Development Expenditure that exceed 1% of NPAT.



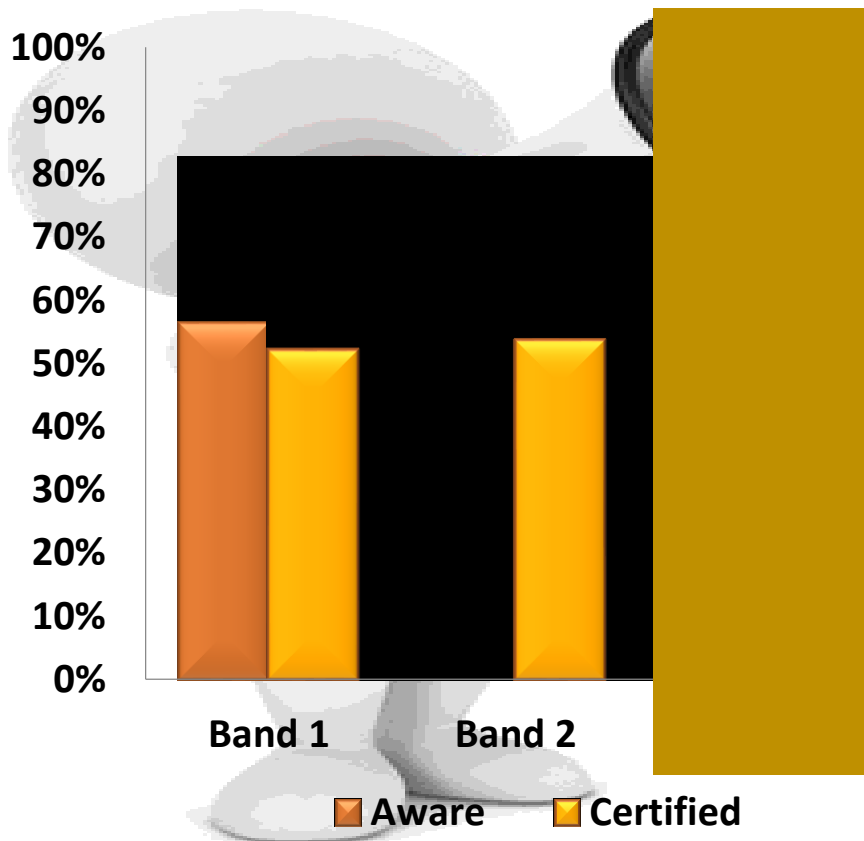
Socio-economic Development Targets Achieved by Band



4. Compliance Acceleration



BEE Awareness and Certification Levels

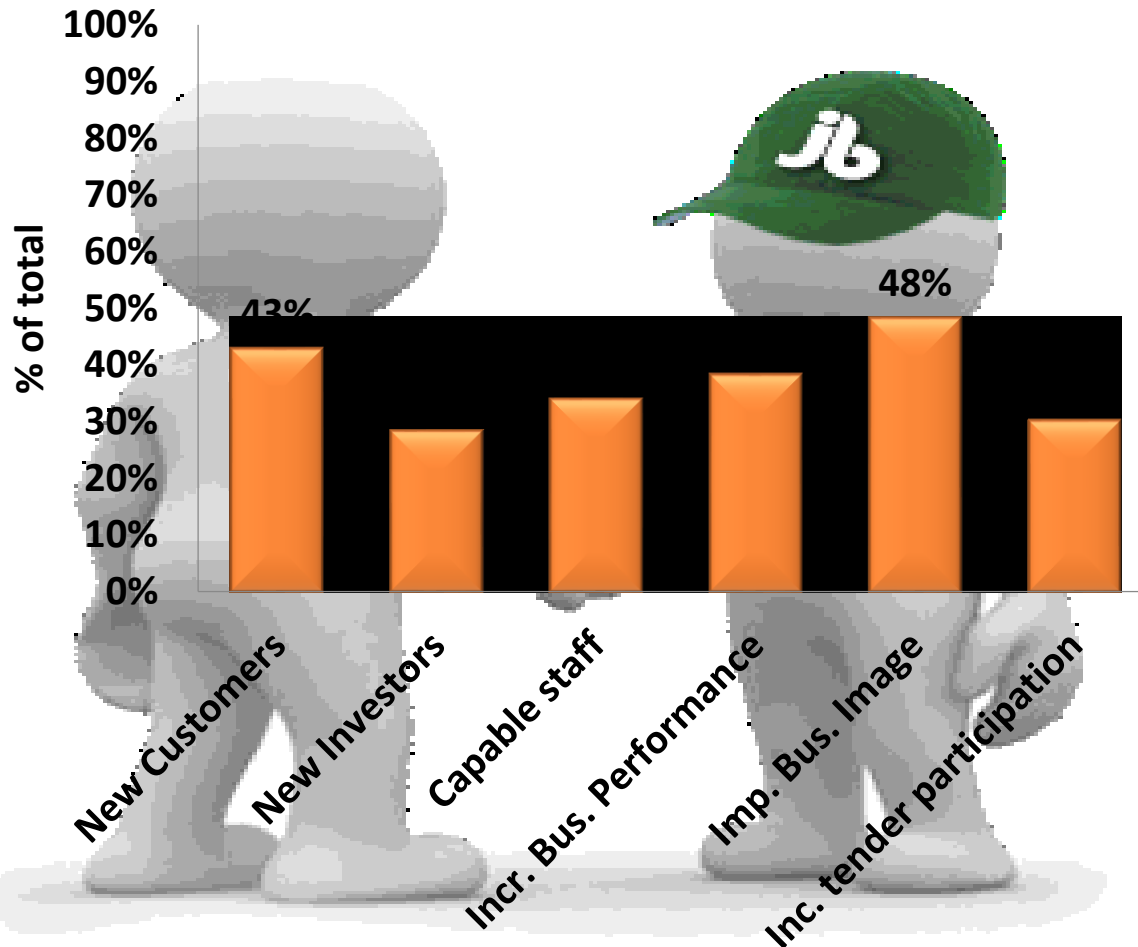


In Band 3, more than 80% of surveyed enterprises are both aware of BEE Codes and are BEE Certified

Band 2 enterprises tend to be aware of the BEE codes, but not certified



Perceived Benefits of BEE



Best benefits of BEE:

- Improved business image (48%)
- Attracts new customers (43%)

Most do not agree that BEE attracts new Investors (72%)

5. Summary and Conclusion



Constraints in the Tourism Sector

1. There is **lack of marketing efforts** to promote new and existing **SMMEs** and entrepreneurs.
2. The **level of staff members with relevant skills** and have **passion**, drive, correct attitude and interest in the sector.
3. **Lack of awareness of the opportunities** offered by the sector.
4. Lack of accessibility to **lack of financial support**.
5. **Lack of partnership, collaboration, willingness and trust** between enterprises and key stakeholders to promote procurement opportunities for SMMEs and entrepreneurs.
6. **Lack of innovative infrastructure support** for business operations.



Opportunities in the Tourism Sector

1. QSE and LEs are now more than ever **willing to provide inhouse skills and enterprise mentorship programmes** with the support from the government.
2. Key tourism related subjects need to be **prioritised at government-led schools and institutions to increase practical skills** development.
3. **Partnerships between the government and the private sector** need to be strengthened.
4. **Concession opportunities** within State-Owned Entities need to be opened for new entrants.
5. There is a need to **establish and promote a Supplier Development programme for previously disadvantaged people** to have shared opportunities within the value chain.



Thank You

