

**FORWARDING AND CLEARING SUB-SECTOR CODE
FOR BBBEE**



**REPUBLIC OF SOUTH AFRICA
REPUBLIEK VAN SUID AFRIKA**

DEPARTMENT OF TRANSPORT

**FORWARDING AND CLEARING SUB-SECTOR CODE
FOR BBBEE**

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ABBREVIATIONS

ABBREVIATIONS	
B-BBEE	Broad-Based Black Economic Empowerment
ABET	Adult Basic Education and Training
DOL	Department of Labour
DOT	Department of Transport
DTI	Department of Trade and Industry
EE	Employment Equity
EMEs	Exempted Micro Enterprises
FET	Further Education and Training
F&C	Forwarding and Clearing
FIATA	Federation Internationale des Associations de Transitaires et Assimiles
GDS	Growth and Development Summit
NEPAD	New Partnership for Africa's Development
NSF	National Skills Fund
PSA	Proudly South African
QSEs	Qualifying Small Enterprises
SARS	South African Revenue Services
TEO	The Enterprise Organisation
TETA	Transport Education and Training Authority
TNPA	Transnet National Ports Authority
TPT	Transnet Port Terminals

1. SCOPE OF APPLICATION

- 1.1 The Forwarding & Clearing (F&C) Industry comprises of economic activities that relate to all imports and exports conducted in respect of goods entering or leaving South Africa as well as those transiting this country. It excludes importers and exporters whose core activity is not clearing and forwarding.
- 1.2 Thus, the F&C Industry serves as an input to every other industry in the National economy as well as many of those across South African borders. In addition cognisance is taken of the fact that the F&C Industry is a complex one, which involves various activities including freight management and supply chain logistics.
- 1.3 The F&C Industry is associated with all modes of transport that might be involved in the carriage of cargo as well as, service providers such as warehouses and transit sheds and the associated management of data.
- 1.4 The F&C Industry works closely with Governmental and parastatal Institutions such as SARS, the Department of Trade & Industry (DTI), the Department of Transport (DOT) and Port Authorities.

2. LONG TERM VISION

- 2.1. Overarching long-term vision
 - 2.1.1 The long-term vision is, through encouraging education and training and the promotion of life-long learning, develop the Industry so that all participants are able to compete, nationally and internationally, with the best in the world.

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- 2.1.2 Part of the vision is to develop South African owned forwarding and clearing multi-national companies wherever possible.
- 2.1.3 The South African F&C Industry is well positioned to make this vision a reality and craft a broader contribution towards regional development in line with the ideals of the New Partnership for Africa's Development (NEPAD).
- 2.2. Developing a World Class Industry**
- 2.2.1 Our vision is to develop a world-class industry based on seamless integration of all transport modes and multiple transport networks, which will grow in size, stimulate South Africa's economic growth and development, and facilitate trade whilst complying with international safety standards and delivering efficient, quality services to customers. Our industry will achieve a significant increase in black participation throughout the industry value chain. We will pursue a growth strategy that prioritises the retention and creation of quality jobs.
- 2.2.2 To make this vision a reality, will require a deliberate strategy to increase access to skills, capital and economic opportunities and, therefore raise the economic value added (or productivity) of every employee and enterprise in the industry. This will require all stakeholders to recruit new black people into the industry and increase their skills (and those of existing employees) to best-practice international levels, while creating a supportive culture for their talents to thrive. It will also require all stakeholders to facilitate the creation of new black entrepreneurs (and the development of existing ones) who can participate in economic opportunities throughout the logistics value chain.
- 2.2.3 We, the signatories to this document, believe that every company in South Africa should embrace Broad-Based Black Economic Empowerment (B-BBEE) voluntarily, recognising that it is a social and economic imperative to secure a prosperous future for all our country's citizens and, therefore, a larger market in which to trade. We commit ourselves to embark on a major communications and marketing campaign that will take this "Broad-Based BEE Sub-Sector Code for the F&C Industry" to every company to ensure maximum participation by all stakeholders.
- 2.2.4 Accordingly, all stakeholders commit themselves to this Sub-Sector Code agree to have their B-BBEE achievements (in terms of the indicators in the balanced scorecard) rated by an independent B-BBEE rating/verification company that is accredited by the relevant recognised body.
- 2.2.5 We commit ourselves to good corporate governance principles and the elimination of fronting in our industry. Accordingly, we will play an active role in instituting measures for monitoring, identifying and eradicating fronting.
- 2.3. Undertakings by all Stakeholders (to achieve this vision)**
- 2.3.1 To form collaborative relationships with organisations such as Proudly South Africa (PSA), Department of Trade and Industry (DTI) and other stakeholders and promote the economic benefits of utilising and growing Broad-Based Black Economic Empowerment compliant freight forwarding companies.
- 2.4. National Government undertakings (to achieve the vision)**
- 2.4.1 To continue to create an environment that is conducive for the country to substantially increase trade with the rest of the world, since the level of trade is the main driver of growth and, therefore, job creation in our industry. Key elements of an enabling environment for trade include: trade promotion;

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enhancing feeder and inland transport connections; reducing costs of data transfer; improving the quality of available maritime infrastructure & superstructure and restructuring to ensure reliability and cost effectiveness of railway and port operations.

- 2.4.2 Resolve legislative and fiscal restrictions, which have a negative impact on the competitiveness of South Africa and ensure a level playing field for all companies¹.
- 2.4.3 Use its leverage in the industry to incentivise all stakeholders to achieve the objectives of this charter.
- 2.4.4 Demonstrate its commitment towards developing South Africa into a leading trading nation by adopting a more harmonised approach between its various departments and parastatal institutions. This will require the setting up of structures that will ensure inter-governmental co-ordination between departments to align their programmes with the Transport sector wide, and supply chain processes. Examples of crosscutting issues that require interventions across government departments and agencies include:
 - 2.4.4.1 The DTI's Export incentives;
 - 2.4.4.2 National Treasury, and South African Revenue Services (SARS);
 - 2.4.4.3 Department of Foreign Affairs – Free Trade Agreements;
 - 2.4.4.4 Increasing awareness within the transport sector about available government investment incentives and grants;
 - 2.4.4.5 Engage public and private funding institutions to highlight opportunities in the sector;
 - 2.4.4.6 Make proposals on financing mechanisms; and
 - 2.4.4.7 Investigate, together with other stakeholders in other Transport sub-sectors, the feasibility of setting up a Transport Sector Bank.
- 2.4.5 Engage public and private sector funding agencies to develop innovative funding mechanisms for B-BBEE companies seeking to invest in the sector. This will require a high-level workshop with these agencies and major B-BBEE companies to inform them about opportunities that will emerge in the transport industry, including the F&C industry, following the adoption of this charter.
- 2.4.6 Increase awareness among B-BBEE companies in the transport sector about investment and matching grants, tax allowances and other incentives that are provided by the DTI's The Enterprise Organisation (TEO) and investigate the possibility of motivating for new products that take into account the unique nature of the F & C industry.
- 2.4.7 Enforce and monitor compliance with existing legislation that may impact B-BBEE such as the Employment Equity, Skills Development and Competition Acts.
- 2.4.8 Ensure that government departments are focused and sensitised on the importance of customer care and relations. This will require enhanced training and education for officials in relevant government departments.
- 2.4.9 Assist stakeholders with analysis of the number of people in particular skills set (or job category) broken down by race, gender and people living with disability.

¹ An example include the issue of small suppliers who are deemed as employees for personal tax purposes

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- 2.4.10 Publish an annual report on B-BBEE and job creation within the F&C industry that consolidates various reports and information from all stakeholders. Stakeholders will use this report to review progress at an annual Transport Industry B-BBEE Forum.
- 2.5. Labour Undertakings (to achieve this vision)**
- 2.5.1 Investigate opportunities to establish collective investment vehicles that will make investments in the sector. These investment vehicles will ensure empowerment of the workers both directly and in partnerships with other stakeholders in relation to skills for ownership and management of companies.
- 2.5.2 Ensure that workers are empowered by upgrading their skills base and creating opportunities to deploy them into management positions as well as participating in creative employee share ownership schemes.
- 2.5.3 Labour should mobilise members to ensure compliance and understanding of existing legislation e.g. the employment equity, skills development, labour relations and basic conditions of employment acts. Companies that do not comply must be reported to the Transport Sector B-BBEE Council to take further action.
- 2.5.4 Labour will mobilise members to identify companies who fail to implement this agreed F&C industry B-BBEE Sub-Sector Code and report them to Transport Sector B-BBEE Council to take further action.
- 2.5.5 Mobilise members to monitor the performance of their employers in implementing the Growth and Development Summit (GDS) agreement on promoting local content and/or procurement and supporting the Proudly South African campaign.
- 2.6 TETA undertakings (to achieve this vision)**
- 2.6.1 Play a more interventionist role to influence training priorities in the F&C Chamber. Assist stakeholders with analysis of the number of people in a particular skills set (or job category) broken down by race, gender and people living with disability.
- 2.6.2 Continuously conduct analysis and update statistics about the future demand and supply of critical skills sets.
- 2.6.3 Continuously analyse the quantity, quality and nature of F&C training that companies are doing.
- 2.6.4 Commit to this B-BBEE Sub-Sector Code and strive to achieve the targets set (where applicable) as per the indicators in the balanced scorecard both internally and with specific reference to service providers.
- 2.6.5 Align its mission and vision with the imperatives of B-BBEE and assist with the provisioning of relevant B-BBEE data that will be key for the implementation and monitoring of this strategy.
- 2.6.6 Enable the achievement of the education and training objectives of this charter, without unnecessary bureaucratic impediments.

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- 2.6.7 The signatories of this Sub-Sector Code are of the view that the sector should endeavour to facilitate the realisation of these commitments by monitoring contributions to B-BBEE. The evaluation of these contributions should be conducted through an Evaluation Matrix provided in Appendix B.

3. INDICATORS OF EMPOWERMENT

This Broad-Based B-BBEE Sub-Sector Code for the F&C Industry seeks to encourage all stakeholders to pursue a transformation agenda according to the broad guidelines set out in the BEE National Strategy and B-BBEE Act 53 of 2003. It is necessary to set different targets and timeframes for the public and private industry as well, because the two are at different stages of the transformation process.

This Sub-Sector Code shall remain in effect until amended, substituted and repealed under Section 9 of the BBEE Act, or with the parties to this Sub-Sector Code process agreeing to do so.

The Transport Charter Council will that will be established pursuant to this gazette will review this Sub-Sector Code following the end of the 5th year after its gazetting and despite the aforementioned, it shall be reviewed on an annual basis for monitoring purpose.

3.1 Ownership

3.1.1 Vision

- 3.1.1.1 Our vision is to achieve significant black ownership, management control and operational involvement throughout the F&C industry. Stakeholders recognise the high degree of knowledge in both local and international legislation as well as conditions that will be required in order to achieve this and commit ourselves to identifying opportunities for promoting the necessary skills development.

3.1.2 Guiding Principles

- 3.1.2.1 This principle is linked to the long-term strategy of growing the domestic F&C Industry so as to ensure that B-BBEE does not become a zero-sum game. Ownership is broken down into foreign ownership and South African ownership.
- 3.1.2.2 The ownership target set is specifically aimed at the South African F&C Industry.
- 3.1.2.3 With regard to foreign ownership, foreign companies, with local representation, will implement B-BBEE strategies, according to the guidelines provided by the F&C Sub-Sector Code. They will be encouraged to sell equity in their local operations. However, foreign companies that are unable to sell equity in their local operations should consider using the Equity Equivalent guidelines provided in the Code 100 of the B-BBEE Codes of Good Practice and set off increased achievements in this regard against the ownership requirement.

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- 3.1.3 Stakeholder Undertakings**
 - 3.1.3.1 Foreign Ownership Market Commits to:
 - 3.1.3.1.1 Seek opportunities to sell equity to Black shareholders or participate in Equity Equivalence programmes approved by the Minister.
 - 3.1.3.2 The Local Based Market Commits to:
 - 3.1.3.2.1 Seek opportunities to broaden the ownership base of their companies and ensure that within the next 5 years at least black shareholders hold 25+1% of voting rights, with 10% of the voting rights held by black women.
 - 3.1.3.2.2 25% of the economic interest accrues to black shareholders in the form of both voting rights and economic interest, with a minimum of 10% earmarked for black women.
 - 3.1.3.2.3 3% is for black designated groups, which includes black people living with disabilities.
 - 3.1.3.2.4 Ensure that the net economic interest of the black equity participants is 100% of their acquired share of the business within 5 years.
 - 3.1.3.2.5 Qualifying Small Enterprises (QSEs) as defined in this Sub-Sector Code also commit to:
 - 3.1.3.2.5.1 Increase the ownership base of their companies and ensure that a minimum of 25% of economic interest is in the hands of black people;
 - 3.1.3.2.5.2 25% +1 vote voting rights, or equivalent thereof, are in black hands; and
 - 3.1.3.2.5.3 Ensure that the net economic interest of the black equity participants is 60% of their acquired share of the business within 5 years. If this is achieved, it will be deemed that Ownership Fulfilment has been achieved.
- 3.1.4 Government Commits to:**
 - 3.1.4.1 Facilitate means of funding the various B-BBEE initiatives that will enable Blacks, Black women and Black disabled persons to purchase the ownership stake proposed in this Charter.
- 3.1.5 Funding Mechanisms**
 - 3.1.5.1 All stakeholders commit to:
 - 3.1.5.1.1 Facilitate through creative financing mechanisms, the acquisition of equity in their operations by Black shareholders.
 - 3.1.5.1.2 Creating awareness about F & C Industry amongst the traditional banking institutions as well as Public Financing Institutions.
- 3.1.6 Measurement Principles and the Application of the Charter**
 - 3.1.6.1 Measurement principles associated with the ownership element is contained in Statement 100 of Code 100 of the Generic Code of Good Practice.

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- 3.1.6.2 The formulae required in the determination of the ownership score are contained in Annexure 100 (c) of Statement 100 of Code 100 of the Generic Code of Good Practice.
- 3.1.6.3 The recognition of the sale of assets under the ownership element has the same meaning as that contained in Statement 102 of Code 100 of the Generic Code of Good Practice. The targets as contained in the ownership element of this Sub-Sector Code will apply.
- 3.1.6.4 The recognition of the equity equivalent programmes for multinational has the same meaning and interpretation as that contained in Statement 103 of Code 100 of the Generic Code of Good Practice.
- 3.1.6.5 The formulae required in the determination of the ownership score based on equity equivalent contributions are contained in Annexure 103 (A) of Statement 103 of Code 100 of the Generic Code of Good Practice.
- 3.1.6.6 Measurement principles relating to the ownership element for QSEs are contained in Statement 801 of Code 800 of the Generic Codes of Good Practice.
- 3.2 Management Control**
- 3.2.1 Guiding Principle**
- 3.2.1.1 Our guiding principle is to increase the participation of black people on F&C Industry company boards and similar governing structures to create decision-making structures that truly represent the racial and gender diversity of our country. The industry will be transparent, eliminate unscrupulous business practices including fronting, and adopt best-practice corporate governance policies as outlined in the King II report.
- 3.2.2 Stakeholder undertakings**
- 3.2.2.1 Private Industry Commits to:
 - 3.2.2.1.1 Under normal circumstances, black ownership will be accompanied with an equal level of management control. Private industry, however, commits to a total black representation of 50% at the board level and a black women representation of 25% at the board level.
 - 3.2.2.1.2 Black people will occupy 50% of executive directors, while black women will occupy 25% of executive directors.
 - 3.2.2.1.3 Black people will also occupy 40% of senior top management, while black women will occupy 20% of senior top management.
 - 3.2.2.1.4 Private industry further commits to a black representation of 40% at other top management and black women representation of 20% at other top management.
 - 3.2.2.1.5 QSEs within the sector commit to recruiting black people at Top Management positions, where they should constitute 50.1% of total Top Management.

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- 3.2.2.1.6 QSEs within this sector commit to recruiting black women at Top Management level; where they should constitute 25% of total Top Management, which is a bonus point sub-element.
- 3.2.3 Measurement Principles and the application of the Charter**
- 3.2.3.1 Measurement principles associated with the management control element are contained in Statement 200 of Code 200 of the Generic Code of Good Practice.
- 3.2.3.2 The formulae required in the determination of the management control score are contained in Annexure 200 (A)-B of Statement 200 of Code 200 of the Generic Code of Good Practice. The Adjustment Recognition for Gender will not apply Annexure 200 (A)-A.
- 3.2.3.3 Measurement principles needed for the application of the Sub-Sector Codewith regards to the management control element for QSEs are contained in statement 802, of Code 800, of the Generic Codes of Good Practice.
- 3.3 Employment Equity**
- 3.3.1. Guiding Principle**
- 3.3.1.1 Our principle is to increase the participation of black people in management, professional and technical occupations in the F&C Industry to create a workforce that truly represents the racial and gender diversity of our country.
- 3.3.1.2 Compliance with the Employment Equity (EE) Act, and presentation of accurate figures and statistics on EE to the Department of Labour (DoL) within the spirit of this Charter.
- 3.3.2. Private Industry commits to:**
- 3.3.2.1 Private industry undertakes to achieve within FIVE years:**
- 3.3.2.1.1 45% representation of black people in senior management and a 23% representation of black women in senior management.
- 3.3.2.1.2 63% representation of black people in middle management and a 32% representation of black women in middle management.
- 3.3.2.1.3 68% representation of black people in junior management and a 34% representation of black women in junior management.
- 3.3.2.1.4 2% representation of black disabled people throughout the measured entity and 50% of this will be black women.
- 3.3.2.1.5 Measured entities falling within the QSEs threshold commit that 40% of all management staff is black within 5 years. 50% of these positions should be earmarked for black women.
- 3.3.2.5.1 QSEs within this sector commit that 60% of all staff should be black within the 5 years. Black women should occupy 30% of all positions within 5 years.
- 3.3.2.2 Private industry undertakes to achieve within TEN years:**
- 3.3.2.2.1 60% representation of black people in senior management and a 30% representation of black women in senior management.
- 3.3.2.2.2 75% representation of black people in middle management and a 38% representation of black women in middle management.

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- 3.3.2.2.3 80% representation of black people in junior management and a 40% representation of black women in junior management.
- 3.3.2.2.4 3% representation of black disabled people throughout the measured entity.
- 3.3.2.2.5 Points will only be awarded for employment equity once a minimum of 40% of the specific target has been achieved.
- 3.3.2.2.6 Measured entities commit to 60% of all management staff is black within 5 years; 50% of these positions should be earmarked for black women.
- 3.3.2.2.6.1 QSEs within this sector commit to all 70% of all staff should be black within the 5 years. 35% of all positions should be occupied by black women within 5 years.
- 3.3.2.2.7 An understanding that the 10 year targets stated above may be subject to change as a result of a revision of the Sub-Sector Code in 5 years from its inception.
- 3.3.3 Measurement Principles and the Application of the CODES**
- 3.3.3.2 Measurement principles on the employment equity element is contained in Statement 300 of Code 300 of the Generic Code of Good Practice.
- 3.3.3.3 The formulae required in the determination of the employment equity score are contained in Annexure 300 (A)-B of Statement 300 of Code 300 of the Generic Code of Good Practice. The formula for the determination of the Adjusted Recognition for Gender – Annexure 300 (A)-A will not apply.
- 3.3.3.4 Measurement principles for the determination of the Employment Equity score for QSEs are contained in Statement 803 of Code 800 of the Generic Codes of Good Practice.
- 3.3.4 Government commits to:**
- 3.3.4.1 Ensuring that the Department of Labour plays a significant role in monitoring and supporting stakeholders in meeting their EE targets.
- 3.3.4.2 Ensure that through the DOL will, in compliance with the EE Act, collect and publish detailed and aggregated statistics on the EE profile of the industry according to occupational level and occupational category by race. The department will also monitor the industry's progress in meeting its targets and publish an annual report on the EE Profile of the industry according to occupational level and category.
- 3.4 Skills Development**
- 3.4.1 Guiding Principle**
- 3.4.1.1 Our vision is to substantially increase the economic value added (or productivity) of every employee in the F&C Industry through best practice Human Resource and Skills Development policies and increase the scale of initiatives aimed at developing black professionals and technical experts.
- 3.4.2 Stakeholder Undertakings**
- 3.4.2.1 Government Commits to:**
- 3.4.2.1.1 Design and fund a co-ordinated framework and programme for career awareness and training that leverages off and adds value to existing

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initiatives. The awareness programme will publicise and co-ordinate information regarding scholarships, training resources and careers in the industry. Other stakeholders will be encouraged to contribute towards the cost of this initiative.

- 3.4.2.2 Private Industry Commits to:**
- 3.4.2.2.1 Invest at least 3% of the leviable amount on skills development initiatives, which are directed at black employees. The Learning Programme Matrix contained in statement 400 code 400 Annexure 400 (A) of The B-BBEE Codes of Good Practice should guide these initiatives.
 - 3.4.2.2.2 Invest at least 1.5% of the leviable amount on skills development initiatives (Over and above the current 1% skills development levy and associated costs) directed at black women employees. The Learning Programme Matrix contained in statement 400 code 400 Annexure 400 (A) of The B-BBEE Codes of Good Practice should guide these initiatives.
 - 3.4.2.2.3 Ensure that black employees participating in learnerships or category B, C and D programmes as a percentage of total employees: who have been enrolled in Accredited Training Programmes as identified in the Learning Programme Matrix contained in statement 400 code 400 Annexure 400 (A) of the Codes of Good Practice, comprise 5% of the total work force.
 - 3.4.2.2.4 Ensure that black women participating in learnerships or category B, C and D programmes as a percentage of total employees: who have been enrolled in Accredited Training Programmes as identified in the Learning Programme Matrix contained in statement 400 code 400 Annexure 400 (A) of The Codes of Good Practice, comprise 2.5% of the total number of employees.
 - 3.4.2.2.5 Ensure that 0.3% of skills development expenditure is on learning programmes specified in the learning programme matrix for black people with disabilities. 0.15% of skills development should be directed to black women with disabilities.
 - 3.4.2.2.6 QSEs within this sub-sector commit to invest a minimum of 3% of the leviable amount or payroll (whichever is applicable) on skills development spend on learning programmes for black people.
- 3.4.3 In addition, the Private Industry Commits to:**
- 3.4.3.1 Identify within and outside their companies a talent pool of black people for accelerated development through the following options:
 - 3.4.3.2 International, regional or local assignments that provide high-quality operational and managerial exposure;
 - 3.4.3.3 Job rotation and multi-skilling programmes;
 - 3.4.3.4 Coaching and mentorship programmes;
 - 3.4.3.5 Learnership and internship programmes;
 - 3.4.3.6 Further Education and Training (FET);
 - 3.4.3.7 Skills programmes;
 - 3.4.3.8 Temporary placement of unemployed learners;
 - 3.4.3.9 Provision of Adult Basic Education and Training and other lifeskill training; and
 - 3.4.3.10 Intra-industry exchange programmes, where feasible.

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- 3.4.3.11 The costs associated with the implementation of the above Skills Development interventions include both direct and associated indirect costs.
- 3.4.4 TETA Commits to:**
- 3.4.4.1 Conduct research to identify scarce management (generic) and professional (F&C specific) skills that the industry will require over the next decade and map out future demand and supply scenarios in the detailed skills audit.
- 3.4.4.2 Conduct research on the supply side of the skills development equation— i.e. the institutions that will provide the required management, professional and technical skills. The research will determine whether the identified institutions have the capacity to meet the expected demand and whether their curricula meet the needs of industry. It will make proposals on how to increase the capacity and relevance of existing institutions and establish whether there is a need to establish a dedicated institution that will focus on developing skills for the Forwarding and Clearing Industry.
- 3.4.4.3 Introduce, after consulting stakeholders and completing the skills audit, new categories of learnerships - in management, technical and professional occupational categories - to help stakeholders achieve their employment equity targets.
- 3.4.4.4 Assist in unlocking funds from the National Skills Fund (NSF) for Management and Learnership Programmes in identified areas.
- 3.4.4.5 Together with the Federation Internationale des Associations de Transitaires et Assimiles (FIATA), continuously benchmark training programmes against international best practice.
- 3.4.5 Measurement Principles and the Application of the Charter**
- 3.4.5.1 Measurement principles associated with the skills development element is contained in Statement 400 of Code 400 of the Generic Code of Good Practice.
- 3.4.5.2 The formulae required in the determination of the skills development score are contained in Annexure 400 (A)-B of Statement 400 of Code 400 of the Generic Code of Good Practice. The formula for the determination of the Adjusted Recognition for Gender – Annexure 400 (A)-A will not apply.
- 3.4.5.3 The measurement principles required in the determination of the skills development scores for QSEs are contained in Statement 805 of Code 800 of the Generic Code of Good Practice.
- 3.5 Preferential Procurement**
- 3.5.1 Guiding Principle**
- Our principle is to accelerate procurement from black-owned and/or, empowered enterprises and/or good contributors to B-BBEE with the main objective of growing existing or emerging entrepreneurs to produce value-added goods and services for the industry and increase employment as well as allowing for the creation of new businesses

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- 3.5.2 Stakeholder undertakings**
- 3.5.2.1 Government Commits to:**
- 3.5.2.1.1** Government departments, state-owned enterprises, and other public agencies will align their own procurement practices to this Sub-Sector Code when procuring goods and services from the F&C sub-sector. In particular, government will apply B-BBEE criteria, as set out in this Sub-Sector Code whenever it:
- 3.5.2.1.1.1 Grants a licence to engage in a specific regulated economic activity;
- 3.5.2.1.1.2 Grants a concession to a private enterprise to operate an asset or enterprise on behalf of the state;
- 3.5.2.1.1.3 Enters into a public-private partnership; and
- 3.5.2.1.1.4 Engages in any economic activity.
- 3.5.2.2 Private Industry Commits to:**
- 3.5.2.2.1 Procure at least 50% of total measurable procurement spend from B-BBEE suppliers based on their recognition levels within the next 5 years and 70% of total measurable procurement from B-BBEE suppliers based on their recognition levels within the next 10 years.
- 3.5.2.2.2 Procure at least 10% of total measurable procurement from QSEs and EMEs in the next 5 years and 15% over 10 years.
- 3.5.2.2.3 Procure at least 9% of total measurable procurement from 50% black-owned and 6% of the total measurable procurement should be from the 30% black women-owned enterprises over the next 5 years. Procure at least 20% of total measurable procurement from 50% black-owned and 30% black women-owned enterprises over the next 10 years.
- 3.5.2.2.4 QSEs within this sub-sector commit to procuring a minimum of 40% of total procurement from B-BBEE compliant suppliers over the next 5 years and 50% over the next 10 years.
- 3.5.2.2.5 Adopt and customise the guidelines on Accounting for Affirmative Procurement that will be set by the Transport Sector B-BBEE Council, as specifically agreed by the F&C sub-sector stakeholders and signatories to this Charter.
- 3.5.2.2.6 An understanding that the 10 year targets stated above may be subject to change as a result of a revision of the Sub-Sector Code 5 years from its inception.
- 3.5.2.2.7 Recognising that a consolidation of invoices may be recognised as a single "invoice" in terms of the measurement principles of Statement 500 of the B-BBEE Codes of Good Practice.
- 3.5.3 Measurement Principles and the Application of the Sub-Sector Code**
- 3.5.3.1 Measurement principles associated with the preferential procurement element is contained in Statement 500 of Code 500 of the Generic Code of Good Practice.

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- 3.5.3.2 The formulae required in the determination of the preferential procurement score for measured entities are contained in Annexure 500 (A) of Statement 500 of Code 500 of the Generic Code of Good Practice.
- 3.5.3.3 Measurement principles required in evaluating the preferential procurement contributions made by QSEs within this sector are contained in Statement 805 of Code 800 of the Generic Codes of Good Practice.
- 3.6 Enterprise Development**
- 3.6.1 Guiding Principle**
- 3.6.1.1 Our principle objective is to help set up, and/or nurture and grow viable enterprises that are black-owned or black empowered, to service the F&C Industry. We aspire to increase investment in black-owned and empowered enterprises as a proportion of net profit after tax (NPAT).
- 3.6.1.2 In achievement of the principle objective above, the signatories to this Sub-Sector Code declare that they are opposed to the concept of fronting, as defined in this Charter.
- 3.6.2 Stakeholder undertakings**
- 3.6.2.1 Private Industry Commits to:**
- 3.6.2.1.1 Pro-actively seek opportunities to enter into joint ventures (and other forms of alliances) and make direct investments in black owned or black empowered enterprises as defined in Enterprise Development below. To be valid, such initiatives and ventures must pass the "dominant impression" test indicated in Appendix C.
- 3.6.2.1.2 Progress will be measured by calculating the value of such investments as a percentage of the NPAT of the investing enterprise. The target is to achieve at least 3% for black owned companies and at least 1.5% for black women-owned companies.
- 3.6.2.1.3 QSEs within this subsector aspire to make contributions to enterprise development which will amount to 3% of NPAT evaluated annually over the next 5 years.
- 3.6.3 TETA Commits to:**
- 3.6.3.1 Develop training programmes specifically designed for entrepreneurs in the F&C Industry.
- 3.6.4 Measurement Principles and the Application of the Sub-Sector Code**
- 3.6.4.1 Measurement principles associated with the enterprise development element are contained in Statement 600 of Code 600 of the Generic Code of Good Practice.
- 3.6.4.2 Qualifying contributions for the enterprise development element are contained in Annexure 600 (A) – Benefit Factor Matrix of the Statement 600 of Code 600 of the Generic Codes of Good Practice.
- 3.6.4.3 The formulae required in the determination of the enterprise development score are contained in Annexure 600 (A) of Statement 600 of Code 600 of the Generic Code of Good Practice.
- 3.6.4.4 Measurement principles required in evaluating the enterprise development contributions made by QSEs within this sector are contained in Statement 806 of Code 800 of the Generic Codes of Good Practice

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- 3.7 SocioEconomic Development**
- 3.7.1 Guiding Principle**
- 3.7.1.1 Individual companies will implement socio-economic development programmes in line with their corporate values.
- 3.7.2 All Stakeholders commit to:**
- 3.7.2.1 Invest at least 1% of NPAT in social development programmes. Expenditure on programmes that address the following socio-economic interventions that will be sector designed which will be enhanced by a factor of 1.25:
- 3.7.2.1.1 HIV/AIDS,
- 3.7.2.1.2 Bursaries,
- 3.7.2.1.3 Poverty alleviation; and
- 3.7.2.1.4 F&C industry awareness.
- 3.7.2.2 QSEs within this sub-sector will contribute a minimum of 1% of NPAT evaluated annually to socio-economic development initiatives over the next 5 years.
- 3.7.3 Awareness Campaign**
- 3.7.3.1 Guiding Principle**
- 3.7.3.1.1 Given the lack of awareness about the impact and contribution of the Forwarding and Clearing Industry in our economy, it becomes imperative to embark on an awareness campaign.
- 3.7.3.2 Stakeholder undertakings**
- 3.7.3.2.1 Develop an industry specific awareness campaign to showcase the F&C Industry and its interrelated activities and demonstrate its impact on the economy through facilitating trade, economic growth and development, B-BBEE and job creation.
- 3.7.3.2.2 The awareness campaign should target all South Africans, the African region as well as the international community. Targeted campaigns are to be spearheaded at Government Departments – Department of Finance, Department of Trade and Industry, Department of Transport, National Treasury and at schools, tertiary institutions and financial institutions.
- 3.7.4 Labour Standards**
- 3.7.4.1 Guiding Principle**
- Our guiding principle is to develop an industry that is characterised by stability and fair labour practices.
- 3.7.4.2 All Stakeholders Commit to:**
- Implement fair labour practices across the board in line with the requirements of labour legislation.

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- 3.7.5 Measurement Principles and the Application of the Sub-Sector Code**
- 3.7.5.1 Measurement principles associated with the socio-economic development element are contained in Statement 700 of Code 700 of the Generic Code of Good Practice.
- 3.7.5.2 Qualifying contributions for the socio-economic development element are contained in Annexure 700 (A) – Benefit Factor Matrix of the Statement 700 of Code 700 of the Generic Codes of Good Practice.
- 3.7.5.3 The formulae required in the determination of the socio-economic development are contained in Annexure 700 (A) of Statement 700 of Code 700 of the Generic Code of Good Practice.
- 3.7.5.4 Measurement principles required in evaluating socio economic development contributions made by QSEs within this sector are contained in Statement 807 of Code 800 of the Generic Codes of Good Practice

4. FORWARDING & CLEARING B-BBEE SCORECARD

B-BBEE Element	Indicators of Empowerment	Targets - 5 years	Weightings
Foreign Ownership Provide evidence of a global practice against selling equity to locals in investee countries	Equity equivalent programmes approved by the line minister of the transport sector. N.B: Contributions toward these programmes are measured as actual contributions made using the general principles outlined in statement 600 and statement 700 of the Codes of Good Practice.	25% of the value of the South African operations of the Multinational, determined using a Standard Valuation OR 4% of Total Revenue from its South African operations annually over the period of continued measurement	20
Local Based Operations	Economic interest in the hands of Black people	25%	4
	Economic interest in the hands of Black Women	10%	2
	Exercisable voting rights in the hands of Black people	25%+1 vote	3
	Exercisable voting rights in the hands of Black Women	10%	2
	Economic Interest of following black natural people in the Enterprise: -black designated groups, -black participants in Employee Ownership Schemes, -black beneficiaries of Broad based Ownership Schemes ;or -black participants in Co-operatives	3%	1

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B-BBEE Element	Indicators of Empowerment	Targets - 5 years	Weightings
	Net Economic Interest/Net value	25% graduated over 10 years as per the Codes (year 5 at 60%)	7
	Ownership fulfilment		1
	Bonus points: Economic interest in the hands of black disabled people	2%	2
	Bonus points: Involvement in the ownership of the Enterprise of Black new entrants.	10%	1
	Bonus points: Involvement in the ownership of the Enterprise of Black participants in:	10%	1
	Employee Ownership Schemes		
	Broad-Based Ownership Schemes		
	Co-operatives		
Management	Exercisable voting rights of Black board members.	50%	1.5
	Exercisable voting rights of Black Women board members.	25%	1.5
	Black persons who are executive directors	50%	1
	Black women who are executive directors	25%	1
	Black senior top management	40%	1.5
	Black Women senior top management	20%	1.5
	Black other top management	40%	1
	Black Women other top management	20%	1
	Bonus point: Black Independent non-Executive Board Members	40%	1
Employment Equity	Black employees in senior management	45%	2
	Black Women employees in senior management	23%	1
	Black employees in middle management	63%	2

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B-BBEE Element	Indicators of Empowerment	Targets - 5 years	Weightings
	Black Women employees in middle management	32%	1
	Black employees junior management	68%	2
	Black Women employees in junior management	34%	1
	Black people living with disabilities	2%	0.5
	Black Women living with disabilities	1%	0.5
	Bonus Points: Meeting or exceeding the EAP Targets in each category of employment equity	-	3
Skills Development	Black skills development expenditure on learning programmes specified in Learning Matrix as percentage of Leviable amount.	3%	5
	Black Women skills development expenditure on learning programmes specified in Learning Matrix as percentage of Leviable amount.	1.5%	5
	Number of Black employees participating in Learnerships or category B, C, D programmes as percentage of total employees.	5%	4
	Number of Black Women employees participating in Learnerships or category B, C, D programmes as percentage of total employees.	2.5%	2
	Black People with Disability skills development expenditure on learning programmes specified in Learning Matrix as percentage of Leviable amount	0.3%	2
	Black Women with Disability skills development expenditure on learning programmes specified in Learning Matrix as percentage of Leviable amount	0.15%	2

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B-BBEE Element	Indicators of Empowerment	Targets - 5 years	Weightings
Preferential Procurement	Procurement spend from all suppliers based on recognition levels as percentage of total measured procurement spend.	50%	12
	Procurement spend from QSE's and EME's based on recognition levels as percentage of total measured procurement spend.	10%	3
	Procurement from 50% Black-Owned as a % of Total Procurement spend	9%	3
	Procurement from 30% Black Women-Owned Enterprises as a percentage of Total Procurement spend	6%	2
Enterprise Development	Investment in the Black-owned enterprises	3% of NPAT	10
	Investment in the Black Women-owned enterprises	1.5% of NPAT (i.e half of the target for contributions to black-owned enterprises)	5
Socio-economic Development	Expenditure on social development programmes as a % of NPAT. N.B: Enhanced recognition shall be awarded for contributions towards the following causes: <ul style="list-style-type: none"> o HIV/AIDS o Bursaries o Poverty alleviation o F&C industry awareness 	1% NPAT	5

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5. FORWARDING AND CLEARING QUALIFYING SMALL ENTERPRISES SCORECARD

B-BBEE Element	Indicators of Empowerment	Private Sector 5 year target	Private Sector Weightings
Ownership	Exercisable voting rights in hands of black people	25%+1 Vote	6
	Economic Interest of black people in the Enterprise	25%	9
	Realisation Points		
	Ownership fulfillment		1
	Net Value	25% graduated over 10 years as per the Codes (Year 5 at 60%)	9
	Bonus Points		
	Involvement in the ownership of the Enterprise by black women	10%	2
	Involvement in the ownership of the Enterprise by black participants in Employee Share Schemes, Co-operatives or Broad Based Ownership Schemes	10%	1
Management Control	Black Representation at Top Management level	50.1%	25
	Bonus Points: Black women representation at Top-Management	25%	2
Employment Equity	Black Employees of the Measured Entity who are Management	40%	7.5
	Black Women Employees of the Measured Entity who are management	20%	7.5
	Black employees of the Measured Entity as a percentage of total employees	60%	5
	Black women employees of the Measured Entity as a percentage of total employees	30%	5
	Bonus points: meeting or exceeding the EAP targets in each category		2
Skills Development	Skills Development spend on learning programmes for black employees as a percentage of the leviable/payroll	3%	12.5
	Skills Development spend on learning programmes for black women employees as a percentage of the leviable/payroll	1.5%	12.5

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B-BBEE Element	Indicators of Empowerment	Private Sector 5 year target	Private Sector Marginalising
Preferential Procurement	BEE Procurement Spend from all suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	40%	25
Enterprise Development Spend	Average annual value of Qualifying Contributions made by the Measured Entity as a percentage of the target	3% NPAT	25
Socio-Economic Development	Average annual value of Qualifying Contributions made by the Measured Entity as a percentage of the target	1% NPAT	25
TOTAL			175

A QSE must select any four of the above seven elements for the purposes of measurement. If a QSE does not make a selection, its four best element scores will be used for the purposes of measurement.

6. APPENDIX B: COMMITMENT EVALUATION MATRICES

Ownership

Action Undertaken	Input measurement	Output measurement	Quality Control
Establish funding mechanisms for the purchasing of shares by black people.	Money spent on research as a % of total discretionary funds	Research report submitted to Steering Committee/ Transport Charter Council on details and feasibility of funding mechanisms.	Steering Committee/ Transport Charter Council
Creating awareness of the F&C industry amongst the traditional banking institutions as well as Public Financing Institutions.	Money spent on awareness campaign as a % of total discretionary funds	Report to Steering Committee/ Transport Charter Council on attendance at awareness campaigns.	Steering Committee/ Transport Charter Council

Employment Equity

Action Undertaken	Input measurement	Output measurement	Quality Control
Department of Labor to ensure that employment equity targets are met.	Money spent on research survey as a % of total discretionary funds	Assessment Report on employment equity targets for black people within the industry.	TETA & Steering Committee/ Transport Charter Council

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Skills Development

Action Undertaken	Input measurement	Output measurement	Quality Control
Increasing awareness regarding scholarships, training resources and careers in the industry.	Money spent on awareness campaign as a % of total discretionary funds	Report to Steering Committee/ Transport Charter Council on attendance awareness campaigns.	TETA & Steering Committee/ Transport Charter Council
Facilitate high quality training of black people through learnership, internship and mentorship programmes.	Money spent on skills development as a % of total discretionary funds	Assessment Report on skills of black people within the industry.	TETA & Steering Committee/ Transport Charter Council
Implement skills audit to identify management, professional and technical skills that will be required over the next decade.	Money spent on research as a % of total discretionary funds	Analysis and forecasts to be presented to Steering Committee/ Transport Charter Council and TETA.	TETA & Steering Committee/Transport Charter Council
Continuously benchmark training programmes against international best practice.	Money spent on gap analysis as a % of total discretionary funds	Research report submitted to Steering Committee/Sub-Sector Code Council on details of gap analysis and suggestions on how the problem can be alleviated.	TETA & Steering Committee/ Transport Charter Council

Preferential Procurement

Action Undertaken	Input measurement	Output measurement	Quality Control
Ensure that uniform accounting practices regarding preferential procurement are adopted by public sector agencies.	Money spent on research as a % of total discretionary funds	Assessment Report on accounting practices regarding preferential procurement submitted to Steering Committee/ Transport Charter Council.	Steering Committee/ Transport Charter Council

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Enterprise Development

Action Undertaken	Input measurement	Output measurement	Quality Control
Create joint ventures with and invest directly in black owned enterprises.	Annex 600A (Benefit Factor Matrix) of the Codes shall apply	Report to Steering Committee on improvement (percentage change) in new entities created.	Steering Committee/ Transport Charter Council

Socio-economic Development

Action Undertaken	Input measurement	Output measurement	Quality Control
Facilitate access to finance and grants to improve participation in skills programmes.	Money spent on developing appropriate financial mechanisms as a % of total discretionary funds	Report to Steering Committee/ Transport Charter Council on the percentage and type of financial mechanisms used to finance skills programmes.	TETA & Steering Committee/ Transport Charter Council
Develop awareness campaign to demonstrate the economic growth and development, B-BBEE and job creation aspects within the industry.	Money spent on awareness campaign as a % of total discretionary funds	Report to Steering Committee on attendance at awareness campaigns.	TETA & Steering Committee/ Transport Charter Council
Implement labour practices in line with labour legislation.	Money spent on awareness campaigns and legal and administrative fees as a % of total discretionary funds	Report to Steering Committee/ Transport Charter Council on adherence to labour legislation.	Steering Committee/ Transport Charter Council

RAIL SUB-SECTOR CODE FOR BBBEE



**REBULIC OF SOUTH AFRICA
REPUBLIEK VAN SUID AFRIKA**

DEPARTMENT OF TRANSPORT

RAIL SUB-SECTOR CODE FOR BBBEE

RAIL SUB-SECTOR CODE FOR BBEE

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1. SCOPE OF APPLICATION

- 1.1 The scope of this Sub-Sector Code extends to the entire rail industry value chain. The key players are the state-owned operators and infrastructure companies.
- 1.2 However, the challenge is for these companies to use their purchasing power to drive the transformation of the entire rail industry value chain, including manufacturers, suppliers' consultants and maintenance companies.
- 1.3 The Sub-Sector Code will also have an impact on other sectors of the economy that are not rail specific, for example, general services.
- 1.4 This Sub-Sector Code shall remain in effect until amended, substituted and repealed under Section 9 of the BBBEE Act, or with the parties to this Sub-Sector Code process agreeing to do so.
- 1.5 The Sub-Sector Code Council will review this Sub-Sector Code following the end of the 5th year after its gazetting and despite the aforementioned, it shall be reviewed on an annual basis for monitoring purpose.

2. VISION

2.1 Overarching Vision

- 2.1.1 Our overarching vision is to develop a world-class rail industry that will grow in size, stimulate economic growth and development, facilitate trade, comply with safety standards agreed with the Railway Safety Regulator (RSR) Act 16 of 2002. In addition deliver efficient and quality services to customers, and achieve a significant increase in black participation in ownership, management and employment in companies throughout the industry value chain. Stakeholders will pursue a growth strategy that prioritises the retention and creation of quality jobs.
- 2.1.2 To make this vision become a reality will require a deliberate strategy to increase access to skills, capital and economic opportunities. This will require all stakeholders to recruit new black people into the industry and increase their skills (and those of existing employees) to best-practice international levels, while creating a supportive culture for their talents to thrive. It will also require all stakeholders to facilitate the creation of new black owned enterprises (and the development of existing ones) who can participate in economic opportunities throughout the rail industry value chain.
- 2.1.3 The signatories to this document believe that every company in South Africa must embrace Black Economic Empowerment (BEE) voluntarily, recognising that it is an economic imperative to secure a prosperous future for all our country's citizens. Accordingly, we commit ourselves to embark on a major communications and marketing campaign that will take this "Broad-Based Black Economic Empowerment (B-BBEE) Sub-Sector Code for the Rail Industry" to every organisation within our industry to ensure maximum participation by all stakeholders.

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- 2.1.4 Accordingly, all private sector stakeholders committing themselves to this Sub-Sector Code will agree to have their B-BBEE achievements (in terms of the indicators in the balanced scorecard) rated by an independent accredited B-BBEE verification agencies or company that is accredited by the Department of Trade and Industry (DTI). Public sector organisations will be monitored and their contributions annually verified in a separate process that will be designed by the DoT and DPE. However, an independent B-BBEE verification agency/company will verify the B-BBEE contribution of their suppliers. The B-BBEE verification agencies will go a long way towards eliminating any form of misrepresentation and fraudulent practices within the industry. Other parties committed to this Sub-Sector Code will have their contributions assessed and verified as to their compliance to their undertakings.
- 2.2 National Government Undertakings (to achieve this vision)**
- 2.2.1 Government is the most important player in the industry through its ownership of the majority of rail industry assets and operations and the employment of the majority of workers. Accordingly, Government commits to demonstrate the political will to revive the rail network.
- 2.2.2 Make decisive and direct interventions to enhance the competitiveness of rail as a mode of transport for freight and commuters. This will also require urgent action to improve the internal efficiencies of the state-owned operators.
- 2.2.3 Set up structures that will ensure inter-governmental co-ordination between departments to align their programmes with the Transport and Rail Sector BEE processes. Examples of cross-cutting issues that require interventions across government departments and agencies include:
- 2.2.3.1 The countrywide shortage of matriculants with mathematics and science at higher grade.
- 2.2.3.2 The countrywide shortage of engineers and artisans across all disciplines.
- 2.2.3.3 Increasing awareness within the transport sector of available government investment incentives and grants.
- 2.2.3.4 Monitoring of stakeholder achievements in terms of the indicators on the Rail Sub-sector Balanced B-BBEE Scorecard.
- 2.2.4 Accelerate its programme (together with the relevant parastatals) to increase investments in freight and passenger rail infrastructure to eliminate current backlogs and expand the network, where necessary.
- 2.2.5 Convene a multi-stakeholder forum to investigate the scale of B-BBEE opportunities at the edges of the main network – eg private sector operations, private sidings, shunting, industrial townships, mining, tourism – and reach agreement on the modalities of effecting the entry of black entrepreneurs into the industry.
- 2.2.6 Continue existing initiatives with Transnet Freight Rail (TFR) formally known as Spoornet, provincial governments, local communities and the business sector to revive branch lines.

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- 2.2.7 Investigate (together with the relevant parastatals and labour) the possibility of introducing job-sharing programmes at TFR, Shosholozu Meyl and SARCC/Metrorail.
- 2.2.8 Ensure that the restructuring of rail assets to effect new institutional arrangements must proceed in a manner that results in an increase in black participation at all levels – in employment and the procurement of services and goods.
- 2.2.9 Enforce and monitor compliance with existing legislation that may impact on B-BBEE such as the Employment equity, Skills Development and Competition Acts.
- 2.2.10 Publish an annual report on B-BBEE and job creation within the Rail industry that consolidates reports and information from all stakeholders. Stakeholders will use this report to review progress at an annual Transport Industry BEE Forum.

- 2.3 Labour Undertakings (to achieve this vision)**
 - 2.3.1 Encourage trade union controlled pension funds, where trade unions have significant influence, and trade union investment companies to make investments in the sector to help achieve the ownership targets.
 - 2.3.2 Encourage employers to first look towards their own employees when considering options for achieving black equity participation.
 - 2.3.4 Investigate opportunities to establish collective investment vehicles (including employee share ownership schemes) that will make investments in the sector. These investment vehicles must ensure the empowerment of workers to develop the skills required to own and manage companies in the industry. These initiatives need to be aligned to the tripartite report published in September 2003 and should be utilised in this regard.
 - 2.3.5 Ensure that workers are empowered through skills development and create opportunities to deploy them into management positions.
 - 2.3.6 Mobilise members to ensure compliance with existing legislation e.g. the Employment Equity (EE), Skills Development (SD), Labour Relations and Basic Conditions of Employment Acts. Non-complying companies must be reported to the Transport Sector B-BBEE Forum/Council to take further action by inspecting the causes for non-compliance and reviewing performance targets as necessary.
 - 2.3.7 Mobilise members to monitor the performance of their employers in implementing the Growth and Development Summit (GDS) agreement on promoting local content and/or procurement and supporting the Proudly South African campaign.
 - 2.3.8 Monitor the impact of procurement/outsourcing on job creation and report findings to the Transport Sector BEE Forum/Council

- 2.4 TETA Undertakings (to achieve this vision)**
 - 2.4.1 Play a more interventionist role to influence training priorities in the Rail Chamber.
 - 2.4.2 Assist stakeholders with the analysis of people in a particular skills set (or job category) broken down by race and gender.
 - 2.4.3 Continuously conduct analysis and update statistics about the future demand of critical skills sets and the supply side of the equation.
 - 2.4.4 Continuously conduct an analysis of the quantity, quality and nature of training that organisations and companies are doing.

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- 2.4.5 Commit to this B-BBEE Sub-Sector Code and strive to achieve the targets set (where applicable) as per the indicators (Management, Employment Equity, Skills Development, Preferential Procurement and Enterprise Development) in the balanced scorecard both internally and with specific reference to service providers.
- 2.4.6 Align its mission and vision with the imperatives of B-BBEE and assist with the implementation and monitoring of the B-BBEE Charter.

3 INDICATORS OF EMPOWERMENT

3.1 Rail Sub-sector Code and the Scorecard

The B-BBEE Sub-Sector Code for the Rail Industry seeks to encourage all stakeholders to pursue an aggressive transformation agenda according to the broad guidelines set out in the National Strategy and BEE Balanced Scorecard. It is necessary to set different targets and timeframes for the public and private Industry's because the two are at different stages of the transformation process.

3.2 Ownership

3.2.1 Guiding Principles

- 3.2.1.1 Our guiding principle is to increase black ownership of assets, management control and operational involvement across the entire spectrum of the rail industry value chain and design appropriate funding mechanisms to facilitate the process. We recognise that the majority of rail industry assets are publicly owned. However, the challenge is to identify opportunities outside the public sector and use the purchasing power of the rail parastatals to fast track the development of new black enterprise in the industry.

3.2.2 The Private Industry Commits to:

- 3.2.2.1 Pro-actively seek opportunities to broaden the ownership base of their enterprises and ensure that a minimum of **25%+1** vote is the hands of **black people**;
- 3.2.2.2 Ensure that a minimum of **25%** of economic interest accrues to **black people**;
- 3.2.2.3 Ensure that a minimum of least **10%** voting rights is in the hands of **black women**;
- 3.2.2.4 Ensure that **10%** of economic interest is in the hands of black women;
- 3.2.2.5 Ensure that **3%** is earmarked for black designated groups (including black people living with disabilities) and/or black participants in Employee Ownership Schemes, Broad based Ownership Schemes and Co-operatives within five years. This refers to **Black Natural People**;
- 3.2.2.6 If the ownership by black people living with disability is through a Non profit organisation or Public benefit organisation, the organisation will require to evidence that **85%** of the beneficiaries are black people living with disability as defined in the Employment Equity Act in order to realise maximum bonus points; and
- 3.2.2.7 **Qualifying Small Enterprises (QSEs)** as defined in this Sub-Sector Code will commit to:

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- 3.2.2.7.1 Increasing the ownership base of their companies and ensure that a minimum of **25%** of economic interest is in the hands of **black people**;
- 3.2.2.7.2 **25%+1** vote voting rights, or equivalent thereof, are in black hands; and
- 3.2.2.7.3 Ensure that the net economic interest of the black equity participants is 100% of their acquired share of the business within 5 years. If this is achieved, it will be deemed that Ownership Fulfilment has been achieved for both bigger entities (i.e. companies with turnover above R35 million) and Qualifying Small Enterprises (i.e. companies within R5 million and R35 million turnover threshold).
- 3.2.3 Measurement Principles and Application of the Charter**
 - 3.2.3.1 Measurement principles associated with the ownership element is contained in Statement 100 of Code 100 of the Generic Code of Good Practice.
 - 3.2.3.2 The formulae required in the determination of the ownership score is contained in Annexure 100 (c) of Statement 100 of Code 100 of the Generic Code of Good Practice.
 - 3.2.3.3 The recognition of the sale of assets under the ownership element has the same meaning as that contained in Statement 102 of Code 100 of the Generic Code of Good Practice. The target contained in the ownership element of this Sub-Sector Code will apply.
 - 3.2.3.4 The recognition of the equity equivalent programmes for multinational has the same meaning and interpretation as that contained in Statement 103 of Code 100 of the Generic Code of Good Practice.
 - 3.2.3.5 The formulae required in the determination of the ownership score based on equity equivalent contributions are contained in Annexure 103 (A) of Statement 103 of Code 100 of the Generic Code of Good Practice.
 - 3.2.3.6 Measurement principles relating to the ownership element for QSEs are contained in Statement 801 of Code 800 of the Generic Codes of Good Practice.
- 3.3 Management Control**
 - 3.3.1 Private Industry Commits to:**
 - 3.3.1.1 Ideally, an equal level of management control should accompany black ownership. Private industry will therefore aspire to the following 5-year targets regarding management control:
 - 3.3.1.1.1 **Board Members**: 33% of the exercisable voting rights in the hands of black people.
 - 3.3.1.1.2 **Women Board Members**: 16.5% of exercisable voting rights in the hands black women.
 - 3.3.1.1.3 **Executive Directors**: 33% of all executive director positions occupied by black people.
 - 3.3.1.1.4 **Women Executive Directors**: 16.5% of all executive positions occupied by black people.
 - 3.3.1.1.5 **Senior Top Management**: 40% of all top senior management positions occupied by black people.
 - 3.3.1.1.6 **Women Senior Top Management**: 20% of all top senior positions occupied by black women.

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- 3.3.1.1.7 **Other Top Management:** 40% of all other top management positions occupied by black people.
- 3.3.1.1.8 **Women Other Top Management:** 20% of all other top management positions occupied by black women.
- 3.3.1.1.9 QSEs within the sector commits to recruiting black people at Top Management positions, where they should constitute 50.1% of total Top Management.
- 3.3.1.1.10 Recruiting black women at Top Management level; where they should constitute 25% of all such positions.
- 3.3.2 Measurement Principles and Application of the Charter**
 - 3.3.2.1 Measurement principles associated with the management control element is contained in Statement 200 of Code 200 of the Generic Code of Good Practice.
 - 3.3.2.2 The formulae required in the determination of the management control score are contained in Annexure 200 (A)-B of Statement 200 of Code 200 of the Generic Code of Good Practice. The Adjustment Recognition for Gender will not apply Annexure 200 (A)-A.
 - 3.3.2.3 Measurement principles needed for the application of the Sub-Sector Code with regards to the management control element for QSEs are contained in statement 802, of Code 800, of the Generic Codes of Good Practice.
- 3.4 Employment Equity**
 - 3.4.1 Guiding Principle**
 - 3.4.1.1 Our guiding principle is to increase the participation of black people in top management, senior management and professional and technical occupations in the rail industry to create a workforce that truly represents the racial, ethnic and gender diversity of our country. This will require that all stakeholders create a supportive culture within their organization to attract new talent, facilitate the development of existing employees, and accelerate their progress into key positions within the industry.
 - 3.4.2 Private Industry Commits to:**
 - 3.4.2.1 **Senior Management:** The minimum compliance level for total black representation is set at 60% and the minimum compliance level for black women representation is set at 30% of all senior management positions.
 - 3.4.2.2 **Middle Management:** The minimum compliance level for total black representation is set at 75% of all middle management and the minimum compliance level for black women representation is set at 37% of all middle management positions.
 - 3.4.2.3 **Junior Management:** The minimum compliance level for total black representation is set at 80% and the minimum compliance level for black women representation is set at 40% of all junior management positions.
 - 3.4.2.4 **Black Disabled Employees** – The minimum compliance level for black disabled representation is set at 3% of total staff.

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- 3.4.2.5 Black Women Disabled Employees—The minimum compliance level for black women disabled representation is set at 1.5% of total staff.
- 3.4.2.6 Measured entities falling within the QSEs threshold commit 40% of all management staff is black within 5 years. 50% of these positions should be earmarked for black women.
- 3.4.2.7 QSEs within this sub-sector commit to all 60% of all staff should be black within the next 5 years. Black women should occupy 30% of all positions within the next 5 years.
- 3.4.3 TETA commits to:
- 3.4.3.1 Play a significant role in monitoring and supporting stakeholders in meeting their targets.
- 3.4.4 **Measurement Principles and Application of the Charter**
- 3.4.4.1 Measurement principles on the employment equity element, is contained in Statement 300 of Code 300 of the Generic Code of Good Practice.
- 3.4.4.2 The formulae required in the determination of the employment equity score are contained in Annexure 300 (A)-B of Statement 300 of Code 300 of the Generic Code of Good Practice. The formula for the determination of the Adjusted Recognition for Gender – Annexure 300 (A)-A will not apply.
- 3.4.4.3 Measurement principles for the determination of the Employment Equity score for QSEs are contained in Statement 803 of Code 800 of the Generic Codes of Good Practice.
- 3.5 **Skills Development**
- 3.5.1 **Guiding Principle**
- 3.5.1.1 Our guiding principle is to increase the economic value added of every employee in the rail sector through best-practice Human Resource Development, Skills Development, Employment Equity and Gender policies. A key element will be to identify the critical skills, retain and create quality employment in the sector.
- 3.5.2 **Private Industry Commit to:**
- 3.5.2.1 Investing a minimum of 3.5% of the leviable amount on skills development expenditure on Learning programmes as per the Learning Matrix contained in the Codes, for black people. The target is inclusive of all associated costs and the current 1% skills development levy.
- 3.5.2.2 Investing a minimum of 1.5% of the leviable amount on skills development expenditure on Learning Programmes as per the Learning Matrix contained in the Codes for black women employees.
- 3.5.2.3 Investing a minimum of 0.3% of the leviable amount on skills development expenditure on Learning Programmes as per the Learning Matrix contained in the Codes for black disabled employees.
- 3.5.2.4 Investing a minimum of 0.15% of the leviable amount on skills development expenditure on Learning Programmes as per the Learning Matrix contained in the Codes for black women disabled employees.

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- 3.5.2.5 The number of black employees participating in Learnerships or Category B, C or D as a percentage of total employees will be 5%.
- 3.5.2.6 The number of black women employees participating in Learnerships or Category B, C or D as a percentage of total employees will be 2%.
- 3.5.2.7 Measured entities qualifying as QSEs to invest 2% of the leviable or payroll whichever is applicable on skills development expenditure on learning programmes for black employees. 50% of this amount to be spend on learning programmes for black women employees.
- 3.5.3 TETA Commits to:**
- 3.5.3.1 Expand the number of learnerships available based on the sector's skills requirements identified in the sector skills plan and the demands of the industry.
- 3.5.3.2 Facilitate easy access to finance learnerships and eliminate bottlenecks and bureaucratic procedures in accessing grants. This would entail streamlining processes and developing user-friendly procedures that encourage companies to participate in learnerships programmes.
- 3.5.3.3 Introduce, after consulting stakeholders and completing the skills audit, new categories of learnerships-in management, technical and professional occupational categories-to help public and private sector organisations to achieve their employment equity targets.
- 3.5.3.4 Conduct research to identify the management, professional and technical skills that the industry will require over the next decade and map out future demand/supply scenarios in a detailed skills audit that will guide and inform stakeholders in implementing their EE targets.
- 3.5.3.5 Pay particular attention to the issue of addressing the current shortage of engineering professionals in the rail industry and make proposals on how to eliminate the skills deficit in the medium term. The proposal will quantify the financial resources that may be required to eliminate the skills deficit.
- 3.5.3.6 Conduct research on the supply side of the skills development equation – i.e. the institutions that will provide the required management, professional and technical skills. The research will determine whether the identified institutions have the capacity to meet the expected demand and whether their curricula meet the needs of industry.
- 3.5.3.7 Collect and publish detailed and aggregated statistics on the EE profile of the industry according to occupational level and occupational category.
- 3.5.3.8 Assist in unlocking the funds from the National Skills Fund (NSF) for Management and Learnership Programmes in the identified areas.
- 3.5.4 Measurement Principles and Application of the Charter**
- 3.5.4.1 Measurement principles associated with the skills development element, is contained in Statement 400 of Code 400 of the Generic Code of Good Practice.
- 3.5.4.2 The formulae required in the determination of the skills development score are contained in Annexure 400 (A)-B of Statement 400 of Code 400 of the Generic Code of Good Practice. The formula for the determination of the Adjusted Recognition for Gender – Annexure 400 (A)-A will not apply.

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- 3.5.4.3 The measurement principles required in the determination of the skills development score for QSEs are contained in Statement 804 of Code 800 of the Generic Code of Good Practice
- 3.6 Preferential Procurement**
- 3.6.1 Guiding Principle**
- 3.6.1.1 Our guiding principle is to use the significant purchasing power of the rail parastatals to develop and support existing BEE companies in the sector and make deliberate attempts to identify new entrants, particularly in areas such heavy engineering and maintenance, which have traditionally excluded black people. A key area of focus will be to identify areas where there is relatively little procurement from black suppliers and develop strategies to rectify the situation. However, quality and specification issues have to be reflected under procurement in order to ensure compliance with safety standards.
- 3.6.2 Private Industry Commits to:**
- 3.6.2.1 B-BBEE Procurement: The Private Sector commits itself to procure a minimum of **50% of B-BBEE procurement** spend based on the Recognition levels (see Appendix B) as a percentage of Total Measured Procurement Spend.
- 3.6.2.2 B-BBEE Procurement-QSEs and EMEs: The Private Sector commits itself to procure a minimum of **10% of all B-BBEE procurement** spend from Qualifying Small Enterprises and EMEs.
- 3.6.2.3 Procurement from **50% Black-Owned Enterprises**: The Private Sector commits itself to procuring a minimum of 9% of B-BBEE procurement spend from 50% Black-Owned Enterprises.
- 3.6.2.4 Procurement from **30% Black Women-Owned Enterprises**: The Private Sector commits itself to procuring a minimum of 6% of B-BBEE procurement spend from **30% Black Women-Owned Enterprises**.
- 3.6.2.5 QSEs within this sub-sector commit to procuring a minimum of 50% of total procurement from B-BBEE compliant suppliers.
- 3.6.2.6 Adopt the guidelines on Accounting for Affirmative Procurement that will be set by the Transport Sector BEE Forum/Council.
- 3.6.3 All stakeholders commit to:**
- 3.6.3.1 Ensure that companies and organisations develop uniform policies on Accounting for Affirmative Procurement and adopt the guidelines that will be set by the Transport Sector BEE Forum/Council.
- 3.6.3.2 Ensure that companies and organisations constantly explore possibilities to increase the amount of discretionary spending—for example by supporting local procurement and/or content in line with the agreements reached by stakeholders at the Growth and Development Summit (GDS) whilst at all times complying with their Safety Management System requirements.
- 3.6.3.3 This will require that companies and organisations state in their annual BEE reports the reasons for classifying an item of expenditure as “non-discretionary.” This information should be disclosed in a detailed statement that reconciles discretionary and non-discretionary expenditure.

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- 3.6.3.4 Companies and organisations should support the Proudly South African (PSA) campaign and note the agreement at the GDS that PSA is "an important means of taking the message of local content, fair labour standards, environmental sustainability and quality products and services to the nation."
- 3.6.3.5 As far as possible, companies and organisations should use local as opposed to foreign suppliers and state the reasons for using a foreign supplier. Where a foreign supplier must be used, companies and organisations must use the offset principle to secure the commitment of these companies to a set of BEE obligations.
- 3.6.3.6 As far as possible include early payment cycles, securities, guarantees etc when procuring from to Black owned enterprises, QSEs & EMEs.
- 3.6.4 **Measurement Principles and Application of the Charter**
- 3.6.4.1 Measurement principles associated with the preferential procurement element, is contained in Statement 500 of Code 500 of the Generic Code of Good Practice.
- 3.6.4.2 The formulae required in the determination of the preferential procurement score are contained in Annexure 500 (A) of Statement 500 of Code 500 of the Generic Code of Good Practice.
- 3.6.4.3 Measurement principles required in evaluating the preferential procurement contributions made by QSEs within this sector are contained in Statement 805 of Code 800 of the Generic Codes of Good Practice.
- 3.7 **Enterprise Development**
- 3.7.1 **Guiding Principle**
- 3.7.1.1 Our guiding principle is to help set up, nurture and grow viable BEE enterprises in the rail sector that are majority-owned by black operators while developing existing companies.
- 3.7.2 **The Private Industry Commits to:**
- 3.7.2.1 Pro-actively seek opportunities to enter into joint ventures (and other forms of alliances) and make direct investments in BEE companies.
- 3.7.2.2 Facilitate the development of creative financial mechanisms to enable BEE companies and employees to purchase equity in their companies.
- 3.7.2.3 Enterprise development in the private sector will be measured as a percentage of Net Profit After Tax (NPAT) over a 5 year period. The private sector commits itself to an average annual value of Enterprise Development of 3% of NPAT.
- 3.7.2.4 QSEs within this sub-sector aspire to make contributions to enterprise development, which will amount to 2% of NPAT evaluated annually over the next 5 years.
- 3.7.3 **TETA commits to:**
- 3.7.3.1 To developing training programmes specifically designed for black entrepreneurs within the Rail Industry.
- 3.7.3.2 Contribute 10% of its allocation to developing training programmes specifically for entrepreneurs in this sector.

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- 3.7.3.3 Having 50% of all Learners in such programmes being black people.
- 3.7.4 Measurement Principles and Application of the Sub-Sector Code**
- 3.7.4.1 Measurement principles associated with the enterprise development element are contained in Statement 600 of Code 600 of the Generic Code of Good Practice.
- 3.7.4.2 Qualifying contributions for the enterprise development element are contained in Annexure 600 (A) – Benefit Factor Matrix of the Statement 600 of Code 600 of the Generic Codes of Good Practice.
- 3.7.4.3 The formulae required in the determination of the enterprise development score are contained in Annexure 600 (A) of Statement 600 of Code 600 of the Generic Code of Good Practice.
- 3.7.4.4 Measurement principles required in evaluating the enterprise development contributions made by QSEs within this sub-sector are contained in Statement 806 of Code 800 of the Generic Codes of Good Practice.
- 3.8 Social-economic Development**
- 3.8.1 Guiding principles**
- The rail sub-sector is well placed to make a contribution towards the development of local rural communities. Our guiding principle is to increase the impact of companies and organisations within the rail venue chain on rural communities.
- 3.8.2 All Stakeholders commit to:**
- 3.8.2.1 A target of 1% of NPAT on social development projects as identified by the organisation/company with a specific focus on rural development, which may include HIV/AIDS treatment and prevention, education, etc.
- 3.8.2.2 QSEs within this sub-sector will contribute a minimum of 1% of NPAT evaluated annually to socio-economic development initiatives over the next 5 years.
- 3.8.2.3 The rand spend on contributions directed in the following programmes that will be Rail Sector specific and designed areas will be enhanced by a factor of 1.25:
- 3.8.2.3.1 HIV Treatment and Prevention;
- 3.8.2.3.2 Education; and
- 3.8.2.3.3 Rural Development structures.
- 3.8.3 Measurement Principles and Application of the Charter**
- 3.8.3.1 Measurement principles associated with the socio-economic development element are contained in Statement 700 of Code 700 of the Generic Code of Good Practice.
- 3.8.3.2 Qualifying contributions for the socio-economic development element are contained in Annexure 700 (A) – Benefit Factor Matrix of the Statement 700 of Code 700 of the Generic Codes of Good Practice.
- 3.8.3.3 The formulae required in the determination of the socio-economic development are contained in Annexure 700 (A) of Statement 700 of Code 700 of the Generic Code of Good Practice.

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- 3.8.3.4 Measurement principles required in evaluating socio-economic development contributions made by QSEs within this sub-sector are contained in Statement 807 of Code 800 of the Generic Codes of Good Practice.

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4. RAIL SUB-SECTOR B-BBEE SCORECARD

B-BBEE Element	Indicators of Empowerment	Private Sector 5 Year Targets	Private Sector Weights
Ownership	Exercisable voting rights in the hands of black people	25%+1 vote	3
	Exercisable voting Rights in the hands of Black Women	10%	2
	Economic Interest in the hands of black people	25%	4
	Economic Interest in the hands of Black Women	10%	2
	Economic interest in the hands of black natural people in the enterprise: -Black designated groups; -Black participants in employee ownership schemes; -Black beneficiaries of broad-based ownership schemes or Black participants in cooperatives	3%	1
	Net Economic Interest/Net Value	25% graduated over 10 years as per the Codes (year 5 at 60%)	7
	Ownership Fulfilment	-	1
	Bonus Points:		
	Involvement in the ownership of the Enterprise black new entrants	10%	2
	Involvement in the ownership of the Enterprise of black participants in ESOPs, Broad-Based Schemes or Co-operatives	10%	1
	Economic Interest & exercisable voting rights in the hands of black disabled people	2%	2
Management	% of total exercisable voting rights in the hands of black board members	33%	1.5
	% of total exercisable voting rights in the hands of black women board members	16.5%	1.5
	% Black persons who are executive directors	33%	1
	% Black women who are executive directors	16.5%	1

RAIL SUB-SECTOR CODE FOR BBBEE

BBBEE Element	Empowerment	Year Target	Weight
	% of black people who hold senior top management positions	40%	1.5
	% of black women who hold senior top management positions	20%	1.5
	% of black people who hold other top management positions	40%	1
	% of black women who hold other top management positions	20%	1
	Bonus Point: Black Independent non-executive board members	40%	1
Employment Equity	% Black People in Senior Management	60%	3
	% Black Women in Senior Management	30%	2
	% Black People in Middle Management	75%	2
	% Black Women in Middle Management	37%	2
	% Black People in Junior Management	80%	2
	% Black Women in Junior Management	40%	2
	Black People living with disabilities as a % of all employees	3%	1
	Black Women living with disabilities as a % of all employees	1.5%	1
	% of Black Women in semi-skilled and unskilled positions	15%	2
	Bonus points: Meeting or exceeding the EAP target in each category of employment equity		3
Skills Development	Skills Development Spend on black employees as a % of Leviable amount total payroll	3.5%	7
	Skills Development Spend on black women employees as a % of total leviable amount/payroll	1.5%	3

RAIL SUB-SECTOR CODE FOR BBBEE

B-BBEE Element	Indicators of Empowerment	Private Sector 5 Year Targets	Private Sector Weights
	Number of black employees in Learnerships Programmes or Category B, C and D as a % of total workforce	5%	5
	Number of black women employees in Learnerships Programmes or Category B, C or D as a % of total workforce	2%	2
	Skills Spend on black employees living with disabilities as a % of total payroll	0.3%	1.5
	Skills Spend on black women employees living with disabilities as a % of total payroll	0.15%	1.5
Preferential Procurement	Procurement from all B-BBEE Compliant Enterprises as defined by the B-BBEE Recognition Levels as a % of Total Measured Procurement Spend	50%	10
	Procurement from B-BBEE Compliant QSEs and EMEs as defined by the B-BBEE Recognition Levels as a % of Total Measured Procurement Spend	10%	3
	Procurement from 50% Black-Owned as a % of discretionary spend	9%	3
	Procurement from 30% Black Women-Owned Enterprises as a % of discretionary spend	6%	2
Enterprise Development	Expenditure on supplier development initiatives as a proportion of NPAT	3% of NPAT	10
Socio-economic Development	Expenditure on social development programmes as a % of NPAT	1% of NPAT	5
TOTAL			100

RAIL SUB-SECTOR CODE FOR BBEE

5. QUALIFYING SMALL ENTERPRISES B-BBEE SCORECARD

B-BBEE Element	Indicators of Empowerment	Private Sector's year target	Private Sector Weightings
Ownership	Exercisable voting rights in hands of black people	25%+1 Vote	6
	Economic Interest of black people in the Enterprise	25%	9
	Realisation Points:		
	Ownership fulfilment		1
	Net Value	25% graduated over 10 years as per the Codes (Year 5 at 60%)	9
	Bonus Points: Involvement in the ownership of the Enterprise by black women	10%	2
	Bonus Points: Involvement in the ownership of the Enterprise by black participants in Employee Share Schemes, Co-operatives or Broad Based Ownership Schemes	10%	1
Management Control	Black Representation at Top Management level	50.1%	25
	Bonus Points: Black women representation at Top-Management	25%	2
Employment Equity	Black Employees of the Measured Entity who are Management as a % of all Management	40%	7.5
	Black Women Employees of the Measured Entity who are management as a % of all Management	20%	7.5
	Black employees of the Measured Entity as a percentage of total employees	60%	5
	Black women employees of the Measured Entity as a percentage of total employees	30%	5
	Bonus points: meeting or exceeding the EAP targets in each category		2
Skills Development	Skills Development spend on learning programmes for Black employees as a percentage of the leviable/payroll	2%	12.5
	Skills Development spend on learning programmes for Black		12.5

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B-BBEE Element	Indicators of Empowerment	Private Sector 5 year target	Private Sector Weightings
	Women employees as a percentage of the leviable/payroll	1%	
Preferential Procurement	BEE Procurement Spend from all suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	50%	25
Enterprise Development Spend	Average annual value of Qualifying Contributions made by the Measured Entity as a percentage of the target	2% of NPAT	25
Socio-Economic Development	Average annual value of Qualifying Contributions made by the Measured Entity as a percentage of the target	1% of NPAT	25
TOTAL			175

A QSE must select any four of the above seven elements for the purposes of measurement. If a QSE does not make a selection, its four best element scores will be used for the purposes of measurement.

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6. APPENDIX A: COMMITMENT EVALUATION MATRICES

Skills Development

Prioritise the training of high school learners in mathematics and science at higher grade	Money spend on mathematics and science programmes for high school learners	Annual Report on Progress made in implementing B-BBEE within the Rail Industry and annual B-BBEE report	Steering Committee/Sub-Sector CodeCouncil & DoT
Prioritise the implementation of bursary schemes and education grants for science and engineering students in South African Universities and Technikons	Money spent on research as a % of total discretionary funds	Number of information session programmes and number of beneficiary enterprises benefiting from government programmes	Steering Committee/Sub-Sector CodeCouncil & DoT
Ensure and monitor compliance within existing legislation that might be linked to the B-BEE such as Employment Equity, Skills Development, Competition Act, etc.	Money spent on awareness campaigns as a % of total discretionary funds	Annual Report on Progress made in implementing B-BBEE within the Rail Industry and annual B-BBEE report	SC, DoT, DoL, TETA and dti
Increase awareness programmes that will publicise information regarding scholarships and training resources.	Money spent on awareness campaigns as a % of total discretionary funds	Report to Steering Committee on number of new attendees at awareness campaigns.	TETA & Steering Committee/Sub-Sector CodeCouncil
Implement funding strategy to facilitate the improvement of technical skills of black people within the industry.	Amount of funding as a % of total discretionary funds.	Assessment Report on technical skills of black people within the industry.	TETA & Steering Committee/Sub-Sector CodeCouncil
Facilitate high quality training of black people through mentorship programmes.	Money spent on skills development as a % of total discretionary funds	Assessment Report on skills of black people within the industry.	TETA & Steering Committee/Sub-Sector CodeCouncil
Implement skills audit to identify management, professional and technical skills that will be required over the next decade.	Money spent on research as a % of total discretionary funds	Analysis and forecasts to be presented to Steering Committee and	TETA & Steering Committee/Sub-Sector CodeCouncil

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		TETA.	
Set targets to increase the number of sustainable learnerships at all levels within the industry.	Money spent on learnerships as a % of total discretionary funds.	Report to Steering Committee on improvement (percentage change) in black learnerships.	TETA & Steering Committee/Sub-Sector CodeCouncil

Preferential Procurement

Action Undertaken	Input measurement	Output measurement	Quality Control
Ensure that uniform accounting practices regarding preferential procurement are adopted by public sector agencies.	Money spent on research as a % of total discretionary funds	Assessment Report on accounting practices regarding preferential procurement submitted to Steering Committee.	Steering Committee/Sub-Sector CodeCouncil

Enterprise Development

Action Undertaken	Input measurement	Output measurement	Quality Control
Enter into joint ventures with B-BBEE enterprises.	Annex 600A (Benefit Factor Matrix) of the Codes shall apply.	Report to Steering Committee on improvement (percentage change) in new entities.	Steering Committee/Sub-Sector CodeCouncil

DOMESTIC AVIATION SUB-SECTOR CODE



**REPUBLIC OF SOUTH AFRICA
REPUBLIEK VAN SUID AFRIKA**

DEPARTMENT OF TRANSPORT

DOMESTIC AVIATION SUB-SECTOR CODE FOR BBBEE

AVIATION SUB-SECTOR CODE FOR BBBEE

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AVIATION SUB-SECTOR CODE FOR BBBEE**ABBREVIATIONS**

ABBREVIATIONS	DEFINITION
ACSA	Airports Company of South Africa
ABET	Adult Basic Education and Training
B-BBEE	Broad-Based Black Economic Empowerment
BCEA	Basic Conditions of Employment Act
BEE	Black Economic Empowerment
CAA	Civil Aviation Authority
CIPRO	Company Intellectual Property and Registration Organisation
DBSA	Development Bank of Southern Africa
DOL	Department of Labour
DOT	Department of Transport
DPE	Department of Public Enterprises
DTI	Department of Trade and Industry
EE	Employment Equity
EMEs	Exempted Micro Enterprises
GDP	Gross Domestic Product
GDS	Growth and Development Summit
HDSA	Historically Disadvantaged South Africans
IDC	Industrial Development Corporation
JSE	Johannesburg Securities Exchange
KPI	Key Performance Indicators
MSA	Moving South Africa
NEF	National Empowerment Fund
NEPAD	New Partnership for Africa's Development
NPAT	Net Profit After Tax
NSF	National Skills Fund
PIC	Public Investment Corporation
PIPO	Public Industry Port Operations
PLWDs	People Living with Disabilities
PPPFA	Preferential Procurement Policy Framework Act
PSA	Proudly South African
QSEs	Qualifying Small Enterprises
RDP	Reconstruction and Development Programmes
SANAS	South African National Accreditation System
SATAWU	South African Transport and Allied Workers Union
SC	Steering Committee
SETAs	Sector Education and Training Authorities
SMMEs	Small Micro Medium Enterprises
SOE's	State Owned Enterprises
TEO	The Enterprise Organisation
TETA	Transport Education and Training Authority
THETA	Tourism, Hospitality, Sport Education & Training Authority
WSP	Workplace Skills Plan

AVIATION SUB-SECTOR CODE FOR BBEE

1. SCOPE

1.1 The scope of this Broad-Based Black Economic Empowerment (B-BBEE) code (the "Sub-Sector Code") is limited to the Aviation Industry inter alia: -

1.1.1 **Civil Aviation;**

1.1.2 Scheduled and non-scheduled airline operations, including passenger, freight, Sub-Sector Code and general aviation;

1.1.3 Aircraft maintenance, including engine and component overhauls and spare parts;

1.1.4 Airline Service Providers (as defined in Annexure B);

1.1.5 Ramp handlers;

1.1.6 Airside operators;

1.1.7 Airport facilities and services such as Airports Company of South Africa (ACSA), Handling Agents, etc; and

1.1.8 Navigation and technical service providers.

1.2 This Sub-Sector Code will have an impact on other sectors of the economy that are not aviation specific, for example, general services such as catering, retail and other services. The empowerment requirements for non South African domiciled airlines differ to those for Aviation in general and are captured in the Foreign Owned Airlines B-BBEE Scorecard.

2. VISION

2.1 Overarching Vision

2.1.1 The overarching vision of this sub-sector is to continually develop and maintain a world-class industry that adheres to international safety standards and delivers quality and affordable services to all our customers. Stakeholders seek to develop an industry that grows in size, contributes towards the economic and social growth of our country and facilitates the economic viability of the region, and substantially increases black participation in business entities throughout the industry value chain. This is directed at pursuing a growth strategy that prioritises the retention and creation of quality jobs.

2.1.2 To make this vision a reality will require a strategy to increase access to skills development, training, investment in capacity development, capital and economic opportunities. This will require that all stakeholders develop existing black employees and recruit as Stakeholders as improve the skills of new black people into the industry. This includes an increase of skills (for new and existing employees) to best-practice international levels, while creating a supportive culture for their talents to thrive. It will also require that all stakeholders facilitate the creation of new black entrepreneurs who can participate in economic opportunities throughout the aviation industry value chain and other sectors of the economy.

AVIATION SUB-SECTOR CODE FOR BBEE

- 2.1.3 The signatories to this document believe that each company in South Africa should embrace B-BBEE, recognising that it is a constitutional and economic imperative to secure a prosperous future for all our country's citizens and therefore act as a catalyst for economic growth. Accordingly, Stakeholders commit to communicating the contents of this Sub-Sector Code to every business entity within the industry to facilitate maximum participation by all stakeholders.
- 2.1.4 Accordingly, all Private Sector Stakeholders committing themselves to this Sub-Sector Code agree to have their B-BBEE achievements measured against the indicators in the scorecard and verified by an independent B-BBEE verification agency/company that is accredited by the South African National Accreditation System (SANAS) on behalf of the Department of Trade and Industry (DTI). The B-BBEE achievements of Public Sector Organisations is measured, monitored and rated in a separate process. Independent B-BBEE rating companies will rate the suppliers of public sector organisations that do not have such capacity, using the same criteria. The independent B-BBEE verification will go a long way towards eliminating fronting in the industry.
- 2.2 Government undertakings (to achieve the vision)**
- 2.2.1 Government is an important participant in the industry as it owns a major share of aviation assets and employs large numbers of workers. As such, government policies will be one of the most important factors that contribute towards growth in the industry. Accordingly, government will commit to:
- 2.2.1.1 Pursuing policies that will contribute to economic growth, especially foreign trade and tourism, which impact on the growth of the industry.
- 2.2.1.2 Develop structures that will ensure inter-governmental co-ordination between government departments to align their programmes with the Transport and Aviation Sector B-BBEE Sub-Sector Code processes. Examples of cross-cutting issues that require interventions across government departments and agencies include:
- 2.2.1.2.1 The current shortage of black matriculants with maths and science at higher grade;
- 2.2.1.2.2 The current shortage of engineers and artisans across all disciplines;
- 2.2.1.2.3 The industrial strategy to develop the country's aerospace components manufacturing industry;
- 2.2.1.2.4 Increasing awareness over the transport sector about available government investment incentives; and
- 2.2.1.2.5 Monitoring of stakeholder achievements against the indicators in the Scorecard, together with other stakeholders in the proposed Transport Sector B-BBEE Charter Council.
- 2.2.1.3 Encouraging and monitoring compliance with existing legislation that may impact on B-BBEE such as the Employment Equity, Skills Development and Competition Acts.

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- 2.2.1.4 Working together with other stakeholders, to achieve the Transport White Paper's objective of providing affordable transport services. These policies will be informed by an in-depth review of the legislation that impacts on the cost base and/or competitiveness of the aviation industry.
- 2.2.1.5 Reviewing the current policy of limiting foreign ownership in SA Domiciled Airlines (in line with current policy) in order to facilitate increased investment and job creation in the industry.
- 2.2.1.6 Designing an overall framework that will provide that State Owned Enterprises (SOEs) bind foreign suppliers of technology-intensive products and services to a set of B-BBEE obligations, including ownership, skills development and enterprise development. This will require an extension of the offset principle currently used in defence and commercial contracts.
- 2.2.1.7 Ensuring that the restructuring of aviation assets to effect new institutional arrangements proceeds in a manner that results in an increase in black participation at all levels – including shareholding, employment and the procurement of services and goods.
- 2.2.1.8 Ensure that all SOEs submit an annual B-BBEE report (over and above their annual reports) that covers achievements in meeting B-BBEE targets. The report should also include information on jobs created/lost.
- 2.2.1.9 Consolidating reports and information from all stakeholders and publish an annual report on B-BBEE achievements and job creation across the aviation industry. Stakeholders will be encouraged to use this report to review progress at an annual Transport Industry B-BBEE Forum.

- 2.3 **Labour Undertakings (to achieve this vision)**
- 2.3.1 Labour is an important participant in the Industry as it represents a large percentage of the work force employed in the Industry. As such, Labour's support and participation is vital to growth and stability and transformation within the Industry. Accordingly, Labour commits to:
 - 2.3.1.1 Encouraging trade union-controlled pension and provident schemes and investment companies to make investments in the industry to help achieve the ownership targets.
 - 2.3.1.2 Investigating opportunities to establish collective investment vehicles that will invest in the industry.
 - 2.3.1.3 Mobilising members to monitor compliance with existing legislation relevant to B-BBEE participation within the industry, e.g. the Employment Equity and Skills Development Acts. Non-compliant business entities to be reported to the Transport Sector B-BBEE Charter Council and the Department of Labour or other relevant authority.
 - 2.3.1.4 Mobilising members to monitor the performance of their employers in implementing the Growth and Development Summit (GDS) agreement on promoting local content and/or procurement and supporting the Proudly South African (PSA) campaign.

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- 2.3.1.5 Monitor the impact of procurement/outsourcing on job creation and if appropriate report findings to the Transport Sector B-BBEE Charter Council.

The signatories of this Sub-Sector Code believe that the industry should endeavour to facilitate the realisation of these commitments through monitoring of contributions to B-BBEE.

3. INDICATORS OF EMPOWERMENT

3.1 Duration of this Sub Sector Code

This Sub-Sector Code seeks to encourage all stakeholders to commit and pursue a firm and progressive transformation agenda in line with the broad guidelines set out in the National Strategy and the scorecard. It is necessary to set different targets and timeframes for the Public Sector Organisations and Private Sector Stakeholders as the two are at different stages of the transformation process.

This Sub-Sector Code shall remain in effect until amended, substituted and repealed under Section 9 of the BBEE Act.

The Transport Charter Council that will be established pursuant to the gazette of this Sub-Sector Code will review this Sub-Sector Code following the end of the 5th year after its gazetting and despite the aforementioned, it shall be reviewed on an annual basis for monitoring purpose.

3.2 Equity Ownership

- 3.2.1 Our vision is to achieve significant black ownership, management control and operational involvement throughout the industry value chain. Stakeholders recognise the unique nature of the industry, the high levels of risk and the capital-intensive nature of the business. However, Stakeholders will collectively strive to overcome these obstacles by developing unique funding and equity participation initiatives. Our challenge is to identify opportunities across the public and private sectors to accelerate black ownership.

3.2.2 Stakeholders Commit to:

- 3.2.2.1 The principal and long-term strategy is to grow the number of SA Domiciled Airlines and the number of international airlines operating in South Africa, while ensuring that B-BBEE does not become a zero-sum game. The black ownership target set is specifically aimed at the SA domiciled airlines and Airline Service Providers.
- 3.2.2.2 Stakeholders commit to increase black participation across the entire spectrum of the domestic aviation value chain in ownership, management control and operational involvement

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and design economically appropriate funding mechanisms to facilitate the process.

3.2.3 Foreign Owned Entities

(Please note that the Foreign Owned Entities is still gazetted under Section 12 and is for Information purpose only)

3.2.4 Government as a driver of B-BBEE, shareholder of SOEs and regulator of the national economy undertakes to:

3.2.4.1 Use the process of restructuring of SOEs to promote creative employee and B-BBEE consortia share ownership schemes. Also, it will investigate the awarding of economically viable concession opportunities for provincial and local airports to B-BBEE companies and local communities in the context of a coherent airport master development plan that identifies opportunities to grow the Industry.

3.2.4.2 Engage public and private sector funding agencies to develop innovative funding mechanisms for B-BBEE business entities seeking to invest in the sector. This will require high-level discussions and workshops with these agencies to inform them about opportunities available in the industry.

3.2.4.3 Increase awareness among B-BBEE business entities wishing to participate in the industry about available investments, grants and tax allowances, and link these grants/allowances to other incentives that are provided by the DTI's Enterprise Organisation.

3.2.4.4 Ensure that the industry remains internationally competitive and to undertake that SOEs meaningfully participate in the development and training of skilled personnel required transforming the skills base across the industry.

3.2.5 Private Sector Stakeholders as important participants in the industry undertake to:

3.2.5.1 Pro-actively seek opportunities to broaden the ownership base of their business entities.

3.2.5.2 Ensure that least **25%+1** of the voting rights is held by black people over the next 5 years.

3.2.5.3 Ensure that **10%** of the voting rights are held by black women over the next 5 years.

3.2.5.4 Ensure that **25%** of the economic interest in the measured entities is enjoyed by black people over the next 5 years.

3.2.5.5 Ensure that **10%** of the economic interest is enjoyed by black women over the next 5 years.

3.2.5.6 Ensure that **2.5%** of the equity shareholding is in the hands of Black Designated Groups, Employees Share Ownership Schemes, or Broad Based Schemes over 5 years.

3.2.5.7 Ensure that at least **60%** of the equity in black hands is fully paid over the next 5 years.

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- 3.2.5.8 Develop creative financing mechanisms to facilitate funding for BEE companies.
- 3.2.5.9 Foreign owned business entities and airlines are not required to sell equity to locals and in this instance, they will formulate and participate in Equity Equivalent Programmes approved by the Department of Transport as articulated in the Code 103 of the DTI's Codes of Good Practice using 1.5% target of payroll of SA based staff .
- 3.2.6 **Measurement Principles and Application of the Sub-Sector Code unless otherwise indicated on the relevant scorecard**
- 3.2.6.1 Measurement principles associated with the ownership element are contained in Statement 100 of Code 100 of the Generic Codes of Good Practice.
- 3.2.6.2 The formulae required in the determination of the ownership score are contained in Annexure 100 (c) of Statement 100 of Code 100 of the Generic Codes of Good Practice.
- 3.2.6.3 The recognition of the sale of assets under the ownership element has the same meaning as that contained in Statement 102 of Code 100 of the Generic Codes of Good Practice. The target contained in the ownership element of this Sub-Sector Code will apply.
- 3.2.6.4 The recognition of the equity equivalent programmes for multinationals has the same meaning and interpretation as that contained in Statement 103 of Code 100 of the Generic Codes of Good Practice.
- 3.2.6.5 The formulae required in the determination of the ownership score based on equity equivalent contributions are contained in Annexure 103 (A) of Statement 103 of Code 100 of the Generic Codes of Good Practice.
- 3.2.6.6 Measurement principles relating to the ownership element for Qualifying Small Enterprises (QSEs) are contained in Statement 801 of Code 800 of the Generic Codes of Good Practice.
- 3.3 **Management Control**
- 3.3.1 **Private Sector commits to:**
- 3.3.1.1 Increasing the total number of black board members such that at least 33% of all such board members are blacks over the next 5 years.
- 3.3.1.2 Increasing the total number of black women board members such that 16.5% of all such board members are black women over the next 5 years.
- 3.3.1.3. Increasing the total number of black executive directors such that 33% of all such directors are blacks over the next 5 years.

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- 3.3.1.4 Increasing the number of black women executive directors such that 16.5% of all executive board members are women over the next 5 years.
- 3.3.1.5. Increasing the number of black senior top managers such that 26% of all such managers are blacks over the next 5 years.
- 3.3.1.6 Increasing the number of black women senior top managers such that 13% of all such managers are blacks over the next 5 years.
- 3.3.1.7 Increasing the number of black other top managers such that 26% of all such managers are black over the next 5 years.
- 3.3.1.8 Increasing the number of black women other top managers such that 13% of all such managers are blacks over the next 5 years.
- 3.3.1.9 Ensure that the number of black people living with disabilities under management increases to 3% over the next 5 years.
- 3.3.10 For QSEs as defined in this Sub-Sector Code is to reach a target of 33% of total Black top management representation over the next 5 years.
- 3.3.1.11 Foreign owned airlines are excluded from complying with the management control element of the scorecard as the nature of their business precludes them from having local boards and top management structures.

- 3.3.2 **Measurement Principles and Application of the Sub-Sector Code unless otherwise indicated on the relevant scorecard**

- 3.3.2.1 Measurement principles associated with the management control element are contained in Statement 200 of Code 200 of the Generic Codes of Good Practice.
- 3.3.2.3 The formulae required in the determination of the management control score are contained in Annexure 200 (A)-B of Statement 200 of Code 200 of the Generic Codes of Good Practice. The Adjustment Recognition for Gender found in Annexure 200 (A)-A will not apply.
- 3.3.2.4 Measurement principles needed for the application of the Sub-Sector Code with regards to the management control element for QSEs are contained in statement 802, of Code 100, of the Generic Codes of Good Practice.

- 3.4 **Employment Equity**

- 3.4.1 Our vision is to increase the participation of black people in top management, senior management and professional and technical occupations in the aviation industry to create a workforce that truly represents the racial, ethnic and gender diversity of our country. This will require that all stakeholders create a supportive culture within their organizations to attract new talent, facilitate the development of existing employees, and accelerate their progress into key positions in the industry.

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3.4.2 Government commits to:

- 3.4.2.1 Ensuring that the Civil Aviation Authority (CAA), in conjunction with the Transport Sector BEE Council, collects and publishes statistics on licensed personnel according to race and gender.
- 3.4.2.2 Engaging Transport Education and Training Authority (TETA) and the Tourism, Hospitality and Sport Education and Training Authority (THETA) in the case of foreign owned airlines to ensure that they play a significant role in monitoring stakeholder progress in implementing Skills Development initiatives that contribute towards Employment Equity (EE) targets.

3.4.3 Private Sector commits to:

- 3.4.3.1 Increasing the representation of blacks in senior management to at least 43% of all such employees over the next 5 years. Foreign owned airlines will be measured against the other occupational categories excluding top and senior management.
- 3.4.3.2 Increasing black women representation in senior management to at least 21.5% of all such employees over the next 5 years.
- 3.4.3.3 Increasing the number of Black people who occupy middle management positions to at least 63% and 50% of all such employees over the next 5 years for domestic aviation and foreign owned airlines respectively.
- 3.4.3.4 Increasing the number of Black women who occupy middle management to 31.5% and 25% of all such employees over the next 5 years for domestic aviation and foreign owned airlines, respectively.
- 3.4.3.5 Increasing the number of black people who occupy junior management to 68% and 50% of all such employees over the next 5 years for domestic aviation and foreign owned airlines, respectively.
- 3.4.3.6 Increasing the number of black women who occupy junior management positions to 34% and 25% of all such employees over the next 5 years for domestic aviation and foreign owned airlines, respectively.
- 3.4.3.7 Ensure that 2% of black people living with disabilities and 1% for black women living with disabilities is achieved in 5 years for domestic aviation and foreign owned airlines respectively.
- 3.4.3.8 Furthermore, the SA Domestic airlines commit to:
 - 3.4.3.8.1 Increasing the number of black people employed as pilots such that black people make up 8% of all such employees over the next 5 years.
 - 3.4.3.8.2 Increasing the number of black women employed as pilots such that black people make up 3% of all such employees over the next 5 years.
 - 3.4.3.8.3 Increasing the number of black people employed as technicians such that black people make up 25% of all such employees over the next 5 years.
 - 3.4.3.8.4 Increasing the number of black women employed as technicians such that black people make up 3% of all such employees over the next 5 years.

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- 3.4.3.8.5 Ensuring that Black disabled people comprise 2% of the total work force. This target is subject to the ability to place people in suitable posts in the operating environment without compromising safety or the travelling public.
- 3.4.3.9 For QSEs as defined in this Sub-Sector Code, the following criteria and targets shall apply:
 - 3.4.3.9.1 Total Black management representation, for which the target will be 40% of all management positions;
 - 3.4.3.9.2 Total Black women management representation, for which the target will be 20% of all management positions;
 - 3.4.3.9.3 Total Black representation, for which the target will be 60% of all employees; and
 - 3.4.3.9.4 Total Black women representation, for which the target will be 30% of all employees.
- 3.4.4 **TETA/THETA commits to:**
 - 3.4.4.1 Participate meaningfully in monitoring and supporting stakeholders in meeting their targets.
- 3.4.5 **Measurement Principles and Application of the Sub-Sector Code unless otherwise indicated in the relevant scorecard**
 - 3.4.5.1 Measurement principles on the employment equity element are contained in Statement 300 of Code 300 of the Generic Codes of Good Practice.
 - 3.4.5.2 The formulae required in the determination of the employment equity score are contained in Annexure 300 (A)-B of Statement 300 of Code 300 of the Generic Codes of Good Practice. The formula for the determination of the Adjusted Recognition for Gender found in Annexure 300 (A)-A, will not apply.
 - 3.4.5.3 Measurement principles for the determination of the Employment Equity score for QSEs are contained in Statement 803 of Code 800 of the Generic Codes of Good Practice
- 3.5 **Skills Development**
 - 3.5.1 Our vision is to substantially increase the economic value added of every employee in the aviation industry through the application of best-practice Human Resource and Skills Development policies and an increase in the scale of initiatives aimed at developing black professionals and technical experts.
 - 3.5.2 **Government Commits to:**
 - 3.5.2.1 Designing and funding a co-ordinated framework and programme for career awareness and training that leverages off and adds value to existing initiatives. The awareness programme will publicise and co-ordinate information regarding scholarships, training resources and careers in the industry.
 - 3.5.2.2 Engaging the National Students Financial Aid Scheme with the aim of securing its commitment to provide loans to students

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interested in pursuing high cost training programmes, for example pilots and aviation engineers.

3.5.3 All stakeholders commit to:

- 3.5.3.1 Investing at least 3% of the leviable amount on learning programmes as identified in the Learning Programme Matrix in statement 400 of the Codes of Good Practice, the beneficiaries of which will all be black people. Foreign owned airlines commit to investing at least 3.5% of the leviable amount on learning programmes listed in statement 400 of the Good of Practice of which the beneficiaries are black people.
- 3.5.3.2 Investing at least 1.5% of the leviable amount on learning programmes and 1.75% from foreign owned airlines as identified in the Learning Programme Matrix in statement 400 of the Codes of Good Practice, the beneficiaries of which will all be Black women.
- 3.5.3.3 For QSEs as defined in this Sub-Sector Code, the following criteria and targets shall apply:
 - 3.5.3.3.1 Black skills development expenditure on learning programmes as a percentage of the leviable amount (whichever is applicable), for which the target will be 2%; and
 - 3.5.3.3.2 Black women skills development expenditure on learning programmes as a percentage of the leviable amount (whichever is applicable), for which the target will be 1%.
- 3.5.3.4 Ensuring that a minimum of 5% and 2% of all employees as a percentage of total employees enrolled in Learnerships for domestic aviation and foreign owned airlines, respectively or Category B, C, or D learning programmes as identified in the Learning Programme Matrix contained in Code 400 of the Codes of Good Practice are black people. For foreign owned airlines, SA accreditation for Category B, C and D learning programmes is not required subject to the provisions highlighted in the relevant scorecard.
- 3.5.3.5 Ensuring that a minimum of 2.5% of all employees as a percentage of the total employees enrolled in Learnerships and 1% by foreign owned airlines, Category B, C or D learning programmes as identified in the Learning Programme Matrix contained in Code 400 of the Codes of Good Practice are black women. For foreign owned airlines, SA accreditation for Category B, C and D learning programmes is not required subject to the provisions highlighted in the relevant scorecard.
- 3.5.3.6 Working together with stakeholders in the BEE Sub-Sector Code Council, especially the SETA's (TETA and THETA), to develop over one year a funding proposal and strategy with related targets to address the current low representation of black people with technical skills in the industry, including pilots and engineers.
- 3.5.3.7 Identifying appropriate institutions that can increase the scale of their activities and help the industry meet their targets established in the scorecard.

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- 3.5.4 The Private Sector Commits to:**
- 3.5.4.1 Identifying over and outside their entities, talent pools of black people for accelerated development through:
 - 3.5.4.1.1 International and domestic assignments that provide high-quality operational and managerial workplace exposure;
 - 3.5.4.1.2 Mentorship programmes;
 - 3.5.4.1.3 Learnership programmes;
 - 3.5.4.1.4 Intra-industry exchange and internship programmes; and
 - 3.5.4.1.5 Higher Education and Training.
- 3.5.5 TETA, in consultation with THETA Commits to:**
- 3.5.5.1 Complete a detailed skills audit to identify the management, professional and technical skills that the industry will require over the next decade and map out future demand/supply scenarios that will guide and inform stakeholders in implementing their EE targets.
 - 3.5.5.2 Introducing, after consulting stakeholders and completing the skills audit, new categories of learnerships - in management, technical and professional occupational categories - to help public and private sector organisations to achieve their employment equity targets.
 - 3.5.5.3 In consultation with the Transport Sector B-BBEE Sub-Sector Code Council and other stakeholders, set targets over one year to substantially increase the number of relevant and sustainable learnerships at all levels in the industry.
 - 3.5.5.4 Collect and publish detailed and aggregated statistics on the EE profile of the industry according to occupational level and occupational category. Also, using the information gleaned from Workplace Skills Plans (WSPs), monitor the industry's progress in meeting its targets and publish an annual report on the EE Profile of the industry according to occupational level and category.
- 3.5.6 Measurement Principles and the Application of the Sub-Sector Code unless otherwise indicated in the relevant scorecard**
- 3.5.6.1 Measurement principles associated with the skills development element are contained in Statement 400 of Code 400 of the Generic Codes of Good Practice.
 - 3.5.6.2 The formulae required in the determination of the skills development score are contained in Annexure 400 (A)-B of Statement 400 of Code 400 of the Generic Code of Good Practice. The formula for the determination of the Adjusted Recognition for Gender found in Annexure 400 (A)-A, will not apply.
 - 3.5.6.3 The measurement principles required in the determination of the skills developments score for QSEs are contained in Statement 804 of Code 800 of the Generic Code of Good Practice.

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3.6 Preferential Procurement

3.6.1 Our vision is to grow South Africa's aviation industry in order to stimulate and facilitate economic growth. Stakeholders commit to increase procurement from black-owned and empowered enterprises and implement best-practice supplier development policies.

3.6.2 Private Sector Commits to:

3.6.2.1 Commissioning, together with other stakeholders, a study to establish current levels of procurement from B-BBEE companies and identify areas where they can achieve "quick wins" to accelerate B-BBEE.

3.6.2.2 Increasing procurement¹ from B-BBEE compliant entities to at least 50% of total measurable procurement for both domestic and foreign owned airlines and general aviation businesses.

3.6.2.3 Increasing procurement from QSEs and Exempted Micro Enterprises (EMEs) to 10%, over the next 5 years for both domestic aviation and foreign owned airlines.

3.6.2.4 Increasing procurement from 50% Black Owned and 30% Black Women Owned enterprises such that 15% of procurement is sourced from these enterprises, with foreign owned airlines and suppliers sourcing 8% and 6% from black owned and black women owned enterprises, respectively.

3.6.2.5 Procurement decisions for foreign owned airlines are limited and are often subject to global practices and concluded at Head Office level in the country of origin. Procurement spend is therefore limited to decisions regarding procurement spend that can be made locally by the manager based in South Africa.

3.6.2.6 QSEs within this sub-sector commit to procuring a minimum of 40% of total procurement from B-BBEE compliant suppliers.

3.6.3 Measurement Principles and Application of the Sub-Sector Code unless otherwise indicated in the relevant scorecard and subject to exclusions listed in Annexure A

3.6.3.1 Measurement principles associated with the preferential procurement element are contained in Statement 500 of Code 500 of the Generic Codes of Good Practice.

3.6.3.2 The formulae required in the determination of the preferential procurement score are contained in Annexure 500 (A) of Statement 500 of Code 500 of the Generic Codes of Good Practice.

3.6.3.3 The measurement principles required in the determination of the skills development score for QSEs are contained in Statement 805 of Code 800 of the Generic Code of Good Practice

¹ Annexure A provides a list of inclusions and exclusions when determining total measurable procurement

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- 3.7 Enterprise Development**
- 3.7.1** Our vision is to create and nurture new B-BBEE enterprises across the industry. This will require all stakeholders to devise strategies to develop and/or support new B-BBEE enterprises.
- 3.7.2 Government Commits to:**
- 3.7.2.1** Ensuring that SOEs use their procurement policies to stimulate the development and support of new B-BBEE enterprises in the sector.
- 3.7.3 The Private Industry Commits to:**
- 3.7.3.1** Pro-actively seek opportunities to enter into joint ventures (and other forms of alliances) or to make direct investments in BEE companies.
- 3.7.3.2** Commit at least 3% of Net Profit After Tax (NPAT) on Enterprise Development initiatives (general aviation businesses). QSEs within this sub-sector aspire to make contributions to enterprise development, which will amount to 2% of NPAT evaluated annually over the next 5 years.
- 3.7.3.3** Foreign owned airlines undertake to capacitate and develop QSEs and EMEs by providing, for example, training in basic business and life skills determined at 1% of total payroll of SA based staff.
- 3.7.4 Measurement Principles and Application of the Sub-Sector Code unless otherwise indicated in the relevant scorecard**
- 3.7.4.1** Measurement principles associated with the enterprise development element are contained in Statement 600 of Code 600 of the Generic Codes of Good Practice.
- 3.7.4.2** Qualifying contributions for the enterprise development element are contained in Annexure 600 (A) – Benefit Factor Matrix of the Statement 600 of Code 600 of the Generic Codes of Good Practice.
- 3.7.4.3** The formulae required in the determination of the enterprise development score are contained in Annexure 600 (A) of Statement 600 of Code 600 of the Generic Codes of Good Practice.
- 3.7.4.4** Measurement principles required in evaluating the enterprise development contributions made by QSEs over this sector are contained in Statement 806 of Code 800 of the Generic Codes of Good Practice
- 3.8 Socio-economic Development**
- 3.8.1 All Stakeholders commit to:**
- 3.8.1.1** Locally owned businesses to invest at least 1% of NPAT on socio-economic development projects, which can include HIV/AIDS treatment and prevention, education and community development. QSEs within this sub-sector contributing a

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- minimum of 1% of NPAT evaluated annually to socio-economic development initiatives over the next 5 years will achieve maximum points.
- 3.8.1.2 The rand value of socio-economic development contributions in following areas will be enhanced by a factor 1.25:
- 3.8.1.2.1 HIV/AIDS Programmes;
- 3.8.1.2.2 Education; and
- 3.8.1.2.3 Community Development and poverty alleviation
- 3.8.1.3 Foreign owned airlines should invest at least 0.5% of payroll or the equivalent % of management time to socio-economic development projects, which can include HIV/AIDS treatment and prevention, education, community development, Aviation/Tourism General Awareness Campaign. The enhancement factor referred to in 3.8.1.2 above for the application of programmes listed will also apply.
- 3.8.2 Measurement Principles and Application of the Sub-Sector Code unless otherwise indicated in the relevant scorecard**
- 3.8.2.1 Measurement principles associated with the socio-economic development element are contained in Statement 700 of Code 700 of the Generic Code of Good Practice.
- 3.8.2.2 Qualifying contributions for the socio-economic development element are contained in Annexure 700 (A) – Benefit Factor Matrix of the Statement 700 of Code 700 of the Generic Codes of Good Practice.
- 3.8.2.3 The formulae required in the determination of the socio-economic development score are contained in Annexure 700 (A) of Statement 700 of Code 700 of the Generic Code of Good Practice.
- 3.8.2.4 Measurement principles required in evaluating socio economic development contributions made by QSEs over this sector are contained in Statement 807 of Code 800 of the Generic Codes of Good Practice.

DOMESTIC AVIATION SUB-SECTOR CODE

4. DOMESTIC AVIATION BEE SCORECARD - TARGETS AND TIMEFRAMES²

Element	Criteria	Weightings	Sector target- 5 years	Adjusted Weightings for SOE's
Ownership	Exercisable voting rights in the hands of Black people	3	25.1%	N/A
	Exercisable voting rights in the hands of Black women	2	10%	N/A
	Economic interest of Black people	4	25%	N/A
	Economic interest of Black women	2	10%	N/A
	Economic interest of Black natural people in the enterprise: -black designated groups; -black participants in Employee Ownership Schemes; -black beneficiaries of broad based Ownership schemes or -black participants in co-operatives	2	2.5%	N/A
	Net value	7	Same as net value targets in "the Codes".	N/A
	Bonus points: Involvement in the ownership of the Enterprise of Black new entrants.	2	10%	N/A
	Bonus points: Involvement in the ownership of the Enterprise of Black participants in:	1	10%	N/A
	1. Employee Ownership Schemes			
	2. Broad-Based Ownership Schemes			
	3. Co-operatives			
Management	Exercisable voting rights of Black Board members.	1.5	33%	2.5
	Exercisable voting rights of Black women Board members.	1.5	16.5%	2.5
	Black Executive Directors	1	33%	2

² These proposed timeframes and weightings will be reviewed at every 2 and half years and subject to change by the Transport B-BEE Charter Council.

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Element	Criteria	Weightings	Sector target-5 years	Adjusted Weightings for SOE's
	Black Women Executive Directors	1	16.5%	2
	Black Senior Top management	1	26%	2
	Black Women Senior Top management	1	13%	2
	Black other top management	1	26%	1.5
	Black Women Other Top management	1	13%	1.5
	Black people living with disabilities	1	3%	1
	Bonus points: Black independent non-executive board members	1	26%	3
Employment Equity	Black employees in senior management	3	43%	4
	Black Women employees in senior management	2	21.5%	3
	Black employees in middle management	1	63%	2
	Black Women employees in middle management	1	31.5%	2
	Black employees in junior management	1	68%	2
	Black Women employees in junior management	1	34%	2
	Black people living with disabilities	1	2%	2
	Black Women living with disabilities	1	1%	2
	Black Pilots	1	8%	2
	Black Women Pilots	1	3%	2
	Black Technicians	1	25%	2
	Black Women Technicians	1	3%	2
	Bonus points: for meeting or exceeding the EAP targets	3		4
Skills Development	Black skills development expenditure on learning programmes specified in Learning Matrix as percentage of Leviable amount	3	3%	3
	Black Women skills development expenditure on learning programmes specified in Learning Matrix as percentage of Leviable amount	3	1.5%	3
	Number of Black employees participating in Learnerships or category B, C, D programmes as percentage of total employees	3	5%	3

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Element	Criteria	Weightings	Sector target-5 years	Adjusted Weightings for SOE's
	Number of Black Women employees participating in Learnerships or category B, C, D programmes as percentage of total employees.	3	2.5%	3
	Skills Development Expenditure on Learning Programmes specified in the Learning Programmes Matrix for Black Employees with disabilities as a percentage of Leviable Amount	1.5	0.3%	1.5
	Skills Development Expenditure on Learning Programmes specified in the Learning Programmes Matrix for Black Women Employees with disabilities as a percentage of Leviable Amount	1.5	0.15	1.5
Preferential Procurement	Procurement spend from all suppliers based on recognition levels as percentage of total measured procurement spend.	12	50%	12
	Procurement spend from QSE's and EME's based on recognition levels as percentage of total measured procurement spend.	3	10%	3
	B-BBEE Procurement Spend from any of the following Suppliers as a percentage of Total Measured Procurement Spend:	5	15%	5
	Suppliers that are 50% black owned (3 out of 5) or			
	Suppliers that are 30% black women owned. (2 out of 5)			
Enterprise Development	Investment in black-owned and empowered enterprises as identified in the "Benefit Factor Matrix" (Annexure 600A) as a percentage of net profit after tax.	15	3% of NPAT	15
Socio-economic Development	Socio-economic development contributions as identified in the "Benefit Factor Matrix" (Annexure 700A) as a percentage of net profit after tax.	5	1% of NPAT	6
Total		100		100

NB: Targets for Pilots and Technicians will be subjected to annual review.

AVIATION SUB-SECTOR CODE FOR BBEE

5. QUALIFYING SMALL ENTERPRISES B-BBEE SCORECARD - DOMESTIC AVIATION

B-BBEE Element	Indicators of Empowerment	Sector target - 5 year	Sector Weightings
Ownership	Exercisable voting rights in hands of black people	25%+1 Vote	6
	Economic Interest of black people in the Enterprise	25%	9
	Realisation Points:		
	Ownership fulfilment		1
	Net Value	25% graduated over 10 years as per the Codes (Year 5 at 60%)	9
	Bonus Points: Involvement in the ownership of the Enterprise by black women	10%	2
	Bonus Points: Involvement in the ownership of the Enterprise by black participants in Employee Share Schemes, Co-operatives or Broad Based Ownership Schemes	10%	1
Management Control	Black Representation at Top Management level	33%	25
	Bonus Points: Black women representation at Top-Management	25%	2
Employment Equity	Black Employees of the Measured Entity who are Management as a % of all Management	40%	7.5
	Black Women Employees of the Measured Entity who are management as a % of all Management	20%	7.5
	Black employees of the Measured Entity as a percentage of total employees	60%	5
	Black Women employees of the Measured Entity as a percentage of total employees	30%	5
	Bonus points: meeting or exceeding the EAP targets in each category		2
Skills Development	Skills Development spend on learning programmes for Black employees as a percentage of the leviable/payroll	2%	12.5

AVIATION SUB-SECTOR CODE FOR BBEE

B-BBEE Element	Indicators of Empowerment	Sector target - 5 year	Sector weightings
	Skills Development spend on learning programmes for Black Women employees as a percentage of the leviable/payroll	1%	12.5
Preferential Procurement	BEE Procurement Spend from all suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	40%	25
Enterprise Development Spend	Average annual value of Qualifying Contributions made by the Measured Entity as a percentage of the target	2% of NPAT	25
Socio-Economic Development	Average annual value of Qualifying Contributions made by the Measured Entity as a percentage of the target	1% of NPAT	25
TOTAL			175

A QSE may select any four of the above seven elements for the purposes of measurement.

DOMESTIC AVIATION SUB-SECTOR CODE

ANNEXURE A: PROCUREMENT LIST: INCLUSIONS & EXCLUSIONS

Operating Expense	Description	Procurement Inclusions	Procurement Exclusions	ADDITIONAL NOTES
Aircraft Fixed Costs	Lease Costs		X	To be excluded - International leases are the norm – difficult to enforce local leasing arrangements.
	Spares Lease Costs		X	To be excluded - International leases are the norm – difficult to enforce local leasing arrangements
	Aircraft Finance Costs		X	
	Aircraft Hire Charges		X	
	Aircraft Insurance		X	
	Depreciation		X	
	Crew Salaries & Subsistence All		X	
	Crew Positioning & Accommodation	X		Hotel accommodation only incurred within South Africa – no over border.
	Crew Training Costs	X		Training consumables only for training incurred within South Africa.
Aircraft Variable Costs	Fuel	X		For procurement of jet fuel in South Africa only – as oil companies comply with BEE in terms of Liquid Fuels Sub-Sector Code, include in numerator and denominator of calculation
	Landing Fees	X (If landing in privately owned airports)	X (If landing in ACSA airports)	ACSA is a regulated monopoly and as such it is excluded as per the Codes.
	Navigation Charges		X	
	weather Services		X	

AVIATION SUB-SECTOR CODE FOR BBBEE

Operating Expense	Description	Procurement Inclusions	Procurement Exclusions	ADDITIONAL NOTES
	Maintenance Materials and Repairs	X		Inclusion of maintenance and materials for repairs undertaken in South Africa only – inclusion in numerator and denominator as AMO's are BEE compliant.
	Maintenance Staff		X	
	Head Office AMO		X	
	Maintenance-Depreciation on capitalised assets		X	
	Maintenance Engine Hire		X	To be excluded due to nature of aircraft operations and maintenance requirements, engines for hire have to be sourced from over border suppliers and it is not possible to include BEE considerations as part of this process which is often of an urgent nature to keep aircraft operations going.
Passenger Variable Costs	Commission Agents		X	
	Commission – Interline		X	To be excluded – interlining is dependent on passenger choices for travel and cannot be included as a BEE consideration for airlines.
	Commission-Credit Cards		X	
	Catering	X		Only for locally sourced catering requirements. The guidelines provided by the dti Codes will apply with regards to imports.

AVIATION SUB-SECTOR CODE FOR BBEE

Operating Expense	Description	Procurement Inclusions	Procurement Exclusions	ADDITIONAL NOTES
	Airport Handling fees	X (for ACSA airports)		Included for ACSA airports on the basis and understanding that ACSA and their appointed Ground handlers are BEE compliant and can be included in numerator and denominator. These should be included regardless of the ACSA's and Ground handlers BEE status..
	Passenger Services Charges		X	
	Passenger Revenue Accounting		X	
	Insurance ANV & CSL		X	
	CRS Charges		X	
	Airline Loyalty programs		X	
Station Costs	Station Salaries		X	
	Station Overheads	X		Only in respect of consumables (i.e. day-to-day operational expenses and excludes overheads/capex) for offices in South Africa. The dti guidelines with regards to the importation of goods and services will be applicable if any of the consumables are imported.
Head Office	Salaries		X	

AVIATION SUB-SECTOR CODE FOR BBEE

Operating Expense	Description	Procurement Inclusions	Procurement Exclusions	ADDITIONAL NOTES
	HO Overheads	X		Only in respect of consumables (i.e. day-to-day operational expenses and excludes overheads/capex) for Head Office operations in South Africa. The principle discussed above with regards to station overheads will be applicable.
	Finance Charges-Net		X	
	Franchise Fees		X	To be excluded as this is a global strategy determined by the airline, which could involve a franchise with an international airline or a local airline. Airlines cannot be judged on a BEE basis for franchise arrangements.
	Marketing expenses	X		Only in respect of local marketing spend. Excluded for foreign owned airlines where marketing decisions are linked to global contracts.
	Diversions	X		Only in respect of accommodation and meal arrangements and expenses incurred for passengers in S.A. Excluded for foreign owned airlines where marketing decisions are linked to global contracts.
	Loss on sale of assets (profit)		X	
	Depreciation		X	

NB. This procurement list is subject to annual review.

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