

B-BBEE Codes of Good Practice - Overview of the Transport Sector



The broadest B-BBEE sector there is, is the Transport Sector. Since the inception of Broad-Based Black Economic Empowerment (B-BBEE), the majority of the codes have been amended, with the exception of that of the Transport sector (Government Gazette No. 32511 of 21 August 2009).

In 2016, a draft sector code was released for the Transport Sector, but to this day has not been published. The Integrated Transport B-BBEE Charter applies to all modes of transport, including air, road, rail and maritime freight and public transport.

In this blog we aim to touch briefly on the different Transport sub-sectors and focus on a few important factors to keep in mind when dealing with entities embodied within the Transport Sector.

All transport entities fall within one of the sub-sectors below and is it very important to identify which sub-sector is applicable to an entity because their targets vary.

What are the sub-sections of the Transport Sector?

- Bus Commuter and Coach Services Sub-Sector Code
- Taxi Industry Sub-Sector Code.
- Road Freight Sub-Sector Code.
- Public Sub-Sector Code – Transport.
- Maritime Transport and Services Industry Sub-Sector Code.
- Forwarding and Clearing Sub-Sector Code.
- Rail Sub-Sector Code.
- Domestic Aviation Sub-Sector Code.

Classification of Transport entities:

- **Revenue between R0 - R5 million** = Exempted Micro Enterprise (EME)
- **Revenue between R5 - R35 million** = Qualifying Small Enterprise (QSE)
- **Revenue of R35 million and above** = Generic Enterprise

Important factors to keep in mind when working with the Transport Sector B-BBEE scorecard:

- **All Transport entities with a revenue above R5 million per annum must undergo a scorecard verification** to obtain a BEE certificate / level. The Transport Sector code does not make provision for automatic BEE levels by way of an affidavit when an entity has more than 51% Black Ownership.
- **QSE Transport Entities can choose any four of the B-BBEE scorecard elements to be measured on** during verification and each element will count 25 points.
- The **Transport Sector Code does not have the requirement of “priority elements”**. The priority element principle is where measured entities fail to meet 40% of the points of Ownership (Net Value), Skills Development, or each sub-element of Enterprise and Supplier Development. This will then result in the measured entity’s rating level automatically being discounted by one level.
- The **B-BBEE status/level scoring framework is more lenient**. The points required to achieve a certain B-BBEE level are fewer than for the other sectors. Transport entities can obtain a B-BBEE level by obtaining as few as 30 points during a verification, whereas entities that fall under other B-BBEE sectors only obtain a B-BBEE level from 40 points during a verification (keeping in mind the effect that the discounting principle can have on entities during verification).
- The element **Management Control** is split into two separate elements, namely Management Control and *Employment Equity*, and there is no Supplier Development element.
- There is **no requirement for demographic representation of Black people** according to the Economically Active Population under the element of Skills Development. Transport’s Skills Development expenditure target is only 3% of the entity’s leviable amount, whereas in most other sectors the Skills Development expenditure target is 6% of the entity’s leviable amount. It is also important to keep in mind that all Skills Development expenditure must be in respect of employees of the specific entity.

Conclusion:

Being classified under the B-BBEE Transport Sector does hold advantages for verification purposes but it still comes with many challenges. Since the Transport B-BBEE Sector codes have not yet been aligned with the other *B-BBEE codes*, it is important for Transport entities to seek out professionals to assist them with their planning and verifications.

SERR Synergy, in association with various SANAS-accredited agencies, provides a complete range of B-BBEE Verification Services. We have developed a sound and comprehensive verification methodology in order to simplify the *BEE audit process*. We assist clients in the *verification process* step-by-step and our services include the allocation of an accredited facilitator.

About the Author: Sanél Cornish joined SERR Synergy in October 2019 and is currently a senior B-BBEE professional at our Cape Town Branch. She graduated from the University of Stellenbosch in 2014 with a B.Com Law degree. In 2016 completed her postgraduate LLB degree, after which she was admitted as a Legal Practitioner of the High Court of South Africa in February 2019.

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