

# ALIGNMENT OF THE TOURISM B-BBEE SECTOR CODE IN ACCORDANCE WITH THE GENERIC CODES OF GOOD PRACTICE

broadening horizons




**tourism**

Department:  
Tourism  
REPUBLIC OF SOUTH AFRICA



# MEMBERS OF THE TOURISM B-BBEE CHARTER COUNCIL

MEMBERS OF THE TOURISM B-BBEE CHARTER COUNCIL		
NO.	NAME AND SURNAME	POSITION
1.	Professor. Bernard Mbenga	Member
2.	Mr. Ravi Nadasen	Member
3.	Mr. Nesang John Maleka	Member
4.	Mr. Mduduzi Mbongwe	Member
5.	Mr. Jeff Rosenberg	Member
6.	Mr. Jerry Mabena	<b>Deputy Chairperson</b>
7.	Mr. Blacky Komane	Member
8.	Ms. Morongoe Ramphele	Member
9.	Ms. Bunny Boola	Member
10.	Ms. Mmatšatši Ramawela	Member
11.	Ms. Lindiwe Sangweni-Siddo	<b>Chairperson</b>
12.	Ms. Hapiloe Sello	Member
13.	Mrs. Thandiwe Godongwana	Member



# BACKGROUND

- ❑ **1996:** Section 217(3) of the Constitution provides for development of policies to empower persons disadvantaged by unfair discrimination;
- ❑ **2003:** B-BBEE Act No. 53 of 2003 enacted to provide legislative framework for the promotion of Broad-Based Black Economic Empowerment (B-BBEE);
- ❑ **2005:** The Tourism B-BBEE Charter was signed;
- ❑ **2009:** The Tourism B-BBEE Sector Code gazetted as Section 9(1) Code (under B-BBEE Act);
- ❑ **2011:** Baseline study on implementation of the Tourism B-BBEE Sector Code was conducted;
- ❑ **2013:** the dti amended the B-BBEE Act and the Generic B-BBEE Codes of Good Practice;
- ❑ **2015:** The Tourism Sector gazetted the Amended Tourism B-BBEE Sector Code;
- ❑ **2017:** The Tourism Sector conducted a baseline study on the Amended Tourism B-BBEE Sector Code;
- ❑ **2018:** The Tourism Sector conducted comparative study on the implementation of the original and amended Tourism B-BBEE Sector Code;
- ❑ **2019:** the dti amended the Generic Codes of Good Practice;



# OBJECTIVES OF B-BBEE

- Create an integrated corporate citizenship;
- Enable meaningful participation of Black People in the economy;
- Redress racial composition of economic structures of the country;
- Increase the extent to which communities, workers, cooperatives etc, access economic activities;
- Increase access to economic activities, infrastructure and skills training by Black People;
- Increase access to economic activities by Black Women;
- Promote investment programmes that lead to meaningful participation in the economy by Black People in order to achieve sustainable development.



# PURPOSE OF THE CONSULTATION

To request the Tourism sector to:

- Note that **the dti** has published schedule one (1) of the Amended Codes of Good Practice in terms of Section 9 (1) of the B-BBEE Act No. 53 of 2003 as amended;
- Note that all Sector Charter Councils are expected to embark on an alignment of Sector Codes to the Amended Generic Codes of Good Practice in terms of Section 9 (1) of the B-BBEE Act;
- Note that the alignment of the Sector Codes must be completed by **31 May 2020**;
- Note that the Tourism Sector Code is effective from the date of gazette;
- Note the draft Amended Tourism B-BBEE Sector Code has been gazetted for public comments and inputs; and
- Provide inputs, comments and recommendations for finalisation of the Code.



# SCOPE OF APPLICATION

## Accommodation

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

## Hospitality and Related Services

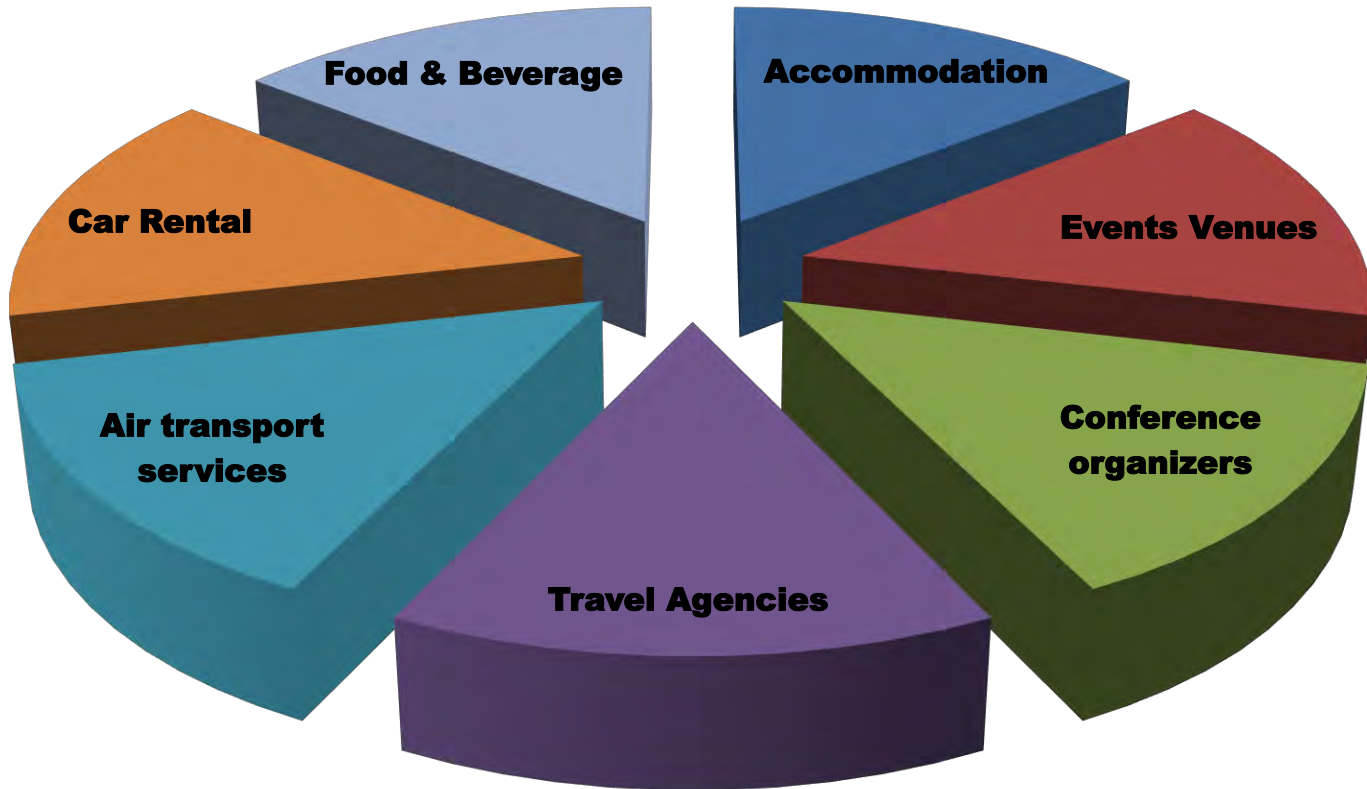
- ❑ Restaurants & Conference venues (Not attached to hotels);
- ❑ Professional Catering, Attractions, Casinos, Consulting & professional services companies.

## Travel & Related services

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

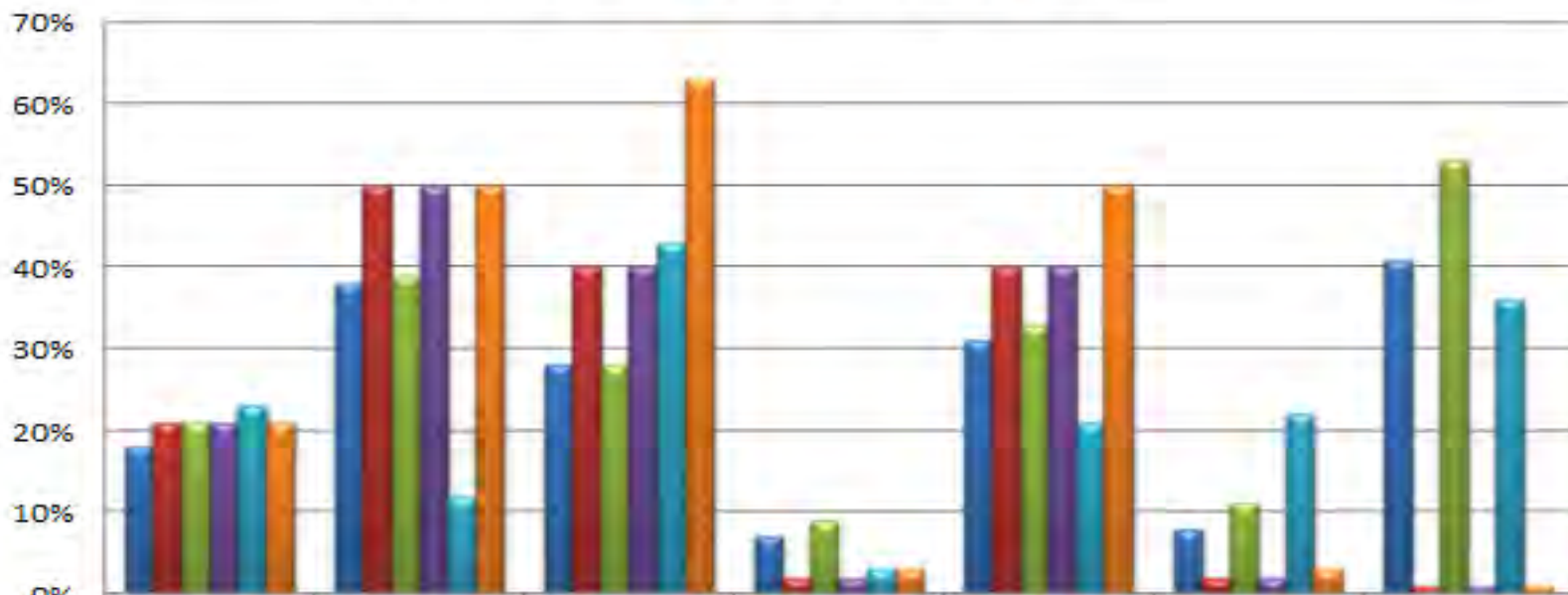


# WHAT THE STATE CONSUMES



# STATE OF TRANSFORMATION IN 2012

## 2012 TARGETS AND RESULTS

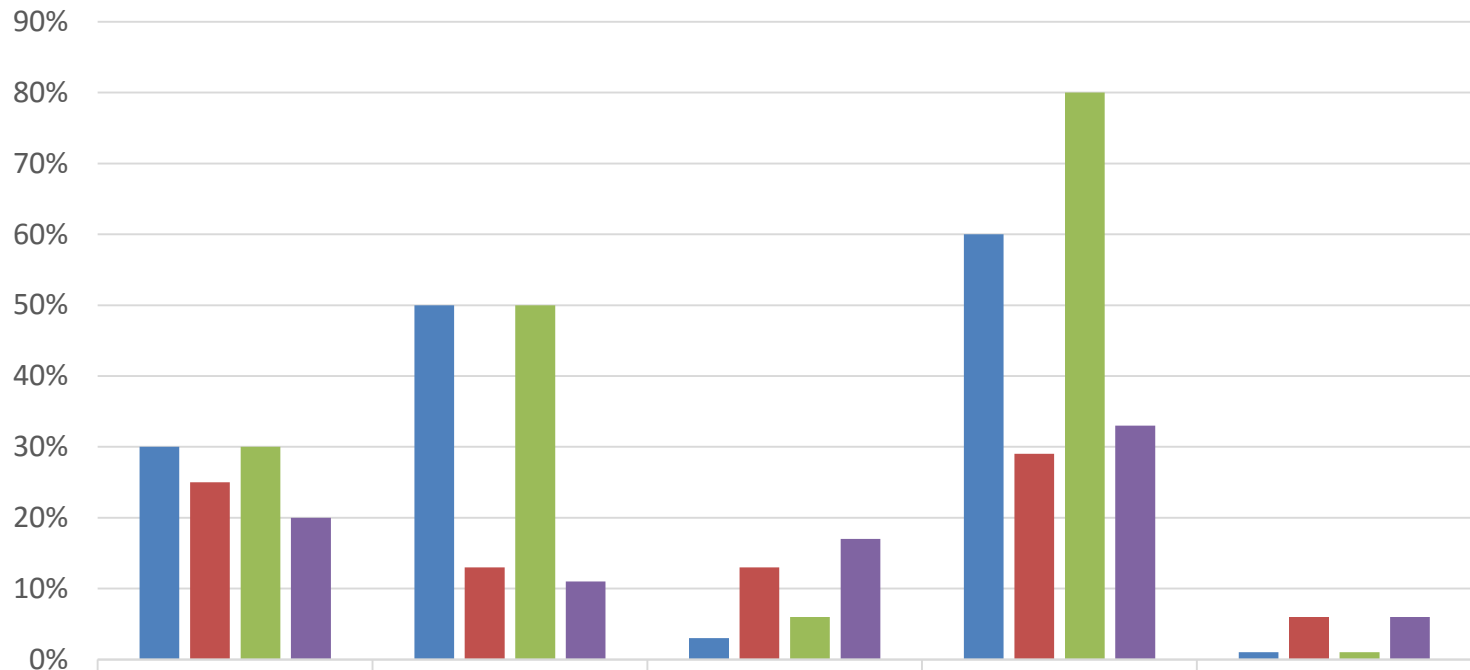


	Ownership	Management	Equity	Skills	Procurement	Enterprise	Socio
EME: results	18%	38%	28%	7%	31%	8%	41%
TARGET	21%	50%	40%	2%	40%	2%	1%
QSE: results	21%	39%	28%	9%	33%	11%	53%
TARGET	21%	50%	40%	2%	40%	2%	1%
LE: results	23%	12%	43%	3%	21%	22%	36%
TARGET	21%	50%	63%	3%	50%	3%	1%





# STATE OF TRANSFORMATION IN 2017



	Ownership	Management	Skills Development	ESD	SED
■ QEs Target	30%	50%	3%	60%	1%
■ QEs Results	25%	13%	13%	29%	6%
■ LEs Target	30%	50%	6%	80%	1%
■ LEs Results	20%	11%	17%	33%	6%



# RATIONALE FOR ALIGNMENT

- ❑ Clarifications to **definitions** to ensure correct implementation of B-BBEE Legislation in relation to Black Owned EMEs, QSEs and Unincorporated Joint Venture;
- ❑ Spend on Bursaries at Higher Education Institutions will assist in dealing with shortage of funding for tertiary education;
- ❑ There is a need to use and strengthen the procurement element to empower Black Owned Entities to be part of the value chains of established entities; and
- ❑ There is a need to expand the Pool for Enterprise and Supplier Development Beneficiaries.



# ALIGNMENT PRINCIPLES

- ❑ All companies except Exempted Micro Enterprises to comply with all elements;
- ❑ The awarding of B-BBEE levels based on the Scorecard points & Qualification criteria;
- ❑ Enhancement of the recognition status of Black Owned EMEs and QSEs;
- ❑ The principle of priority elements: Ownership, Skills Development and Enterprise and Supplier Development;
- ❑ The minimum threshold requirements for priority elements and the principle of discounting;
- ❑ The targets for Management Control and Skills Development should be further broken down into according to different race sub-groups in accordance with the Employment Equity Act;
- ❑ Incorporation of the Empowering Supplier concept; and
- ❑ Import Exclusion Principle and Designated sectors;
- ❑ The compliance targets set in the GCGP are the minimum targets.



# AREAS OF ALIGNMENT

The areas of alignment in the new release of the B-BBEE Codes of Good Practice are as follows:

- Preferential Procurement;
- Enterprise and Supplier Development;
- Empowering supplier;
- Skills Development;
- Subminimum requirement for priority elements;
- General Principles; and
- Interpretations and Definitions;
- No changes under Ownership, Management Control and SED;
- The industry may recommend additional changes other than what was introduced by **the dti**.



# PROCESS OF ALIGNMENT

The process of alignment include the following:

- Insertion in the existing enactment [ ];
- Deletion from the existing enactment \_\_\_\_\_;
- Adaptation;
- Clarification; and
- Definition;
- Setting Compliance Targets;
- Allocation of Weighting Points.



# SKILLS DEVELOPMENT ELEMENT

Measurement Category & Criteria	Tourism Weighting points	Tourism Compliance Targets	DTI Weighting Targets	DTI Weighting Points
<b>Skills Development Expenditure on any programme specified in the Learning Programme Matrix for Black People as a percentage of the Leivable Amount</b>				
<p>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 Leivable Amount:</p> <p>Accommodation; Hospitality and related services; and Travel and related services.</p>	<p>5</p> <p>6</p>	<p>6%</p> <p>4%</p>	<p>6%</p> <p>3.5%</p>	<p>8</p> <p>6</p>
<b>Skills development expenditure on bursaries for Black students at Higher Education institutions.</b>	5	3%	2.5%	4
Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for Black <b>People</b> employees with disabilities in any of the above three tourism sub-sectors as a percentage of Leivable Amount.	2	0.3%	0.3%	4

# SKILLS DEVELOPMENT ELEMENT

Measurement Category & Criteria	Tourism Weighting Points	Tourism Compliance Targets	DTI Compliance Targets	DTI Weighting Points
<b>Learnerships, Apprenticeships, and Internships</b>				
Number of Black Employees people participating in Learnerships, Apprenticeships and Internships paid for by the measured entity as a percentage of total Employees.	8 7	3.5% 6%	2.5% 5%	4 6
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%	2.5%	4
<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 6	100%	100%	5



## MEASURING PRINCIPLE FOR SKILLS DEVELOPMENT

- ❑ Skills development expenditure arising from informal and workplace learning programmes or from category F & G learning programmes under the learning programmes matrix cannot represent more than 15% 25% of the total value of skills development expenditure.
- ❑ In determining a measured entity's score, the targets should be further broken down into specific criteria according to the different race sub-groups within the definition of Black in accordance with Employment Equity Report requirement.
- ❑ A bursary or scholarship scheme is a grant made to or for students who are registered at educational institutions established by or registered with the Department of Basic Education or the Department of Higher Education and Training such as payment of school, college or university fees, funding for text books, learning materials, subsistence or accommodation during the period of study.
- ❑ Salaries or wages paid to an employee participating as a learner in any learning programme constitute skills development expenditure if the learning programme is a learnership, internship and apprenticeship (Category B,C and D) of the learning programme matrix.





# EAP DISTRIBUTION AND LEARNING PROGRAMME MATRIX

	African Male	Colored Male	Indian Male	White Male	African Female	Colored Female	Indian Female	White Female	Total
National EAP distribution by race and gender as per CEE Report	40.70%	5.80%	1.90%	6.40%	34.20%	5.00%	1.10%	4.90%	100%

Category	Programme	Narrative Description	Delivery Mode	Learning Site	Learning Achievement
A	<b>Bursaries or scholarships</b>	Institution-based theoretical instruction alone - formally assessed by educational institutions established by or registered with the <b>Department of Basic Education</b> or the <b>Department of Higher Education and Training</b> .	Institutional instruction	Institutions such as universities and colleges, schools, ABET providers	Recognised theoretical knowledge resulting in the achievement of a degree, diploma or certificate issued by an accredited or registered formal institution of learning



# ENTERPRISE AND SUPPLIER DEVELOPMENT

Measurement Category & Criteria	Tourism Weighting Points	Tourism Compliance Targets	DTI Compliance Targets	DTI Weighting Points
<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%	80%	5
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%	15%	3
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%	15%	4
B-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.	<div style="border: 2px solid orange; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">9</div> 11	<div style="border: 2px solid orange; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">40%</div> 50%	<div style="border: 2px solid orange; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">40%</div> 50%	<div style="border: 2px solid orange; border-radius: 50%; width: 40px; height: 40px; display: flex; align-items: center; justify-content: center; margin: 0 auto;">9</div> 11



# EMPOWERING SUPPLIER

Refers to a B-BBEE compliant entity, which complies with all regulatory requirements of the Employment Equity Act, Skills Development Act, and Skills Development Levies Act and which meets at least **four** if it is a large entity or **two** if it is a QSE of the following criteria:

- At least 25% of cost of sales excluding labour cost and depreciation must be procured from local producers or local supplier 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) spend at least 12 days per annum in assisting 51% Black Owned EMEs and QSEs to increase their operational and/or financial capacity.



## ESD MEASUREMENT PRINCIPLES

The sub-minimum requirement for Enterprise and Supplier Development is 40% of the total weighting points (excluding bonus points) of each of the three broad categories within the Enterprise and Supplier Development element, namely Preferential Procurement; Supplier Development and Enterprise Development. For the avoidance of doubt this means that the Measured Entity must achieve at least:

- (i) 10 11 points under the Preferential Procurement category;
- (ii) 4 points under the Supplier Development category;
- (iii) 2 points under the Enterprise Development category;



# SUMMARY OF SCORECARD

Element	Proposed DTI weighting Without bonus points	Proposed DTI weighting With bonus points	Proposed Tourism Weighting Without bonus points	Proposed Tourism Weighting With bonus points
Ownership	25 points	25 points	27 points	27 points
Management Control	19 points	19 points	19 points	21 points
Skills Development	20 points	25 points	20 points	26 points
Enterprise & Supplier Development	42 points	46 points	43 points	47 points
Socio Economic Development	5 points	5 points	5 points	8 points
<b>TOTAL</b>	<b>111 points</b>	<b>120 points</b>	<b>113 points</b>	<b>128 points</b>



## ESD MEASUREMENT PRINCIPLES

- ❑ Beneficiaries of supplier development or enterprise development are EMEs, QSEs or **Large Entities** which are at least 51% black owned or at least 51% black women owned utilizing the flow through principle. However, in terms of Large Entities this is based on the provision that at the first instance of receiving assistance from the measured entity, it was identified that such suppliers were EMEs or QSEs. This recognition for Large Entities will only be allowed for **5 years from the first time of receiving assistance** from the measured entity.
- ❑ A supplier development beneficiary is part of the measured entities supply chain, whereas an enterprise development beneficiary is not.
- ❑ B-BBEE procurement spend from Large Entity suppliers which are at least 51% black owned or at least 51% black women owned utilizing the flow through principle can be recognised under point indicator 2.1.2 and 2.1.3 of the Enterprise and Supplier Development Scorecard (empowering supplier). However, this is based on the provision that at the first instance of procured goods and service, it was identified such suppliers were EMEs and QSEs.

### ESD BENEFITS FACTOR MATRIX

Guarantees provided on behalf of a beneficiary entity.	Guarantee Amount	<b><u>3%</u> [50%]</b>
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# UNINCORPORATED JOINT VENTURES

- ❑ Unincorporated Joint Ventures are required to compile a consolidated verification certificate;
- ❑ 51% Black Owned or 100% Black Owned EME's and QSE's will qualify for a score of 95 or 100 Points respectively;
- ❑ Start-Up enterprises are ordinarily regarded as Exempted Micro Enterprises, unless tendering for a contract in excess of the threshold for EMEs, in which case the corresponding scorecard will apply;
- ❑ The JV B-BBEE Certificate is valid for 12 Months.



# DEFINITION OF TERMS

- ❑ **Absorption:** Means a measure of the measured entity's ability to successfully secure a long term contract of employment for the employee, learner, intern or apprentice.
- ❑ **Company Limited by Guarantee:** Means a company limited by guarantee as referred in the company's Act No. 71 of 2008.
- ❑ **Critical Skills:** Means those skills identified as being critical by **Culture, Arts, Tourism, Hospitality and Sports Sector Education and Training Authority (CATHSSETA) in the accommodation, hospitality or travel and related services).**
- ❑ **Enterprise Development Contributions:** Means monetary or non-monetary contributions carried out for the following beneficiaries with the objective of contributing to the following development, sustainability and operational independence of those beneficiaries: Enterprise Development contributions to EMEs or QSEs which are at least 51% Black Owned or at least 51% Black Women owned.
- ❑ **Long Term Contract of Employment:** Means a legal agreement between an individual and an entity that this individual would work for until his or her mandatory date of retirement.
- ❑ **Current Equity Interest Date:** Means the later occurring of the date of commencement of statement 100 and the date upon which the transaction undertaken by the measured entity in order to achieve black rights of ownership became effective and unconditional.
- ❑ **Qualifying Enterprise and Supplier Development Contributions:** Means collective term describing Enterprise Development and Supplier Development contributions targeting EMEs and QSEs which are at least 51% Black Owned or at least 51% Black Women Owned, Black Youth in rural and underdeveloped areas in Statement 400.





# RECOMMENDATIONS

It is recommended that inputs and comments be made towards the alignment of the Tourism B-BBEE Sector Codes with the reviewed Generic Codes of Good Practice on/before 31 November 2019.

**Website:** [www.tourism.gov.za](http://www.tourism.gov.za)

**Website:** [www.gpwonline.co.za](http://www.gpwonline.co.za)

**Email:** [bbbee@tourism.gov.za](mailto:bbbee@tourism.gov.za)

**By Hand:** 17 Trevenna street, Tourism House, Sunnyside, **PRETORIA**, 0001

**By Post:** Private Bag X424, **PRETORIA**, 0001



# CONSULTATION SCHEDULE

PROVINCE	DATE	CITY	VENUE	TIME
WESTERN CAPE	25 September 2019	CAPE TOWN	Nelson Mandela Boulevard (Garden Court)	10H00 -13H00
	26 September 2019	GEORGE	Pine Lodge Resort	10H00 -13H00
NORTHERN CAPE	03 October 2019	KIMBERLEY	Garden Court Kimberley	10H00 -13H00
EASTERN CAPE	09 October 2019	PORT ELIZABETH	Protea Hotel PE Marine	10H00 -13H00
	10 October 2019	EAST LONDON	On-the-summit lodge & conference	10H00 -13H00
KWAZULU NATAL	16 October 2019	DURBAN	Garden Court South Beach	10H00 -13H00
	17 October 2019	PIETERMARITZBURG	Southern Sun Pietermaritzburg	10H00 -13H00
FREE STATE	24 October 2019	BLOEMFONTEIN	President Hotel and Conference	10H00 -13H00
NORTH WEST	31 October 2019	RUSTERNBURG	Thaba Legae Guest Lodge	10H00 -13H00
GAUTENG	06 November 2019	JOHANNESBURG	Destiny Exclusive Hotel	10H00 -13H00
	07 November 2019	PRETORIA	Fortis Hotel Capital	10H00 -13H00
MPUMALANGA	14 November 2019	NELSPRUIT	Mecure Hotel	10H00 -13H00
LIMPOPO	21 November 2019	POLOKWANE	Park Inn by Radisson	10H00 -13H00



**THANK YOU**

