

GUIDE TO PROCUREMENT NEEDS OF LARGE ENTITIES IN THE TOURISM SECTOR



tourism

Department:
Tourism
REPUBLIC OF SOUTH AFRICA

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LIST OF ACRONYMS

B-BBEE	Broad-Based Black Economic Empowerment
BBSDP	Black Business Supplier Development Programme
BEE	Black Economic Empowerment
CIPC	Companies and Intellectual Property Commission
COGP	Codes of Good Practice
EME	Exempted Micro Enterprises
GDP	Gross Domestic Product
IDC	Industrial Development Corporation
IRBA	Independent Regulatory Board for Auditors
IT	Information Technology
LE	Large Enterprises
NDP	National Development Plan
NEF	National Empowerment Fund
QSE	Qualifying Small Enterprises
SANAS	South African National Accreditation System
SARB	South African Reserve Bank
SARS	South African Revenue Service
SEFA	Small Enterprise Finance Agency
SMME	Small, Medium and Micro Enterprise
the dti	The Department of Trade and Industry
TIP	Tourism Incentive Programme
VAT	Value Added Tax



FOREWORD BY THE MINISTER

The Tourism B-BBEE Charter Council (the Council) in consultation with tourism stakeholders developed the new Amended Tourism B-BBEE Codes in terms of section 9(1) of the Broad-Based Black Economic Empowerment Amendment Act No. 46 of 2013, to advance transformation and to work collectively to ensure that the opportunities and benefits of the tourism sector are extended to black South Africans as well.

The Amended B-BBEE legislation and Codes of Good Practice are geared towards empowering black-owned enterprises by focusing more intensely on Enterprise and Supplier Development (ESD). With this comes responsibility for big corporates and the public sector to be willing to direct some of their procurement opportunities to small businesses in order to help them grow and become operationally and financially sustainable and to ultimately help them graduate into the mainstream economy. Small businesses have the potential to contribute to job creation and economic growth, whilst at the same time redressing historical imbalances and increasing black economic participation.

A study conducted by the Council in 2011 found, *inter alia*, that there was low procurement spend by large entities on black-owned suppliers in the tourism sector. The low procurement spend was partly attributed to the unavailability of reliable information on black-owned suppliers with the required profile and expertise. Notably, large enterprises indicated great willingness to procure from small black-owned enterprises.

The enterprise and supplier development opportunities for Qualifying Small Enterprises (QSEs) and the Exempted Micro Enterprises (EMEs) in the tourism sector identified by these large enterprises formed the basis of this guide to procurement needs of large enterprises in the tourism value chain. The guide will enable black new entrants to identify and compare existing business opportunities in the tourism sector. The featured business opportunities have been taken through rigorous identification process prior to inclusion into this guide. We, the Council, commend and hope that the guide will help stimulate the growth of black entrepreneurship, and by so doing make a small but significant contribution to increase the pace of transformation in the tourism sector.

Derek Hanekom
Minister: Tourism



MESSAGE BY THE DEPUTY MINISTER

Government has an obligation to creatively harness national resources towards the resolution of historical injustices and the exclusion of the black majority from meaningful economic participation. This implies the need to transform the patterns of ownership, management and procurement in a manner that reinforces the national objective of building the economy that belongs to all South Africans.

As part of implementing the Tourism B-BBEE Codes, various programmes have been implemented to enhance the capacity of small and medium enterprises and enable them to take advantage of opportunities in the economy. The existence of a capable critical mass of black-owned and black managed enterprises however has to be matched with an identifiable set of opportunities and willing potential partners to conduct trade with.

It is our sincere hope that the guide to procurement needs of large enterprises in the tourism sector will serve the intended purpose of exposing business opportunities in the tourism sector for exploitation by capable small black entrepreneurs. In this way, the facilitation of market access can be realised and an inclusive economy can be fostered in line with the goals of the National Development Plan.

Tokozile Xasa

Deputy Minister: Tourism



INTRODUCTION BY THE CHAIRPERSON OF THE TOURISM B-BBEE CHARTER COUNCIL

In accordance with the Amended Generic Codes of Good Practice published by the Department of Trade and Industry in October 2013, large scale corporates are required to procure goods and services from small black-owned enterprises in order to support their sustainable growth and integration into the economy. The current gap in the small black-owned enterprises arena that needs to be addressed is the supply of goods and services by black-owned enterprises to large scale corporates. As there is no publicly available information on procurement opportunities available in the supply chain of large scale corporates, the Tourism B-BBEE Charter Council (the Council) conducted a study to identify existing opportunities in the three Sub-Sectors of the tourism value chain. The main purpose of the study was to identify, profile and communicate existing procurement opportunities of large corporates to small black-owned enterprises in order to facilitate their sustainable integration into the economy.

Through this guide, the Council is proud to present the findings of the study on the

procurement needs of large corporates in the tourism sector, for it is through this guide that small black-owned enterprises will be able to know existing business opportunities in the tourism value chain. We are pleased to highlight that all business opportunities profiled in this guide were identified by procurement managers of large scale corporates from the tourism value chain.

We appreciate the support from large scale corporates who, through their participation in the study have given impetus to our endeavours of enhancing participation by previously disadvantaged people in the tourism sector and by so doing, making a significant contribution to the integration of small businesses into the main stream economy. We also extend our sincere gratitude to the Secretariat of the Council (Department of Tourism) whose partnership has aided us in conducting the study and developing this guide. We are confident that this guide will go a long way in sensitising small black-owned businesses about existing business opportunities in the tourism value chain and help unlock linkages between large and small enterprises in the sector.

Monwabisi Fandeso

Chairperson: Tourism B-BBEE Charter Council

BACKGROUND

The economy of the Republic of South Africa is underpinned by various sectors, which contribute to the country's GDP. These sectors use various unique standards to measure their contribution to the economic transformation of the country. In 2003, the South African government introduced the B-BBEE Act No. 53 of 2003 to advance economic transformation by broadening the scope of BEE. This resulted in the introduction of the B-BBEE Codes to measure contribution to economic transformation.

The B-BBEE Codes were legislated under the B-BBEE Act No. 53 of 2003, which was amended in 2013 through the B-BBEE Amendment Act No. 46 of 2013. The Act aims to broaden participation by black people in the economy of the country to foster an equitable society through the creation of business opportunities for people who were previously excluded from meaningful economic participation.

The dti is the custodian of the B-BBEE Act and also provides strategic direction in the development

of policies and strategies that promote enterprise development, empowerment and equity in the economy. As the custodian of the Act, **the dti** mandated all sectors in the South African economy to draw up sector specific charters and B-BBEE Codes with clear targets to address their peculiar transformation challenges. In response to this, the tourism sector was the first to establish the Tourism Charter in 2005 and later aligned it to the B-BBEE Codes of Good Practice (COGP) in terms of section 9(1) of the B-BBEE Act.

The Minister of **the dti** issued the Tourism B-BBEE Sector Codes on 22 May 2009, which set specific targets on how B-BBEE should be implemented in the tourism sector. The Tourism B-BBEE Codes are binding on all stakeholders operating in the sector and have the same legal status as **the dti** COGP.



In August 2012, the Minister of Tourism appointed the Tourism B-BBEE Charter Council to facilitate, monitor and report on the implementation of transformation in the tourism sector subject to the Tourism B-BBEE Codes. The Council conducted a baseline study to assess the state of transformation in the tourism sector. The study found, *inter alia*, that there was slow integration of black-owned enterprises in the mainstream economy of the tourism sector. The slow integration of black-owned enterprises into the tourism sector was attributed to limited knowledge on existing procurement opportunities in the tourism sector, by small black-owned enterprises.

To address the aforementioned challenge, the Council recommended that another study be undertaken to identify areas where procurement opportunities exist in the tourism value chain, and to develop a guide which small black-owned suppliers would use to identify business opportunities in the tourism sector.

In the 2013/14 financial year, a report on the study to identify existing procurement opportunities in the

tourism sector was completed and tabled at a Council meeting held in October 2014. The Council adopted the report and recommended that the content be converted into a guide, hence the development of this guide. The purpose of the guide is to communicate existing procurement opportunities to all small black-owned enterprises in order to facilitate their integration into the tourism sector. It also seeks to provide information about funding for tourism businesses.

All procurement opportunities listed in this guide are based on information provided by procurement managers of the large entities that participated in the study.



PURPOSE

The purpose of this guide is as follows:

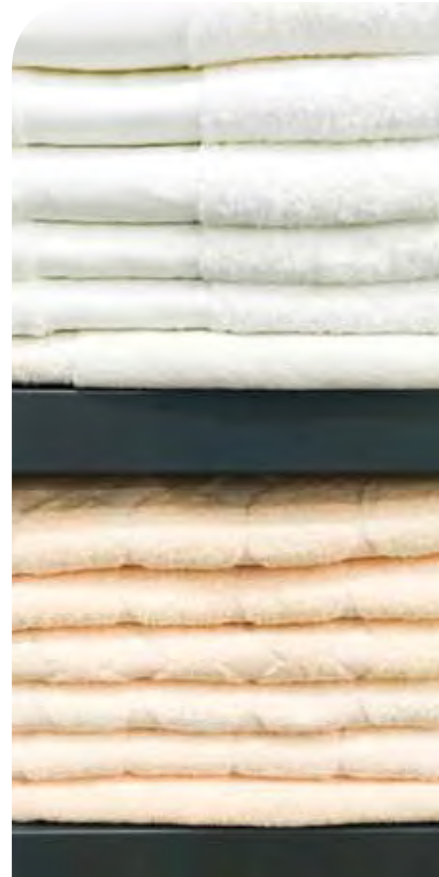
- Communicate the procurement needs of large enterprises in the tourism sector;
- Communicate the procurement needs of large enterprises with projected growth in demand;
- Communicate statutory requirements for eligibility to supply goods and services; and
- Communicate methods used by large enterprises to advertise their procurement needs.

SOURCE OF PROCUREMENT OPPORTUNITIES

Procurement managers are better positioned to provide comprehensive information on their companies' procurement needs as they are responsible for procurement of goods and services within their respective companies. All information about procurement opportunities contained in this guide was provided by procurement managers of large enterprises operating in the three tourism Sub-Sectors

namely: Accommodation, Hospitality and Related Services, and Travel and Distribution Sub-Sectors.

Since the advent of the B-BBEE policy, most companies are always on the lookout for qualified suppliers that are also B-BBEE compliant. This presents an opportunity for SMMEs that are searching for procurement opportunities in the tourism sector.



ENTERPRISES CURRENTLY SUPPLYING LARGE ENTERPRISES

In terms of the Tourism B-BBEE Codes, the sector is comprised of three different types of enterprises, each determined by their unique threshold. In this case, a threshold determines the size of an enterprise. The first category is EME, which refers to any enterprise that makes an annual revenue of under R2.5 million; QSE, which is any enterprise whose annual revenue is between R2.5 million and R35 million, whilst LE is any enterprise that makes an annual revenue of over R35 million.

Currently, at least 55% of large enterprises mainly procure goods and services from other large enterprises due to limited availability of small black-owned suppliers with the required profile and proof of B-BBEE compliance. This status quo has a potential to undermine the aims of the National Development Plan, which advocates for SMME support to contribute towards socio-economic development to expedite

transformation and stimulate sustainable economic growth through development of small enterprises. It also hampers market access for small enterprises to become socio-economic engines and support for job creation in the country.



CATEGORIES OF PROCUREMENT OPPORTUNITIES IN THE TOURISM SECTOR

The tourism sector is divided into three Sub-Sectors: Accommodation, Hospitality and Related Services, and Travel and Distribution Systems. There are many opportunities for the supply of goods and services in the Accommodation Sub-Sector as compared to the other two Sub-Sectors. Table I below indicates key available procurement opportunities and the Sub-Sector under which they exist.

Sub-Sectors

CATEGORIES OF PROCUREMENT OPPORTUNITIES	ACCOMMODATION	HOSPITALITY AND RELATED SERVICES	TRAVEL AND DISTRIBUTION SYSTEMS
	Food and beverage	Food and beverage	Food and beverage
Furniture		Furniture	Professional services
Operating equipment		Operating equipment	Maintenance equipment
Professional services		Professional services	
Maintenance equipment		Maintenance equipment	
IT equipment			

Table I: Categories of procurement needs according to Sub-Sectors



BREAKDOWN OF PROCUREMENT OPPORTUNITIES

The overall number of all procurement opportunities identified across all tourism Sub-Sectors is 77. Each procurement category under the Accommodation Sub-Sector represents an average of six procurement needs for large enterprises. The total number of procurement opportunities in the Accommodation Sub-Sector is 36. The Hospitality and Related Services Sub-Sector consists of five procurement categories, each representing an average of five procurement opportunities. The total number of procurement opportunities in the Hospitality and Related Services Sub-Sector is 26.

The Travel and Distribution Systems Sub-Sector consists of three procurement categories, each representing an average of five procurement opportunities. The total number of procurement opportunities identified in the Travel and Distribution Systems Sub-Sector is 15.

A breakdown of all procurement opportunities for large enterprises in the tourism sector is shown in tables 2, 3 and 4. This list may not be exhaustive, but it encapsulates most procurement opportunities that exist in the tourism sector.



Procurement opportunities in the Accommodation Sub-Sector

FOOD AND BEVERAGE	FURNITURE	OPERATING EQUIPMENT	PROFESSIONAL SERVICES	MAINTENANCE EQUIPMENT	IT SERVICES
Wines, champagne and spirits	Fabrics	Cleaning equipment	Travel agencies and tour operators	Gas, fuel and oil	Audio visual equipment
Perishables, fresh and frozen	Mattresses	Cleaning chemicals	Courier, freight and logistics	Aircon and refrigeration	IT consumables
Soft drinks and 100% juice	Mirrors	Cutlery	Cleaning services	Electrical maintenance	Communication equipment
Bakery		Electrical appliances	Laundry services	Gardening and building	
Dairy products and eggs		Guest amenities (eg bar fridge, hair dryer)	Legal and auditing services		
Coffee, tea, sugar and milk		Linen and towels	Maintenance, repairs and servicing		
Meat, fruits and vegetables		Kitchen equipment	Staff recruitment		
		Office equipment	Refuse removals		
		Security equipment	Security services		
		Uniforms			

Table 2: Procurement opportunities in the Accommodation Sub-Sector

Procurement opportunities in the Hospitality and Related Services Sub-Sector

FOOD AND BEVERAGE	FURNITURE	OPERATING EQUIPMENT	PROFESSIONAL SERVICES	MAINTENANCE EQUIPMENT
Meat, fruits and vegetables	Chairs and tables	Linen and towels	Catering services	Erection and maintenance of fences
Dairy products and eggs		Cookery	Building maintenance	Road construction and repairs
Soft drinks and 100% juice		Audio visual equipment	Airline operations	Signage
Wines, champagne and spirits		Catering equipment	Security services	Gardening
Bakery		Uniforms	Cleaning services	
Coffee, tea, sugar and milk		Stationery	Packaging services	
Oil and spices		Amenities (eg bar fridge, hair dryer) and appliances	Transport services	

Table 3: Procurement opportunities in the Hospitality and Related Services Sub-Sector

Procurement opportunities in the Travel and Distribution Systems Sub-Sector

OPERATING EQUIPMENT	PROFESSIONAL SERVICES	MAINTENANCE EQUIPMENT
Conference venues	Accommodation	Building maintenance
Stationery	Shuttle services	Vehicle maintenance
Computer	Flights	
Uniforms	Catering services	
Furniture	Décor services	
	Advertising and printing	
	Telecommunication supplies	
	Cleaning services	

Table 4: Procurement opportunities in the Travel and Distribution Systems Sub-Sector

PROCUREMENT NEEDS IN HIGH DEMAND

Procurement needs in high demand are goods and services that are procured in substantial quantities by large entities on a daily basis. LEs in the Accommodation Sub-Sector do procurement of food and beverages, operating equipment and professional services, on a daily basis. Operating equipment comprise the largest proportion of those procurement needs followed by food and beverages and professional services. The total number of procurement needs for large entities in high demand in the Accommodation Sub-Sector is 28.

The biggest proportion of procurement opportunities in high demand in the Hospitality and Related Services Sub-Sector is food and beverages, followed by operating equipment and professional services. This brings the total number of procurement needs in high demand under the Hospitality and Related Services Sub-Sector to 13. The total number of procurement needs in high demand identified across all three Sub-Sectors is 50. As seen in tables 5 to 7, all procurement opportunities vary considerably across the three Sub-Sectors.

Procurement needs in high demand in the Accommodation Sub-Sector

FOOD AND BEVERAGE	FURNITURE	OPERATING EQUIPMENT	PROFESSIONAL SERVICES	MAINTENANCE EQUIPMENT	IT SERVICES
Wines, champagne and spirits	Fabrics	Cleaning equipment	Tour operating	Gas, fuel and oil	IT services
Perishables, fresh and frozen	Mattresses	Cleaning chemicals	Courier, freight and logistics	Electrical maintenance	
Soft drinks and 100% juice		Electrical appliances	Cleaning services		
Coffee, tea, sugar and milk		Guest amenities (eg bar fridge, hair dryer)	IT systems and software		
Bakery		Linen and towels	Laundry services		
Dairy products		Kitchen equipment	Maintenance, repairs and servicing		
Meat, fruits and vegetables		Office equipment	Security services		
		Security equipment			
		Uniforms			

Table 5: Procurement needs in high demand in the Accommodation Sub-Sector

Procurement needs in high demand in the Hospitality and Related Services Sub-Sector

FOOD AND BEVERAGE	OPERATING EQUIPMENT	PROFESSIONAL SERVICES
Meat, fruits and vegetables	Linen	Packaging services
Dairy products and eggs	Cookery	Transport services
Soft drinks and 100% juice	Catering equipment	
Wines, champagne and spirits	Paper cups and bags	
Bakery		
Oil and spices		
Coffee, tea, sugar and milk		

Table 6: Procurement needs in high demand in the Hospitality and Related Services Sub-Sector

Procurement needs in high demand in the Travel and Distribution Systems Sub-Sector

OPERATING EQUIPMENT	PROFESSIONAL SERVICES
Conference venues	Accommodation
Stationery	Shuttle services
Uniforms	Flights
	Catering services
	Décor services
	Advertising and printing

Table 7: Procurement needs in high demand in the Travel and Distribution Systems Sub-Sector

PROCUREMENT NEEDS THAT COULD BE OUTSOURCED FROM BLACK-OWNED EMEs

There are many procurement needs that large entities could outsource from small black-owned suppliers. These opportunities are listed in tables 8 to 10.

Accommodation Sub-Sector

OPPORTUNITIES AVAILABLE FOR BLACK-OWNED EMEs	FOOD AND BEVERAGE	OPERATING EQUIPMENT	MAINTENANCE EQUIPMENT	FURNITURE
	Meat, fruits and vegetables	Cutlery	Curtains	Mattresses
	Dairy products and eggs	Cleaning chemicals	Gas	
	Soft drinks and 100% juice	Stationery	Cleaning services	
	Wines, champagne and spirits	Bed and bathroom linen		
	Bakery	Amenities (eg bar fridge, hair dryer)		
	Coffee, tea, sugar and milk	Toilet rolls		
	Oil and spices			

Table 8: Opportunities for outsourcing in the Accommodation Sub-Sector

Hospitality and Related Services Sub-Sector

OPPORTUNITIES AVAILABLE FOR BLACK-OWNED EMEs	FOOD AND BEVERAGE	OPERATING EQUIPMENT
	Dairy products and eggs	Paper cups and bags
	Fruits and vegetables	Cleaning chemicals
	Soft drinks and 100% juice	Amenities (eg bar fridge, hair dryer)
	Wines, champagne and spirits	Packaging
	Coffee, tea, sugar and milk	
	Bakery	

Table 9: Opportunities for outsourcing in the Hospitality and Related Services Sub-Sector

Travel and Distribution Systems Sub-Sector

OPPORTUNITIES AVAILABLE FOR BLACK-OWNED EMES	PROFESSIONAL SERVICES	OPERATING EQUIPMENT
	Catering	Uniforms
	Accommodation	Stationery
	Shuttle services	
	Cleaning services	

Table 10: Opportunities for outsourcing in the Travel and Distribution Systems Sub-Sector

STATUTORY REQUIREMENTS TO SUPPLY PROCUREMENT NEEDS

There are 10 statutory requirements outlined by large enterprises across all three Sub-Sectors as prerequisites for potential suppliers. These requirements are listed in Figure 1.

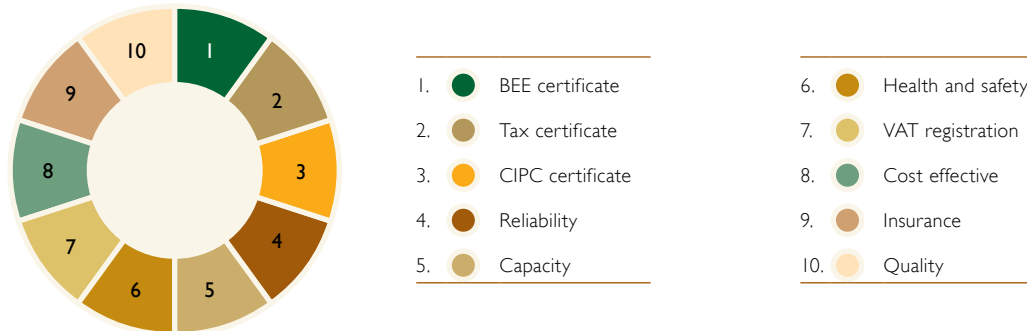


Figure 1: Requirements to meet procurement supply needs

Capacity

Suppliers are required to have both the financial means and human resources capability to deliver goods and services, without difficulty. At times, suppliers may be required to supply to local, provincial or national operations. Therefore, a supplier may be expected to have skillful and committed human resources capacity and flexible working capital.

Reliability

Suppliers are required to be consistently punctual under any circumstances when delivering goods and services.

CIPC certificate

Suppliers are required to be in possession of updated business registration certificates issued by the CIPC of the dti.

TAX certificate

Suppliers are required to be in possession of an original tax clearance certificate issued by SARS.

B-BBEE certificate

Suppliers are required to be in possession of an updated B-BBEE certificate/letter of exemption issued

by either SANAS or IRBA accredited Verification Professional.

Quality

Suppliers are required to consistently adhere to quality standards during the supply of goods or services, as stipulated in the supplier contract signed by both parties.

Insurance

Suppliers are required to have business insurance to cover any loss or damage caused by an accident during delivery of goods or services.

Cost effectiveness

Suppliers are required to charge market related prices. Any price variation on the same product or service should be justifiable, based on the increase of the Producer Price Index published by the South African Reserve Bank, interest rate adjustment or petrol price increase, etc.

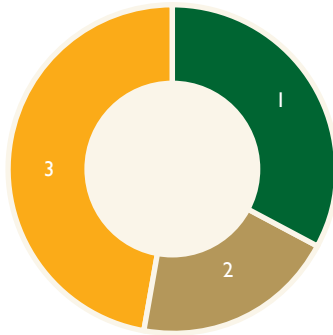
VAT registration

Suppliers are required to have a VAT certificate from SARS.

Health and safety

Suppliers are required to continuously supply healthy food that is safe and clean for human consumption.





-
- 1. ● Single source 33%
 - 2. ● Media 20%
 - 3. ● Personal invite 47%
-

Figure 2: Methods of advertising procurement needs

HOW CAN SUPPLIERS ACCESS PROCUREMENT OPPORTUNITIES?

There are three different advertising methods used by large entities to communicate their procurement needs to potential suppliers, namely: personal invite; single source; and media. Personal invite is when the outsourcing company sources a service provider through reference from other people. Usually this method is used by companies that have no supplier database and the outsourcing company invites any supplier considered to have capacity to reliably supply quality goods or services.

Single source is when an outsourcing company appoints a service provider without competition because it is the only one qualified or has experience of exceptional worth for the assignment.

Media is when an outsourcing company places an advertisement in the media

inviting applications to provide the required service.

Therefore, potential suppliers may submit separate business profiles indicating their services to all large entities, for registration on the supplier database. In doing so, the registered supplier may receive invitations from large entities to supply goods or services. It should be noted that registered suppliers should also visit the websites of large entities and read newspapers in order to identify opportunities advertised in the media.

Networking and maintaining business relations is also key to growing a business. Most suppliers secure procurement opportunities through personal invites. Figure 2 shows the percentage of large entities that advertise in the media or use personal invites to source external suppliers.

CHALLENGES

Below is a list of challenges outlined by large entities as impediments when outsourcing goods and services from small enterprises (see Figure 3). It is critically important for small black-owned suppliers that are intending to supply goods and services to large entities in the tourism sector to note these challenges and make improvements.

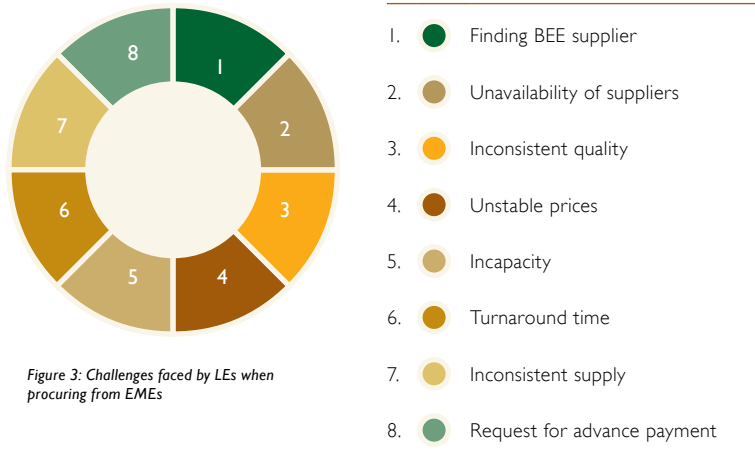


Figure 3: Challenges faced by LEs when procuring from EMEs



CONCLUSION

The Tourism B-BBEE Charter Council is currently developing a database of 100% black-owned enterprises, which will provide a link between large enterprises and small black-owned suppliers. The Council hopes that the database will provide invaluable assistance in sourcing B-BBEE compliant enterprises and the Council will set the requirements for registration. The database will also enable large enterprises to identify, reach, compare, short-list and finally procure goods and services from 100% black-owned suppliers. In so doing, the development and sustainability to ultimate financial independence and integration of black-owned enterprises into the economy will be accelerated.



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