



transport

Department:
Transport
REPUBLIC OF SOUTH AFRICA

**DRAFT BUSINESS PLAN
FOR
THE TRANSPORT SECTOR
BROAD-BASED BLACK
ECONOMIC EMPOWERMENT
CHARTER COUNCIL**

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1. Executive Summary

This business plan has been prepared to provide a framework for operational and financial sustainability of the Transport Sector Broad-Based Black Economic Empowerment (B-BBEE) Implementation by the Transport Sector B-BBEE Charter Council (TSB-BBEECC). This document draws on existing information and research conducted in the process of development and alignment of the transport sector B-BBEE charter as well as issues raised by B-BBEE documents prepared by the Department of Trade and Industry (DTI).

This document provides a snapshot of Transport and transformation and some contextual challenges that face the transport sector and the opportunities to address the transformation challenges. The activities of the Council are detailed in as much as they address issues of transport transformation in South Africa. In addition a detailed financial model has been developed that draws on projected and actual costs for the Transport BEE Implementation and Council activities so as to provide an estimate on future funding requirements.

As a priority sector in South Africa, transport is one of the most important sectors in the country from a job creation perspective. There is a need for an appropriate development of transport to ensure increased in employment and growth and equity in the economy. The growth of the sector is reliant on its ability to compete globally. In this regard, there are a number of barriers to competitiveness that must be addressed. The most important barrier that relates to the TSB-BBEECC is limited transformation in the sector. The aim of this document is also to design concrete and enduring action programmes. These programmes will contribute to improving competitiveness and fast track the much-needed transport sector transformation. A number of opportunities and challenges related to transport sector transformation exist and these should be addressed through the initiatives of the Council.

The Minister of Transport set-up the Charter Council which is entrusted with the responsibility of facilitating and monitoring the implementation of the Integrated Transport Sector B-BBEE Charter. The Council can be seen as a joint initiative between public and private sector aimed at effecting transformation in the sector. The Charter Implementation and BEE Council will in the main be funded by the Department of Transport (DOT). The idea is to come out with innovative programmes that will enable the Council to solicit support funding from the private sector.

The Charter Council is housed in the DOT and is mandated to achieve the following:

- facilitate the communication and popularization of the charter and scorecards;

- provide interpretation and guidance with respect to the charter and scorecards;
- facilitate the provision of practical implementation support to the industry;
- liaise with the DTI accredited agencies to monitor the charter and scorecard implementation;
- facilitate the certification, by the DTI accredited agencies, of those entities complying with the Charter and Scorecard. In so doing, the Council will facilitate incentives for Transport enterprises to comply and become verified and certified;
- facilitate cross industry and government negotiations to promote the application and implementation of the charter and scorecards;
- conduct reviews and compile an regular reports on the transport sector's progress in implementing the charter, scorecards and transformation wide;
- develop the framework as well as capacity, for the implementation of the Transport Charter;
- facilitate implementation of programmes to fast-track broad based BEE in the transport sector in order to ensure that there exists a favourable environment for broad-based BEE to flourish; and
- advise the Minister on BEE related legislative and regulatory developments

The role of the Charter Council as derived from the mandate can be summed as that of **monitoring implementation** of the Transport BEE Charter; **advocating** for role-players to buy-in and support the charter implementation; **communicating** the charter and **informing** stakeholders on how to implement the charter; **reporting** on progress with respect to Charter implementation; **facilitating the implementation** of programmes to fast track transformation in the transport sector; and **identifying blockages** that hinder implementation of the charter and ensure that those issues are brought to the attention of the Department. The BEE Act of 2003 and Gazetted DTI Codes of Good Practice mandate sectors with charters to establish B-BBEE Charter Council for purpose of monitoring and evaluation of Sector progress on B-BBEE.

This strategic business plan should be seen as a living, working document and as such will be changed, amended and updated as additional and/or more relevant data comes to light. The key intention behind this document is to provide a broad overview for the growth and sustainability of the Charter Council and to identify key actions that need to be taken to bring the plan to fruition.

2. Contextual Analysis

2.1. Sector Overview

The Transport Sector is one of the key sectors of economy that contributes more towards Gross Domestic Product (GDP) of South African economic growth. On average the sector contributes 6% to the country's GDP. Regarding employment, transport sector was able to create 584 000 both formal and informal jobs in 2008.

The importance of the sector is to facilitate trade, promote accessibility to social and economic activities such as going to work, schools, clinics, etc. The sector also helps to accelerate economic development.

2.2 Challenges and Opportunities

2.2.1 Threats and Challenges

The implementation of the Integrated Transport Sector B-BBEE Charter in general is beset by a number of threats and challenges. These challenges should be understood in advance so that appropriate strategies can be developed to address them. Some of these challenges are:

- Limited transformation threatens sustainability of industry
- Little accurate data exists on the levels and nature of black economic participation within the sector, both at an aggregate and on a sub-sector basis.
- B-BBEE legislation is not compulsory particularly for those enterprises not directly dealing with government. The success of Charter implementation depends on government using its procurement, licensing and regulatory power to compel the industry to change.
- Limited understanding on what private sector needs in order to ensure delivery on the Charter.
- Limited understanding of what public sector needs to deliver on the Charter.
- Duplication of existing offerings that could result to competition and duplication between the Charter Council and other service providers.
- Inadequate information systems and response times that could threaten the credibility and effectiveness of the Charter Council.
- Transport not able to meet community expectations.
- Levels of skills and spending on skills development and training impacts negatively on transport experience, value capture and employment potential.
- High churn rate in small businesses which struggle to compete.
- Limited innovation and over capacity in some industries, which affect profitability.
- There is general lack of access to finance and credit facilities.

- Lack of information on how to implement factors of the Transport BEE Scorecards.
- Simultaneously implement eight sub-sector scorecards unlike other sectors who have one scorecard.

2.2.2 Strengths and Opportunities

In spite of these challenges, a number of strengths and opportunities exist for implementing the Charter, some of which are as follows:

- Low barriers in other sub-sectors to entry into the Transport industry present opportunities for new business development, particularly emerging entrepreneurs.
- Transport supports many small businesses.
- Transport creates substantial jobs and revenue in supporting businesses.
- Increased receipt of employment, improved transport experience, if skills partnerships are developed and if skills gaps are addressed systematically.
- New BEE players will unlock innovation, provide authentic cultural and improve competitiveness.
- The Charter provides for greater economic participation and improved stability.
- Most industry players have embraced the opportunity to transform their businesses and are keen to access information on how they can engage partners, potential BEE investors and different enterprise development models to consider.

2.1 Table 1: Possible Obstacles and Solutions in Implementing Seven Factors of the Scorecard

FACTOR	OBSTACLE	SOLUTION	CRITICAL PARTNERS
Ownership	<ul style="list-style-type: none"> • Companies not knowing where to find BEE partners • BEE partners having problems in accessing funding for BEE • Difficulty to obtain and put together good and sustainable BEE deals at the right cost <p>Beneficiaries: new</p>	<ul style="list-style-type: none"> • Publication of a list of potential BEE partners and introduce transport players to black businesses (Networking). • Publish detailed booklet on funding options for Transport and consult with funding institutions to create funding suitable for Transport BEE ventures • Consult for the 	Rating agencies, Public and private sector funding institutions

	black entrants, BEE partners, and companies entering into BEE transactions	provision of discounted services.	
Management	<ul style="list-style-type: none"> Companies unable to find suitable black candidates for management posts Companies needing to provide black management with industry specific or managerial knowledge. <p>Beneficiaries: new black managers or graduates, existing black managers and potential black managers</p>	Create a platform to publish a list of black talent, Create platform to publish available training programmes and collaborate with TETA to create appropriate training and development programmes.	Tertiary institutions, Recruitment agencies, TETA, Associations
Employment Equity	<ul style="list-style-type: none"> Companies not able to find suitable black candidates Companies need to develop programmes internally to assist existing black employees for promotion <p>Beneficiaries: black graduates and employees without prior experience. Existing employees within the Transport sector</p>	Create a platform to publish a list of black talent Create platform to publish available training programmes	Tertiary institutions, training bodies and TETA
Skills Development	<ul style="list-style-type: none"> Companies having limited access to training programmes Difficulty in developing learnership positions. Administrative regulations from 	List of training programmes Publish a book of how to access learnership opportunities and the associated benefits	Tertiary institutions, training bodies and TETA

	<p>TETA discourage employers from taking learners</p> <p>Beneficiaries: existing employees and learnership candidates</p>		
Preferential Procurement	<ul style="list-style-type: none"> Companies not able to identify black suppliers Some companies have limited leverage on their suppliers to transform and some have little choice as to whom they procure from <p>Beneficiaries: Black suppliers</p>	Publish a list of black suppliers	Rating agencies
Enterprise Development	<ul style="list-style-type: none"> Companies do not have resources to understand and kick-start enterprise development programmes <p>Beneficiaries: Black entrepreneurs</p>	Inform market of the existence of Transport related small business opportunities	The DTI
Social Development and industry specific	<ul style="list-style-type: none"> Difficulty in finding new recruits with no prior work experience Companies do not have resources to local worthwhile Corporate Social Investment (CSI) projects <p>Beneficiaries: people with no work experience, NGO and CSI facilitators</p>	<ul style="list-style-type: none"> Centralised database of new recruits Publish a list of DOT endorsed CSI programmes 	Schools, NGOs and CSI operators
Overall	<ul style="list-style-type: none"> Benefits for companies implementing BEE Confusion by different charters 	<ul style="list-style-type: none"> Inform Transport businesses of the benefits of BEE compliance Consult with other 	Government, private sector, charter council and

	and regulating bodies	government organs and private sector bodies to facilitate adoption of the Charter	BEE drivers
	Beneficiaries: BEE compliant Transport companies	Create benefits for BEE compliant enterprises Inform Transport businesses on how to work with customers when asked for BEE information	

4. Service Description

3.1 Overview

The challenges detailed in the contextual overview will need to be met through the efforts and initiatives of the Charter Council. The Council has been in operation after being approved by Cabinet and subsequently launched by the Minister and through the funding provided by the Department of Transport.

3.2 Vision

To see a transformed transport industry which has economic viability and portrays the actual image of the country.

3.3 Mission

To enforce transformation through partnering with the industry stakeholders in unlocking the obstacles hampering the progress of the implementation, monitoring and evaluation of the Transport Sector B-BBEE Charter.

3.4 Key objectives

The Council has identified two primary objectives, namely to ensure that public sector delivers on the Charter and to ensure that private sector delivers on the Charter. In addition, the Council will provide a one-stop-shop to service the needs of the stakeholders affected by the charter and will put in place systems to ensure ongoing communication, monitoring and reporting on B-BBEE progress throughout the transport sector and the economy at large. Most importantly, the Council will facilitate implementation of B-BBEE programmes to fast track Transport charter implementation.

3.1 Table 2: Matrix of key objectives

3.4.1 To provide services to ensure that public sector delivers on the Transport Charter (PUBLIC SECTOR BUY-IN)	
Objective	Key Performance Indicator
To ensure that public sector and organs of state use Transport BEE Charter	<ul style="list-style-type: none"> Public sector communication strategy in place. Reports on procurement by National,

<p>credentials when procuring Transport services and products and when issuing Transport related licenses, permits and concessions</p>	<p>Provincial and local government.</p> <ul style="list-style-type: none"> • Reports on procurement by organs of state. • Reports on licenses and concessions issued. • Put in place structures and systems at local and provincial government to ensure adherence to the Charter • Procurement tool in place to guide public sector and organs of state procurement. • Public sector Advisory committee in place to provide advice on how to engage public sector better. • Incentives and rewards systems in place for those entities that comply with the Charter. • Quarterly and annual reports on public sector compliance
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3.4.2 To provide services to ensure that private sector delivers on the Transport Charter (PRIVATE SECTOR BUY-IN)	
Objective	Key Performance Indicator
<p>To ensure that private sector delivers on the Transport Charter</p>	<ul style="list-style-type: none"> • Private sector communication strategy in place. • Systems and information to support private sector in place. • Rewards and recognition in place to recognise different levels of BEE contributors • System to engage with Transport associations in place • Framework for working with verification agents in place • Agreement on reporting format and timing for reporting in place • Systems in place to validate submissions by verification agents • Systems to monitor feedback from private sector in place. • Provision of periodic report on Transport transformation • System to report progress with respect to private sector implementation of the Charter in place • Database of accrediting agents in place and communicated to all players.

3.4.3 To facilitate implementation of innovative programmes to fast track BEE in Transport (INNOVATION HUB)	
Objective	Key Performance Indicator
Ensure that innovative programmes are implemented to advance BEE in Transport and to promote sector competitiveness	<ul style="list-style-type: none"> • Baseline information on the state of Transport transformation in place. • Baseline used as a measure to determine progress in the Charter implementation • Challenges facing Charter implementation known and communicated back to the Council. • Three quality deals facilitated per annum • Innovative mechanisms in place to address challenges related to financing BEE deals in the sector. • Innovative mechanism to ensure that BEE deals have access to markets in place. • Programme to encourage blacks to invest in growth areas in place. • Measures to improve skills development in the sector in place. • Programmes to assist businesses on how to improve employment equity in the workplace in place • Programmes to guide companies on how to implement enterprise development programmes in place. • Programmes and support programmes to capacitate black suppliers in place • Examples of projects to be supported to boost CSI scores in place.

3.4.4 To ensure efficient provision of support systems that will assist stakeholders in implementing the Charter (TRANSPORT B-BBEE CHARTER SUPPORT SYSTEMS)	
Objective	Key Performance Indicator
To provide systems that will ensure effective implementation of the charter	<ul style="list-style-type: none"> • Charter gazetted as transformation Charter as well as Codes of Good Practice. • One stop shop for Transport charter implementation in place and providing information on the following issues <ul style="list-style-type: none"> ○ Access to finance for BEE transaction ○ List of potential BEE investors ○ Guidelines and resources for developing partnerships ○ Details of existing government incentives

	<ul style="list-style-type: none"> ○ Details of existing financial resources and schemes ○ Database of BEE suppliers ○ Dispute resolution mechanism via the council ○ Best practice case studies ○ Details on TETA learnerships and training schemes ○ List of accredited BEE rating agencies ○ Web-based self assessment tools ● Transport Charter website ● Transport Charter helpline ● Email response systems ● Who is who in the Council ● Services offered by the Council ● Reporting procedure ● Quarterly and annual reports
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These objectives are identified at a point in time and are therefore not fixed. They provide the Council with direction and focus but do not restrict activities or initiatives. Key performance indicators are listed to provide stakeholders with a methodology for measuring the success of the Council's activities and initiatives. It is understood from the outset that time will be required to build sufficient capacity for the Transport transformation to flourish, and that the role of the Council will be the one of facilitation of initiatives through the inclusion of as many sector participants and stakeholders as possible.

3.1 Key Programmes for the Council's Operation

The Council's operation will focus on the following projects:

3.5.1 Study to Review/Audit the State of Transport Transformation

The purpose of the study will be to assess the extent to which BEE has been implemented to date within the Transport sector, amongst Transport enterprises of all sizes, and in so doing determine the status of BEE within the sector. This will enable the Council to drive implementation in areas of weaknesses, to identify the extent of transformation needed in order to meet the Transport Charter targets, to track progress and to assess the impact of the Council.

3.5.2 Finalise alignment of the Charter with the DTI Codes of Good Practice

Facilitate the finalization of the alignment of the transport sector B-BBEE Charter with the DTI codes of Good Practice.

3.5.3 Finalise strategy to engage Private Sector

A strategy to engage private sector will be finalised and a process will be put in place to communicate systems that can assist the private sector in implementing the charter. Agreement will be reached on the reporting format.

3.5.4 Undertake necessary preparatory activities for the transformation review of the following financial year

This will include accreditation of verification agents, definition of criteria and requirements for accreditation of verification agents, development application and accreditation process and implementation of accreditation process.

This will also involve development of internal processing procedures which will include initiating a process of securing consultants to review process, finalise and systematize interpretations, definitions, scoring methodologies and audit procedures, develop formats for institution's annual reports and develop electronic software and programme systems to capture data from institutions.

Calling for reports and determining dates for submission. Issue guidance notes on all of the matters to provide participating institutions and accredited agencies with a clear understanding of what is required, in what formats and the criteria the Council will use in evaluating reports.

Respond to queries from participating institutions and verification agents on interpretation and application of the Charter and the submission procedures for the annual review.

Publicize the Charter by announcing completion of the scorecards and the transformation performance review annually and implications

Prepare and report to the Minister Transport and to the Presidential B-BBEE Advisory Council a report on the transformation performance during first year of implementation.

3.5.5 Setting up of Systems to Enable the Council to deliver on B-BBEE

The systems will enable the Council to deliver on its mandate, including communication and popularization of the Charter. The systems will also provide guidance and interpretation to the Charter. This will include the development of the following systems:

- Development of the B-BBEE Toolkit resource, which will include systems to support provincial and local government in implementing the Charter.
- Development of the Charter Resource Website, which will include collation of basic B-BBEE , legal and financial content of the website, email response training and the development of a Transport BEE Scorecard assessment tool.
- Develop reward systems and incentives to acknowledge contributors to the Transport BEE Charter.

3.5.6 Finalise strategy to engage Public Sector

This will include facilitating a process to introduce the Public Sector Transport Procurement Toolkit to the public sector and to the organs of state. The toolkit will be piloted on the DOT family and gradually be introduced to provincial and local governments as well as all organs of state. A strategy to engage public sector will also be finalised. Agreement will be reached on the reporting format. Engage internally divisions like human resource, supply chain management, finance, and capacity development in ensuring that Public Sector Charter is been implemented with its targets.

3.5.7 Communication and awareness

Public awareness programmes to enlighten South Africans generally and potential beneficiaries particularly of the benefits resulting from the Charter (media and consumer education programmes). This will also include media initiatives to promote awareness of the report on the state of Transport transformation, programmes to announce finalization of the review, and Council consumer benefit programmes.

3.5.8 Other key initiatives

Initiate skills audit of black personnel in the Transport Sector. Initiate a research to better understand the financial offerings in the market place and to recommend the best financial options to advance Transport transformation. Initiate an audit of market access challenges facing the sector. Play a proactive role in facilitating at least three major BEE deals per annum

3.5 Council Stakeholder

The following are recommended core stakeholders dealing direct with the Council. The list is not exclusive or exhaustive but merely lists the organisations that remain central to the Council's operations.

3.2 Table 2: Council Stakeholders

Stakeholder	Strategic Benefit
Department of Transport	Provides political and financial support for the Council as a whole. Provides infrastructure and logistical support
The dti and its agencies (Khula, Development Bank of Southern Africa, Small Enterprise Development Agency, National Empowerment Fund, Industrial Development Corporation)	DTI provides B-BBEE policy direction. Accredit verification agents and provide framework for the operation of the Council and the implementation of the Charter. Provide technical and financial support in the implementation of initiatives.
Commercial Banks	Provide funding for the implementation of programmes and B-bBEE deals

TETA	Provide support in the implementation of the skills development factor.
Industry BEE brokers, consultants, advisors and other private sector parties with expertise and services	Provide consultancy services and accredit businesses
PPP unit in treasury	Put in place systems to facilitate implementation of Transport public and private sector partnership programmes

4 Operational Capacity

4.1 Organizational and Business Systems

The Council will operate in the premises of the Department of Transport. The Council will run as a hub point for activity and thus will have a low staff count and limited physical resources. The Council should operate as a service provider and resource database and therefore should act as a knowledge resource for people affected by the Transport BEE Charter. The Council will only be able to respond to the needs of the sector through its partnership and collaboration with other providers and industry role players.

4.2 Stage of Development

The Council will be at the early stage of infrastructure development and will need to put in place the resources, systems and methods to manage each programme as well as associated projects. There is a need to urgently build capacity so as to provide support to the Council initiatives.

4.3 Management and staffing

Currently, the BEE Charter Development process is been done at a BEE Directorate level, which provides to the Council as the secretariat services. In addition, the BEE Directorate will give administrative support to the council and implement council decisions and currently the staff the secretariat function within the BEE Directorate is the Deputy Director assisted by two Assistant Directors.

4.4 Council representation

The Council should be comprises of industry role players who have transport sector and BEE knowledge and experience to serve into it. Members should be drawn from the key stakeholders who are currently in the transport industry. The chairperson can be anyone even if that individual is not within the Transport industry.

5 Financial Projections

5.1 Financial Assumptions

To some degree it is not clear as to how the activities will be implemented and hence financial requirement will change over the next three years, and to a lesser or greater degree this may be driven by the funding that is made available.

So as to provide some framework for estimating future financial needs a number of assumptions have been made as follows:

- All estimated costs will be reduced annually
- There will be programmes running for the entire five year period.
- Each programme will have a number of projects associated with it; these variables can be found on the attached sheet.
- Funding will be provided by DOT over an initial 3 year cycle, subject to the Council-DOT agreement on annual business plans.

5.2 Financing Requirements

The financial model presented along the business plan represents a middle road, assuming that the Council capacity does not grow beyond its proposed base.

Financial Scenario	Year 1 (2015/16)	Year 2	Year 3	Total
Middle Road	R800 000	R600 000	R500 000	R1.9m

No projections or assumptions has been made regarding sources of funding, it has been assumed that the Department of Transport will support the Transport BEE Charter implementation and Council Development although going forward we like to see industry contribution towards charter council in a form of enterprise development contribution which will be recognized and points be allocated.

6 Conclusion

This document presents an overview of the opportunity contained within institutionalizing the implementation of the Transport BEE Charter. The implementation of the Transport BEE Charter has a number of challenges that needs to be addressed by the Council. The Council has been formed to provide resources, services and support the implementation of the Charter. This has been done under the leadership of the Department of Transport and possible collaboration with identified stakeholders.

The continued existence of the Council will rest upon the continued financial support of DOT. Supporting the Council represents an opportunity to invest in a growing sector and to ensure that Transport does deliver on job creation, GDP

growth and transformation. It is important that the council and BEE Directorate be given necessary capacity to implement eight sub-sector charters.