national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

TO ALL: **ACCOUNTING OFFICERS OF DEPARTMENTS AND CONSTITUTIONAL INSTITUTIONS**

ACCOUNTING AUTHORITIES OF PUBLIC ENTITIES LISTED IN SCHEDULES 2 AND 3 OF THE PFMA

HEAD OFFICIALS OF PROVINCIAL TREASURIES

NATIONAL TREASURY CIRCULAR NO 02 OF 2019/2020

THE USE OF TRAVEL LODGE CARD AS A METHOD OF PAYMENT FOR TRAVEL EXPENDITURE

1. PURPOSE

1.1. The purpose of this circular is to appeal to departments, constitutional institutions and public entities listed in Schedule 2 and 3 to the Public Finance Management Act (PFMA), 1999 (Act No. 1 of 1999) to consider using Travel Lodge Card as a payment method for Travel Expenditure.

2. BACKGROUND

2.1. In November 2013, the erstwhile Minster of Finance approved an amendment to the Treasury Regulations with the addition of paragraph 15.10.3 to read as follows:

"A Department or Constitutional Institution may retain or obtain:

a) A credit or debit card lodged with the Travel Agency for the purpose of payment for travel and accommodation related expenses."

2.2. Only a few Departments and Constitutional Institutions took advantage of the above amendment. With the introduction of Travel Lodge Cards payment frequency could drastically improve to reduced or eradicate delay in payments in respect of travel related expenditure.

3. INTERNATIONAL AIR TRANSPORTATION ASSOCIATION'S (IATA) DECISION TO REMOVE BILLING SETTLEMENT PLAN (BSP) OF 30 DAYS

3.1 During November 2018, global airlines under the IATA banner, unilaterally decided to remove the monthly remittance of airline sales from the remaining markets that still offered it, South Africa included. This, in essence, means that travel agents will be forced to pay IATA for booked flights within a 14-day or 7-day cycle, versus the current 30 days. The implementation date of this resolution is 1 May 2020.

3.2 The monthly remittance has been critical in this market because, in practice, Travel Agents and Travel Management Companies (TMC) extend credit to corporate and government customers. Removing the monthly remittance, will increase risk on the Travel Agents and TMCs and will place enormous pressure on their cash flows, as their customers continue to expect to receive the benefit of 30-day credit. Travel Agents and TMCs will effectively "fund" their clients' travel upfront.

4. CHALLENGES OF THE NEW 14 DAYS BILLING SETTLEMENT PLAN

4.1. The effects to TMCs of translating to a 14 day billing system under the current provision of Government having to pay suppliers within 30 days, implies that TMCs will have to:

a) pay IATA twice before they are able to claim from government institutions.

b) double their guarantee payment to IATA in order to remain registered and be able to ticket for Air Transport.

c) increase their credit facilities for government institutions that are currently operating on a Full Bill Back Account for Travel.

5. CONSEQUENCES OF NON ADHERENCE TO THE 14 DAYS

5.1 Should Government persist with not paying their travel suppliers within 30 days, the real possibility exists that post 30 April 2020:

a) TMCs and Travel Agents will not be able to pay IATA, resulting in their licenses being revoked and ultimately not being able to service their government clients. This will, in turn, result in government officials being unable to fly.

b) Many SMME travel agencies will be most at risk, as they do not have the required cash flows to adhere to the reduced remittance cycles and carry the credit of their government clients.

c) As a consequence, government can expect more job losses in this sector which goes against Government's commitment to doubling jobs in the tourism sector.

6. RECOMMENDATIONS

6.1. The HODs and CFOs of government institutions who are operating a Full Bill Back Travel Account must take note of the Airline payment risk and implement a 14-day or 7- day payment cycle to their TMCs; or

6.2. Government Institutions must consider to implement the use of travel lodge cards as the preferred method of payment to settle travel related expenses.

7. DISSEMINATION OF INFORMATION CONTAINED IN THIS CIRCULAR

7.1. Accounting officers of national departments are requested to bring the contents of this Treasury Circular to the attention of all –

a) accounting officers of government components and constitutional institutions that receive transfers and subsidies from its vote; and

b) accounting authorities of public entities reporting to their executive authorities.

7.2. Head Officials of Provincial Treasuries are requested to bring the contents of this Treasury Circular to the attention of all accounting officers of departments and accounting authorities od public entities in their respective provinces.

8. INFORMATION

Enquiries related to this Circular may be directed to:

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