



ASSOCIATION OF SOUTH AFRICAN TRAVEL AGENTS



COMMENT TO THE DEPARTMENT OF TRADE AND INDUSTRY



The draft Tourism Sector Code as provided for in Code 000 Statement 003 of the Codes of Good Practice under Section 9(5) of the Broad-Based Black Economic Empowerment (Act No. 53 of 2003).

VISION

Champion ASATA Members as the consumer's channel of choice for the delivery of travel products and services

MISSION

To support Members in meeting Consumer's needs of value and security, through developing and maintaining the highest level of expertise and professionalism.

1. Background

The Association of South African Travel Agents, simply known to most people in the industry as ASATA is a registered Trade Association and Section 21 Company (Company not for gain) for employers in the travel industry. ASATA was formed in September 1956 with the objective of becoming a representative, industry body. Through the years, ASATA has developed from a predominantly retail travel agents association into a more wide-ranging body. Our membership comprises the full spectrum of travel related services, and represents around 80 – 85% of the market share, with all of the major groups and a significant amount of the independent agents as members. ASATA has fought for recognition by government, the media and most agents as the mouthpiece of the industry. Membership of ASATA is however on an entirely voluntary basis.

ASATA Members sell travel related products and services, particularly package tours and airline tickets, to end-user customers on behalf of third party travel suppliers, such as airlines, hotels, tour companies and cruise lines.

In addition to dealing with leisure travellers, most ASATA Members have a special division devoted to travel arrangements for business travellers. Some ASATA Members specialise in commercial and business travellers and are referred to as Travel Management Companies (TMC's).

As the name implies, a Travel Agent's main function is to act as an agent, in the selling of travel products and services on behalf of a supplier. Consequently, unlike other hospitality businesses they do not keep stock in hand. A package holiday or a ticket is not purchased from a supplier unless a customer requests that purchase. In recent years the financial model of the ASATA Members has changed considerably. In the past they were paid a commission by the supplier, more particularly the airlines. This practice has changed and airlines no longer pay a commission to the Travel Agent, agents now charge a "service fee" for services rendered to their client directly.

Essentially, ASATA services the needs of the South African traveller. The products and services relating to the outbound market dominate in the make up of the ASATA Member base however, a significant portion of their transactions include domestic travel. In turn that outbound market requires a very different skills set, business processes, utilisation of the global technology platform and financial requirements. These elements are vastly different to the traditional hospitality, tour operator and other local tourism services.

From the background outlined above, it is very clear that the Travel industry is somewhat different to the Tourism industry. Whilst both sectors play a significant role within the South African economy, ASATA has taken this opportunity to highlight the need for the two disciplines to be reported separately.

2. Ownership

- a. The particular emphasis ASATA would like to highlight refers to the second point in the commitment to furthering Transformation and Broad Based Black Economic Empowerment in the Tourism Sector, as outlined in the Government Gazette No. 31168, point 2. The Legacy, The need to include black people in the Tourism Sector.
- b. ASATA recognises that the Travel sector does not attract black owners and whilst it is largely transformed from a Management and Employee perspective it remains a dominantly white owned sector. However, we are also acutely aware that the small business travel sector is not an attractive opportunity for potential owners because of the commercial barriers to entry. We refer more particularly to The International Air Transport Association's (IATA) requirement of a bank guarantee as security with the association (IATA) who are based in Geneva, Switzerland. This practice prohibits the introduction of black entrepreneurs into the market. Essentially, those EME's who have previously been recognised as a Level 4 contributor will now have to gain a Level 3 contributor status in order to retain or recruit business with the public sector. Coupled with the stringent requirements as laid out by IATA this therefore is seen by ASATA Members who own small business as being prejudiced. We highlight the fact that small business is a great contributor to

job creation in this sector and request that these entry requirements are reconsidered.

- c. In addition, the margins earned by business owners are disproportionate to the turnover generated, often disappointing potential investors.
- d. We propose that Black Women owners of Travel Agencies are awarded separate points in the first five years.

3. Management Control

- a. No further comment on the amendments, we note the increased weightings.

4. Employment equity

- a. It is generally accepted that the definitions provided in the Employment Equity Act are being used as a base but ASATA requests that these definitions are documented within these codes.
- b. It is critical that the definitions are consistent with codes that are implemented for skills development.
- c. Any changes would fundamentally affect the targets in the future.
- d. We refer more particularly to the junior, middle and senior categories.

5. Skills development

- a. The increased weighting given to the Skills Development element is welcomed by ASATA considering the critical skills shortage within the industry.
- b. We would also request that the current 1% skills development levy is included in these targets.
- c. It is encouraging to see the increase in the weightings with respect to Learnerships, however we are reminded of some of the challenges pertaining to THETA accreditation of training institutions who focus primarily on the outbound Travel industry.
- d. ASATA and its Members are committed to ensuring that these Learnerships are increased and sustained.

6. Preferential procurement

- a. In terms of rewarding value adding suppliers which produce locally, the outbound Travel Agent is somewhat disadvantaged as we are required to procure tour packages, accommodation, rail, car, etc from an international third party who does not comply (non South African companies, residing off shore). The local Travel Agent will therefore be compromised by dealing with what is viewed by the Code as a non compliant supplier. We request this to be considered in your review.
- b. We request that Black Owned Travel Agencies are included in the list of Professional Services Providers and Entrepreneurs.

7. Enterprise development

- a. No further comment, we support the proposed weightings.

8. Socio-economic development and industry specific

- a. We note the inclusion of an additional indicator for 10% of black recruits with no prior work experience as a % of all new recruits and half of those, must be women.
- b. This appears to be over and above the Employment Equity targets which will ultimately impact the skills development spend.
- c. We would like to propose that this should fall into the Employment Equity indicator with an adjustment in targets and weightings.
- d. Alternatively the use of the word "recruit" should change to "intern".
- e. ASATA Members are instrumental in collecting and processing the TOMSA levy however, owing to the nature of their business our Members do not contribute into this levy.
- f. In addition ASATA Members, collect and pay over the "WC" Air Passenger Tax which amounts to R120,00 per international ticket and R60 per regional ticket. The industry is not remunerated in any way for the collection and settlement of these taxes which is substantial.
- g. In view of the fact that ASATA, as the industry association is instrumental in ensuring the good practices of the industry in general, we believe the three (3) points allocated to the status of a TOMSA levy collector is a shortcoming

owing to the fact that our Members do not make this contribution. As intermediaries our role is merely to facilitate the collection and not make an additional contribution to TOMSA as originally contributed by the source supplier.

- h. In the interests of the continued upliftment of the industry in general it would be appropriate to allocate those 3 points to those fully paid up ASATA Members. We believe this would encourage compliance by our Members and potential Members to ensure the professionalism of this industry.