

TOURISM TRANSFORMATION REPORT

Presented by: Ms. Lindiwe Sangweni-Siddo
Chairperson: Tourism Transformation Council of SA
Dialogue By: National Tourism Stakeholder Forum
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Background

- On 20 November 2015, the Minister of Trade and Industry gazetted the Amended Tourism B-BBEE Sector Code in terms of Section 9(1) of the B-BBEE Act No. 53 of 2003, as amended by B-BBEE Act No. 46 of 2013, to advance transformation in the tourism sector.
- In terms of the Amended Guidelines for Developing and Gazetting Sector Codes, the Minister has the responsibility to appoint members of the Sector Charter Council to monitor transformation in the sector.
- Members of the Council must represent different relevant constituencies including trade unions, businesses, community-based organisations, youths and academia.
- In June 2019, the Minister of Tourism appointed Council members led by Ms Lindiwe Sangweni-Siddo, for a three year period.

Composition of the Council

1. Ms. Lindiwe Sangweni-Siddo: Chief Operating Officer: City Lodge Hotel Group
2. Mr. Jeremiah Mabena: Chief Executive Officer of Mostomayi Tourism Group
3. Mr. Nesang Maleka: Chairperson of South African Youth in Tourism and Hospitality
4. Prof. Bernard Mbenga: Professor of North West University
5. Ms. Bunny Boola: Chief Executive Officer: African Link Travel
6. Mr. Ravi Nadasen: Former Chief Operating Officer: Tsogo Sun Hotels
7. Ms. Mmatšatši Ramawela: Former CEO of TBCSA and currently an entrepreneur
8. Mr. Jeff Rosenberg: Former Chairperson of the Board: FEDHASA, and now Hospitality Consultant
9. Ms. Hapiloe Sello: Managing Executive: Tourism Development and Marketing: SANPARKS
10. Mr. Mduduzi Mbongwe: Deputy General Secretary: SACCAWU
11. Ms. Mmaditonki Setwaba: DDG, Tourism Sector Support Services: Department of Tourism

Mandate of the 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,
- 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, Parliament and the general public.

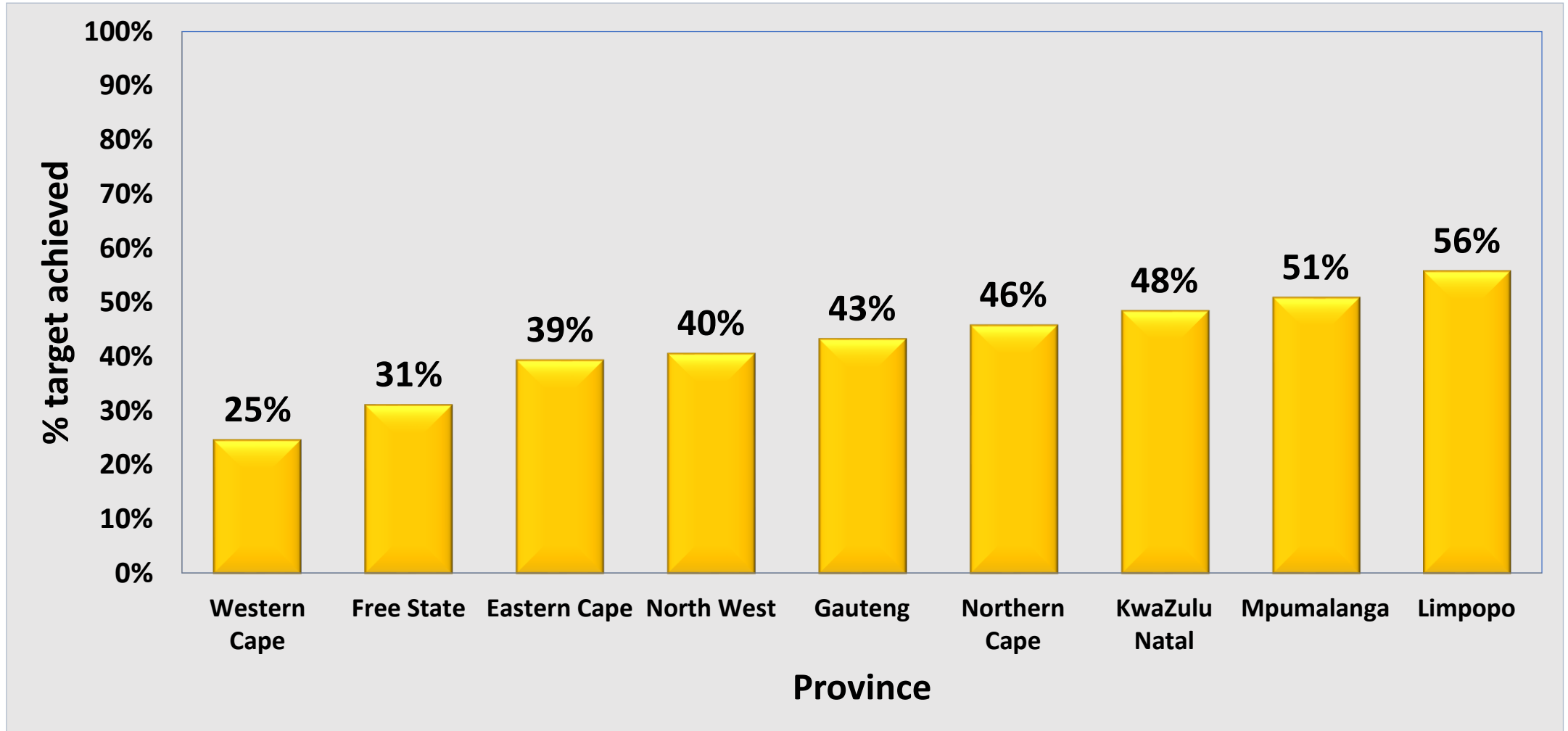
State of transformation in the tourism sector

State of transformation

State of Sector Transformation Report, 2018

- In terms of the B-BBEE Amendment Act No. 46 of 2013, all B-BBEE Sector Charter Councils are required to conduct B-BBEE studies to determine the level of compliance with the Sector Code and share information with the Minister, Parliament, Minister of Trade, Industry and Competition, B-BBEE Commission, B-BEE Presidential Advisory Council, sector members, approved accreditation agencies and the general public.
- In performing its mandate, the TTCSA has implemented a number of surveys.
- The 2018 State of Tourism Transformation Report revealed that although there was some evidence of transformation in the sector, the pace and extent of transformation show non compliance with the B-BBEE Code.
- A limited number of enterprises had achieved the 30% black ownership target. Less than 50% of enterprises in the three sub-sectors (accommodation, hospitality and travel) achieved the minimum ownership targets.
- Whereas the Western Cape had more tourism enterprises, it was the least transformed. Limpopo province was leading in terms of tourism products owned by black people, followed by Mpumalanga and KwaZulu-Natal provinces.

Black Ownership according to Provinces

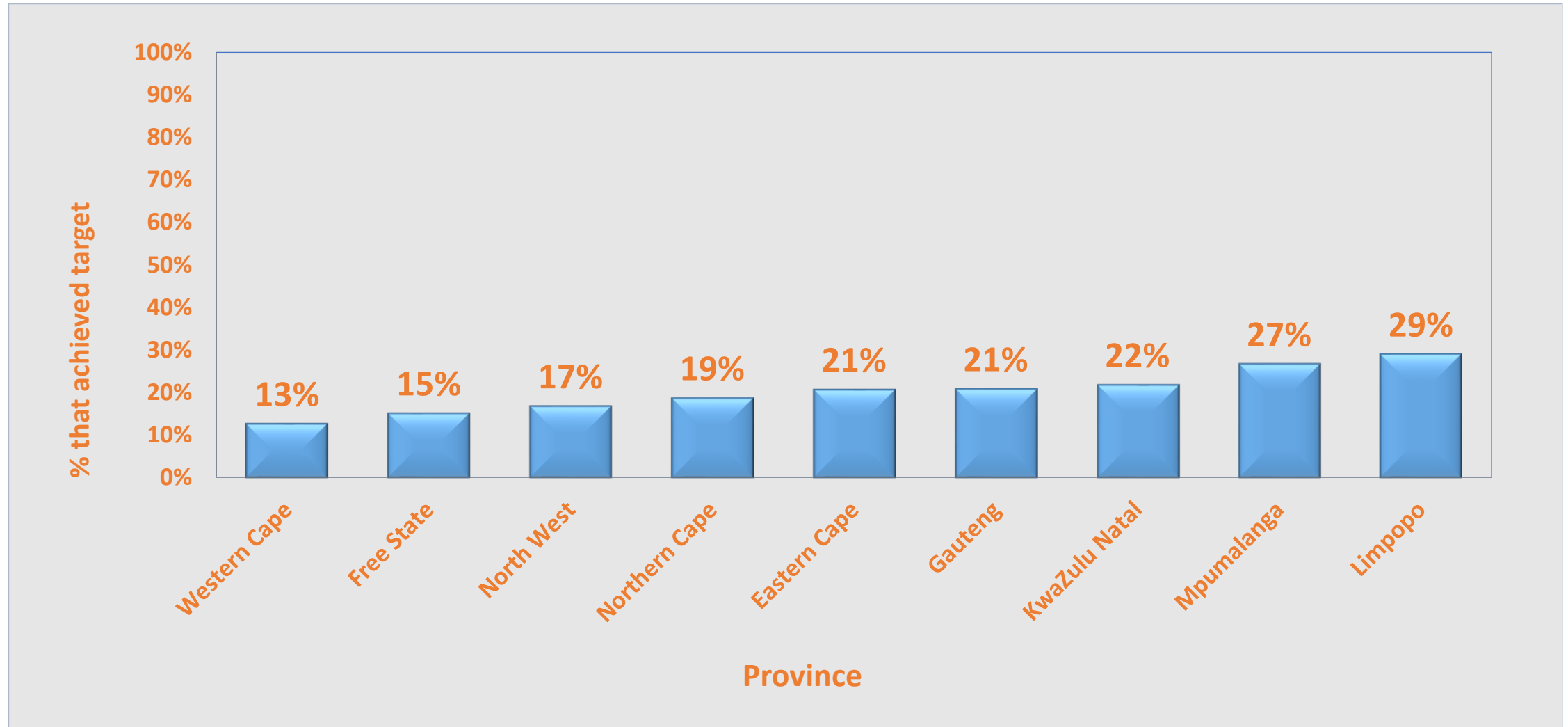


State of transformation (Cont..)

State of Sector Transformation Report, 2018

- With regard to management control, it was shown that despite the tourism sector employing a large number of women, only 11% of enterprises had black women representation at board, executive and senior management levels with overall poor performance on the promotion of black management in general.
- Enterprise and supplier development was meant to be a key driver of transformation in the economy. Despite the significant opportunity to address this through preferential procurement from black-owned suppliers and inclusion of SMMEs in supply chains, the majority of large enterprises did not comply with the set target, with insignificant (almost zero) expenditure on procurement from enterprises with a majority black shareholding.
- A notable observation was some improvements in the sector's investment in skills development for black employees.
- The tourism sector performed well on socio-economic development and contribution to the Tourism Marketing South Africa (TOMSA) levy. About 66% of large enterprises were TOMSA levy collectors, whereas 56% of them contributed to Socio-Economic Development.

Management Control by Black People according to Provinces



State of transformation (Cont..)

The following challenges were recorded in the sector:

- Lack of marketing efforts to promote new and existing SMMEs and entrepreneurs.
- Low level of staff members with relevant skills and passion, drive, correct attitude and interest in the sector.
- Inadequate awareness of the opportunities offered by the sector.
- Inadequate accessibility due to lack of financial support.
- Lack of partnership, collaboration, willingness and trust between enterprises and key stakeholders to promote procurement opportunities for SMMEs and entrepreneurs.
- Lack of innovative infrastructure support for business operations.

State of transformation (Cont..)

2019 B-BBEE Survey Report

- The 2019 survey was very different from previous surveys as it aimed to measure compliance with both the original Tourism B-BBEE Sector Code of 2009 and the amended Tourism B-BBEE Sector Code of 2015. Unlike previous studies, it required tourism companies to submit data covering the two reporting periods.
- However, similar to previous studies, the 2019 survey made the following key observations:
 - Large Enterprises (LEs) performed poorly in two elements: Ownership and Preferential Procurement, while Qualifying Small Enterprises (QSEs) displayed erratic behaviour in four elements: Ownership, Management Control, Preferential Procurement and Enterprise Development.
 - In general, the response to the survey was slower than expected, particularly among LEs where efforts to encourage participation were mainly focused.

State of transformation (Cont..)

2019 B-BBEE Survey Report

- A number of organisations expressed frustration about the administrative burden involved in the exercise. For example, B-BBEE scorecard information dating back earlier than 2013 was particularly difficult to source because most transformation managers had not been with their companies for the period under review.
- A number of potentially key respondents were not willing to participate in the survey because they felt it would have been pointless to do so, considering their non-compliant status and the fact that transformation was not applicable to them as their market was international tourists.
- In general, the original Tourism B-BBEE Sector Code of 2009 was inefficiently implemented, both by Large Enterprises and by Qualifying Small Enterprises.

Plan of Action

2019 – 2022

Approach: Development Of Plan Of Action

- Council held a two-day workshop, facilitated by women B-BBEE experts, on 26 & 27 October 2020 to develop the Plan of Action consisting of salient proposed initiatives that the tourism sector, both public and private, could embrace and implement to fast track transformation during the Council 3 year term and beyond.
- This was achieved by:
 - Inviting speakers to address the Council on key topical issues, including the following:
 - Analysis of the findings of the state of transformation reports
 - Taking stock of 2017 – 2021 Action Plan: key achievements
 - Women, youth and labour in Tourism
 - COVID-19: Impact and recovery
 - Funding and financial programmes

5 Key Priorities of the Plan of Action

- The Plan of Action (POA) proposed interventions to fast track transformation in the sector over the Council's 3-year tenure (2019 – 2022), and beyond.
- About 5 key objectives or priorities were proposed as indicated below:
 - 1) Ensuring effective monitoring of compliance with the B-BBEE Codes, and impact assessment
 - 2) Ensuring that the youth are included and elevated in the tourism structures
 - 3) Ensuring improved education and skills training for tourism job seekers and entrepreneurs
 - 4) Ensuring that an environment conducive to support tourism products development in small towns (dorpiés), townships and rural areas exist, and introduce new complimentary funding mechanisms to support transformation; and that tourism supportive infrastructure also exist
 - 5) Advocating for advancement of SMMEs access to preferential procurement opportunities available in government and state institutions.

Awareness on the Plan of Action & B-BBEE

- Council vowed to raise more awareness on the implementation of the Tourism B-BBEE Sector Code to demystify B-BBEE and the whole transformation agenda.
- Council will embark on roadshows, webinars, write-ups and other platforms to sell the Plan of Action to the private sector (TBCSA, tourism associations, tourism businesses etc.); public sector (MINMEC, Provincial and Local government structures, government procurement structure etc.) and civil society formations.
- So far, amongst others, Chairperson of the Council participated in the TBCSA-WBS Tourism Dialogue: SA Tourism – Transformation and Inclusion, SATOVITO and others held virtually.
- More dialogues will follow, touching on conversations or topics such as the recovery of the industry following Covid-19 and how transformation is affected by the pandemic, job creation vs grants, Tourism Equity Fund and others.

Institutional arrangements of the TTCSA

Background to Autonomy of TTCSA

- The Portfolio Committee on Tourism, amongst others, recommended that the Council should be re-organised as wholly autonomous entity with its offices and brand to objectively monitor transformation in the tourism sector.
- In terms of the B-BBEE Amendment Act No. 46 of 2013, Sector Charter Councils should be registered as legal entities that exist for non-profit making or non-profit organisation (NPO).
- It was further provided that Councils should be funded jointly by the private sector and the line Ministry.
- The purpose is to objectively monitor the implementation of the Sector Code and advise the Minister on transformation matters in both the public and private sectors.
- In May 2020, the Council was registered with the Companies and Intellectual Property Commission (CIPC) as an autonomous NPO called the “*Tourism Transformation Council of South Africa*” (TTCSA).
- On Aug 2021, the JFA was signed by TBCSA/ TOMSA, TTCSA and the Department to set up a joint private-public sector financial vehicle in order for the TTCSA to operate.

Autonomy of TTCSA

- So far, the Council developed a Business Case which outlines structural composition of the Council.
- The recruitment process to identify a CTO will be embarked upon by the Council.
- The CTO will provide strategic leadership to the institution and act as a champion for transformation.
- The Plan of Action will be implemented
- Once a CTO has been identified, the TTCSA shall be housed in independent offices, easily accessible to all stakeholders of the tourism industry.

Autonomy of TTCSA (Cont..)

The Council will continue its mandate of:

- Playing an advisory role to the Minister of Tourism based upon its reports on the state of transformation
- Conducting research and surveys in order to report on the state of tourism
- Awareness creation and advocacy for transformation by engaging with all stakeholders of the tourism industry
- Facilitating the implementation of transformation in the tourism industry

In Conclusion

- Transformation in the Tourism Sector is likely to have regressed further with the impact of the COVID-19 pandemic
- Ownership of businesses by black individuals has to be given greater focus
- Access to funding for SMMEs in villages, small towns and townships is needed to ensure inclusion in the tourism value chain
- Tourism product development and major infrastructure will have to be fast-tracked in villages, small towns and townships in private-public-partnerships
- Market access to mainstream activities will be needed to ensure SMME participation
- Tourism job creation has to be aligned to the statutory requirements of the Codes by employing 85% SA employees & 50% Black People – provided the numbers are maintained
- For as long as transformation is not embraced whole-heartedly by established main tourism businesses, the progress of transformation will continue to be slow
- Both public and private sectors collaborative efforts can result in meaningful growth and inclusion of ALL players

THANK YOU

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