

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 BBEE

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AVIATION SUB-SECTOR CODE FOR BBEE**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

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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.

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- 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 Leivable amount	3	3%	3
	Black Women skills development expenditure on learning programmes specified in Learning Matrix as percentage of Leivable 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 Leivable 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 Leivable 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.

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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

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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	
	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 BBEE

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.
	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.
	Passenger Variable Costs			

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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