



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

TO ALL: ACCOUNTING OFFICERS OF DEPARTMENTS AND CONSTITUTIONAL INSTITUTIONS
ACCOUNTING AUTHORITIES OF ALL SCHEDULE 3A & 3C PUBLIC ENTITIES
HEAD OFFICIALS OF PROVINCIAL TREASURIES

NATIONAL TREASURY CIRCULAR NO 4 OF 2016/2017

NATIONAL TRAVEL AND ACCOMMODATION CORPORATE RATES FOR GOVERNMENT

1. PURPOSE

- 1.1. The purpose of this circular is to inform departments, constitutional institutions and public entities listed in Schedule 3A and 3C to the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) of the memorandums of understanding (MoUs) and the corporate agreements signed by National Treasury on behalf of the South African Government with domestic full service airlines and major hotel groups utilised by Government.
- 1.2. This Circular should be read in conjunction with *SCM Treasury Instruction 1 of 2016/17* which gives effect to the implementation of the National Travel Policy Framework.

2. BACKGROUND

- 2.1. Cabinet resolved that all spheres of government, must implement measures to contain costs and eliminate all nonessential expenditure;
- 2.2. In the 2016 State of the Nation Address, cost containment measures were reemphasised. It was highlighted that excessive and wasteful expenditure have to be reduced, and that increased effort be taken to eliminate unnecessary expenditure.
- 2.3. The following measures give effect to the Cabinet Resolution:

2.3.1. Travel and subsistence

The National Treasury, on behalf of all National and Provincial Departments, Constitutional Institutions and Public Entities listed in Schedule 3A and 3C, has negotiated improved upfront discounts for flights as well as discounted accommodation rates. Therefore all institutions listed above are requested to utilize these agreements to assist in their respective cost containment measures, and are encouraged to negotiate lower rates or utilize other service providers that offer lower rates.

2.3.2. Net and Non-Commissionable Rates

All rates offered to Government will be net and non-commissionable with immediate effect. This will include the informal accommodation market e.g. Guest Houses and Bed & Breakfast establishments.

2.3.3. Rebates, Overrides, Volume based income

In the spirit of transparency, the National Treasury is taking a firm position on rebates, overrides or any volume driven target incentives being paid by suppliers to Travel Management Companies (TMC). These payments and the practice of overrides is to discontinue for Government business with immediate effect.

2.3.4. National Travel Policy

The Treasury issued a Treasury Instruction which gives effect to a National Travel Policy Framework. Departments and public entities listed in Schedule 3A and C to the PFMA must adapt their institutional instructions, policies and standard operating procedures to the National Travel Policy Framework by 30 June 2016. With effect from 1 July 2016 institutions are expected to fully implement the National Travel Policy framework. The Policy Framework will be available on the OCPO's website:

http://ocpo.treasury.gov.za/Buyers_Area/Legislation/Pages/default.aspx

3. **CORPORATE AGREEMENTS AND MEMORANDUMS OF UNDERSTANDING (MoU)**

3.1. **Domestic Air Travel**

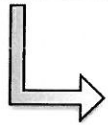
- 3.1.1. Treasury has negotiated with the two "Full Service Carriers", i.e. South African Airways (SAA) and Comair/British Airways (BA) for discounted rates for government officials for domestic air travel. The Domestic Air Travel rates are attached as **Annexure 1**. (These rates are not applicable for International Air Travel.).
- 3.1.2. For SAA, the discounts range from 5% (L class) up to 30% (Y Class) for Economy Class tickets; and 10% (D Class) up to 26% (C Class) for Business Class tickets. Please note that business class is not encouraged, however where a single flight exceed 5 hours, consideration may be applied.
- 3.1.3. For BA the discounts range from 10% (O, Q class) up to 25% (Y Class) for Economy Class tickets; and 20% (J Class) for Business Class tickets. Please note that business class is not encouraged, however where a single flight exceed 5 hours, consideration may be applied.
- 3.1.4. Treasury has entered into short-term Corporate Agreements from 1 April 2016 to 30 September 2016, whereafter the agreements will be reviewed with a view of longer term applicability.
- 3.1.5. The premise of **Best Fare on the Day** must be implemented making full use of the negotiated Government Corporate Agreements with SAA and BA. These agreements are not exclusive agreements and TMC's are required to obtain quotations from at least SAA and BA as well as from other Low Cost Carriers before confirming a booking. Please note that all discounted rates are subject to class availability.

- 3.1.6. Corporate agreements with SAA and BA will be made available to Departments and their appointed Travel Management Companies (TMCs) Should the full service carrier representative fail to make contact with the department's TMC, the TMC should inform National Treasury with the agents name; physical address, contact name, email address and IATA number. Upon receipt of the information, the representatives of the full service carriers will provide the Department's TMC with Government's deal code. The TMC must have an authenticated IATA number.
- 3.1.7. Accounting Officers and Accounting Authorities of departments, institutions and entities are advised to instruct their appointed travel agencies (TMC's) to only make booking arrangements on behalf of departments, institutions and entities in line with this Circular. Current arrangements need to be updated and amended to reflect these changes.

3.2. Domestic Accommodation

- 3.2.1. National Treasury has negotiated **maximum allowable rates** with four hotel groups. **Non-exclusive** MOUs have been entered into with the hotels for a period of six months from 1 April to 30 September 2016 while National Treasury prepares for an alternative and more inclusive process. The hotels are Premier Hotels & Resorts, Protea Hotels, City Lodge Hotel Group and Tsogo Sun. These maximum allowable rates are applicable to all accommodation establishments.
- 3.2.2. Travel Management Companies are required to **obtain quotes** from at least these four hotels; however it is not necessarily limited to them as accommodation depends on availability, locality and rates, which could be lower. **Competition and cost effectiveness** must remain a key principle. Travel Management Companies are required to insist competition from the accommodation establishments and the fees must fall within the maximum allowable rate. TMCs should not blindly accept the maximum allowable rate as the norm.
- 3.2.3. The grid below provides for rates in each category of star grading (1 star to 5 star) including guest houses and B&B's. It is important to note that the rates proposed in the grid will serve as "**maximum allowable rates**" and not the rate to be charged as a norm. Hotels will still be expected to compete for business during this period.

Table 1: Rates set for Domestic Accommodation

ACCOMMODATION GRID FOR GRADED HOTELS			
Voucher Includes	BAND 1	BAND 2	BAND 3
	Room Only Tourism Levy VAT	Bed & Breakfast Tourism Levy VAT	Dinner, Bed and Breakfast Tourism Levy VAT 2 x Soft Drink at Dinner
	BAND 1	BAND 2	BAND 3
1 Star property	R 580.00	R 710.00	R 855.00
2 Star property	R 900.00	R 1 030.00	R 1 230.00
3 Star property	R 1,100.00	R 1,200.00	R 1,400.00
4 Star property	R 1,250.00	R 1,350.00	R 1,550.00
5 Star property	R 2,100.00	R 2,200.00	R 2,500.00

ACCOMMODATION GRID FOR BED & BREAKFAST AND GUESTHOUSE ESTABLISHMENTS			
	BAND 1	BAND 2	BAND 3
1 Star property	R -	R 180.00	R 270.00
2 Star property	R -	R 250.00	R 350.00
3 Star property	R -	R 400.00	R 520.00
4 Star property	R -	R 600.00	R 750.00
5 Star property	R -	R 800.00	R 975.00

SUBSISTENCE AND TRAVEL ALLOWANCE (S&T)			
	BAND 1	BAND 2	BAND 3
Breakfast	R 120.00	R -	R -
Lunch	R 150.00	R 150.00	R -
Dinner	R 150.00	R 150.00	R -
Total as per Travel Policy	R 420.00	R 300.00	R -
S&T Claims may be accepted based on the Travel Policy. This may include Parking, Laundry and Wi Fi Important Note: All other costs incurred are for the individuals account.			

4. INSTRUCTION TO APPOINTED TRAVEL MANAGEMENT COMPANIES

- 4.1. Departments, constitutional institutions and public entities must instruct their TMC's to make use of the corporate rates with domestic full service carriers and must insist on competition (Best Rate of the Day) from the accommodation establishments and the fees must not exceed the maximum allowable rate. TMCs should not blindly accept the maximum allowable rate as the norm.
- 4.2. For domestic accommodation arrangements, the TMC's must **obtain quotes** from at least the four hotels and other accommodation establishments in order to maintain healthy competition as accommodation depends on availability, locality and rates. Please refer to the Standard Operating Procedure (SOP) for Accommodation attached as **Annexure 2**.
- 4.3. For domestic air travel arrangements, TMC's are required to **obtain quotes** from at least SAA and BA as well as from other Low Cost Carriers before confirming a booking. Please note that all discounted rates are subject to class availability. Please refer to the Standard Operating Procedure (SOP) for Domestic Air Travel attached as **Annexure 3**.

5. COMMENCEMENT DATE OF THE CORPORATE AGREEMENTS AND MEMORANDUMS OF UNDERSTANDING

- 5.1. The commencement date for the Corporate Agreements and Memorandums of Understanding (MOU) is 1 April 2016 and is effective immediately.

6. APPLICABILITY

- 6.1. This Circular applies to all departments, constitutional institutions and public entities listed in Schedule 3A and 3C to the PFMA.

7. DISSEMINATION OF INFORMATION CONTAINED IN THIS CIRCULAR

- 7.1. Heads of provincial treasuries are requested to bring the contents of this circular to the attention of accounting officers and supply chain management officials of their respective provincial departments;
- 7.2. Accounting officers of constitutional institutions and national departments are requested to bring the contents of this circular to the attention of accounting authorities and the supply chain management officials of Schedule 3A and 3C public entities reporting to their respective executive authorities.

8. NOTIFICATION TO THE AUDITOR-GENERAL

The Auditor-General will be notified of the contents of this circular.

9. INFORMATION

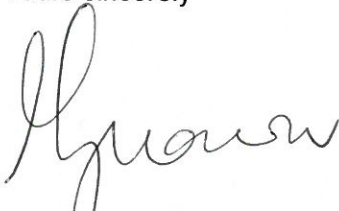
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Yours sincerely



KENNETH BROWN
CHIEF PROCUREMENT OFFICER

DATE: 15/4/2016.

ANNEXURE 1: DOMESTIC AIR TRAVEL RATES



Booking classes	Applicable Fare discounts															
	Business Class							Economy Class								
	C	J	Z	D	Y	B	M	K	H	S	Q	T	V	L	G	W
Domestic	26	24	24	10	30	na	27	27	27	12	8	7	7	5	0	0



Booking classes	Applicable Fare discounts					
	Business Class			Economy Class		
	J	Y	B & H	M & K	V/S,N,	Q and O
Domestic	20%	25%	16%	12%	10%	10%
					7 Days Advance Purchase	14 days Advance Purchase

ANNEXURE 2 – SOP FOR ACCOMMODATION

No	Activity	Traveller	Approver	TMC	Hotel	Entity Creditors Dept
1	Process travel request stating accommodation star grading and band according to cost containment grid	●				
2	Approves request		●			
3	Notify TMC with Purchase Order		●			
4	TMC acknowledges receipt			●		
5	TMC obtains at least 3 quotes from either Protea, Tsogo Sun, Premier Hotels and Citi Lodge as well as any other available accommodation in the area			●		
6	TMC makes reservation based on "best rates and availability"			●		
7	TMC notifies traveller for acceptance			●		
8	Traveller accepts recommendation made by TMC	●				
8.1	Traveller rejects recommendation made by TMC	●				
8.2	TMC presents traveller with 2nd and 3rd quotes and records reason for rejection by traveller (provide monthly report on rejections)			●		
9	TMC issue voucher to traveller			●		
10	Traveller checks into hotel	●				
11	Hotel checks in traveller				●	
12	Traveller settles all extras (claim in accordance with travel policy)	●				
13	Hotel matches voucher and invoice and submits to TMC				●	
14	TMC Reconciles account			●		
15	TMC attach all third party documents (signed invoice) to its own invoice and submit to entity's creditors department			●		
16	Creditors department settles invoice 30 days later					●

ANNEXURE 3 – SOP FOR AIR TRAVEL ARRANGEMENTS

DOMESTIC AIRLINES

No	Activity	Traveller	Approver	TMC
1	Completes departmental travel requisition form for air travel	●		
2	Approves request to travel		●	
3	Notifies TMC with the above requisition		●	
4	TMC acknowledges receipt of requisition			●
5	TMC obtains at least 3 quotes based on the routing selected. These quotes to include SAA and BA/Comair ranked on "best fare of the day"	●		
6	Traveller presents quote to approver for sanction	●		
7	Cost of trip approved		●	
	COST NOT APPROVED			
7.1	Approver rejects first quote submitted		●	
7.2	Preferred option based on costs and budget approved		●	
8	Confirmation of approval send to TMC to proceed with booking	●		
9	TMC confirms booking with airlines "best rates and seat availability"			●
10	TMC issues itinerary with GDS booking reference number to traveller (electronic ticket)			●
11	Trip is now booked and you may proceed. Take note of airlines rules and regulations which may be obtained from the TMC or airline directly (e.g. baggage and check in times)			
	PRE TRIP CHANGES			
	Changes may be made prior to TMC issuing the ticket. Refer back to point 7 in the approval process if there is a change in the cost of the ticket	●		
	CHANGING REQUIRED DURING TRIP			
	All changes during the trip require approval	●		
	TMC is notified of the change/s required	●		
	TMC notifies traveller of cost to change			●
	Obtain authorisation from approver	●		
	Traveller notifies TMC of approval	●		
	TMC notifies traveller of changes			●