**MINISTRY OF TOURISM**
**REPUBLIC OF SOUTH AFRICA**

**Private Bag X424, Pretoria, 0001, Tourism House, 17 Trevenna Street, Sunnyside, Pretoria**
**Tel. (+27 12) 444 6780, Fax: (+27 12) 444 7027, Email: ministry@tourism.gov.za**
**Private Bag X9154, Cape Town, 8000, 120 Plein Street, 3rd Floor, Cape Town,**
**Tel. (+27 21) 465 7240, Fax: (+27 21) 465 3216**
**www.tourism.gov.za**

**Speech delivered by Minister Marthinus Van Schalkwyk for the Industry-Government Leadership meeting, 30 August 2012, Pretoria**

**30 August 2012**

Good morning, colleagues, and thank you for making the time to join us here this morning. I always appreciate this opportunity for government and industry leadership from across the value chain to meet face-to-face for a frank and constructive stock-taking. Engagements such as this as well as our other interactions throughout the year are critical if we are to achieve the objectives of the National Tourism Sector Strategy (NTSS).

As a starting point, I wish to recognise our common inspiration and vision as we continue to synchronise our actions in industry and government. Our ability to move forward in lockstep makes our partnership – and, let me add, the constructive tone of our engagement – the envy of many other sectors.

In this context, I must thank the new South African Tourism (SAT) board for bringing private sector experience and knowledge into our planning systems in government. We appreciate your passion and willingness to support us in government in our efforts to realise our vision for this sector. In the same vein, I want to thank TBCSA for the on-going working relationship and the efforts of industry to organise itself, especially as you strive to become more representative of the whole industry value chain.

I am also delighted that we can meet here today in a slightly improved business climate compared to last year. Although many risks and uncertainties remain, it would seem as if we have turned the corner in respect of occupancy, which was the main reason for the despondency that persisted in some quarters when we gathered on 25 August last year. The week before last, I was encouraged to note City Lodge's latest financial results, announced by Clifford, which were achieved on the back of recovering occupancy.

But, of course, the pressure remains in many parts of our value chain. The post-recession consumer and trade landscape presents new challenges. Today, value-conscious consumers are spoilt for choice. In international source markets, we have witnessed the consolidation of the trade. The trend of disintermediation continues, and there is more online travel buying and an increasingly important role for travel agents. Our challenge is to ensure that we remain relevant, exciting and inspiring in the buying cycle. Also, in a more competitive international landscape, we have to work so much harder to compete for our 'share of voice' with big country brands such as the USA, Australia and India as we defend our brand positioning via global and local channels.

Looking to 2020, we remain optimistic that moderate growth in international arrivals worldwide will persist. This will however be multi-speed growth. Markets will continue to shift, some will stagnate, and others will grow disproportionately.

In the near term, we remain cautiously optimistic about growth in international arrivals. Our sector has shown remarkable resilience and, by all indications, we will continue to exceed international growth rates in 2012. The World Travel and Tourism Council (WTTC) expects global tourism gross domestic product (GDP) to grow at 2,8% this year, which is down from 3% in 2011. In terms of volume, the United Nations World Tourism Organisation (UNWTO) tells us that global tourist arrival growth has been a strong 5,4% during the first four months of 2012. Some flattening out is on the horizon, though, and by year-end, we expect arrivals growth worldwide to have averaged out in the 3–4% bandwidth.

In South Africa, we recently reported excellent results for the first few months of 2012: Tourist arrivals to our country increased by an overall 10,5% year-on-year during the first quarter, and overseas arrivals by nearly 18%. Just last week, the latest Statistics SA accommodation figures underscored this trend: Total income for the accommodation industry for the second quarter of 2012 increased by 11,2%, and the number of stay unit nights sold for the second quarter of 2012 increased by 8,2%, both compared to the same period in 2011.

This, of course, is only part of the narrative playing out in the global business landscape. Traditional markets are not yet out of the doldrums. The American economic recovery remains fragile: Their second-quarter GDP growth was down on the first quarter, but their annualised 1,5% growth still outperforms the Eurozone. The crisis in Europe could still drag the continent and the rest of the world into a prolonged recession, and the overwhelming consensus is that weak global growth from this key source market will persist.

Because we understand that their contribution will remain paramount for our success, we remain committed to work hard to maintain our market share from these traditional markets. As part of a portfolio approach that balances mature and growth markets, domestic and international tourism, and leisure and business travel, we will not neglect these bread-and-butter markets.

With that being said, our arrival figures also confirm that we made spot-on decisions in our previous portfolio review when we decided to establish a solid foothold and invest early in emerging markets. In the first quarter of 2012, Brazil recorded year-on-year growth of over 70% and India 23%. A measure of our success would be if some of these new ‘investment’ markets were to grow into ‘core’ markets in years to come.

Let’s take China, for example. Even though economic growth in China is slowing down, 7,5% economic growth in such a massive market is significant in any terms. In addition, because international tourism is a relatively new phenomenon for China, their double-digit outbound tourism growth continues to outstrip their economic growth. Consider, for example, that China had only 11 million outbound tourists in 2000. By 2020, this will have grown to 100 million outbound tourists, of whom 20 million will be long-haul travellers. This will likely render China the third-largest outbound market in volume, trailing only the USA and Germany.

However, we cannot be starry-eyed about emerging markets. We need to understand their needs even better. While early-mover advantages should be exploited, growth cannot be allowed to outstrip the development of appropriate supply-side offerings – for example, think of dietary preferences, customised itineraries and language training. Otherwise, growth will not be underpinned by high and sustainable repeat-visitor rates.

Closer to home, you can also be assured that we will be spending our new ring-fenced African-market allocation from Treasury very wisely. There is massive potential in harnessing the huge growth prospects from the air markets, especially as South African Airways (SAA) continues to expand airlift on our continent. By 2015, just over 50 African cities' populations will have grown to more than three million. By 2030, about half of all the people on our continent will be living in urban areas, with access to airports and other transport infrastructure. By then, Africa's total urban population of some 750 million will exceed the total current city dweller population in the West.

As you know, however, the African market is not just a market for the future. Middle-class households on our continent already outnumber those in major emerging markets such as India. In short, therefore, with a fast-growing and rapidly urbanising middle class and half a billion people potentially connected to tourist destinations and travel arrangements through mobile devices, I believe Africa is a market on the move – which is why many of you are also investing your retained earnings from the South African market towards expansion into Africa. I believe this is a very healthy development, because by doing so, we also get to understand the needs of consumers from these markets so much better.

This then brings me to domestic tourism. We are committed to ensure that our domestic tourism strategy and campaign delivers measurable results. Once again, however, this will only be achievable if we succeed in building a partnership between government and the private sector. Since the launch of the domestic tourism strategy and the new domestic marketing campaign, we have seen a number of industry players advertising their products and experiences on national media, in particular TV and radio. This is a very welcome development.

We have limited time this morning, so let me highlight just a couple of issues on which I hope also to hear your views today.

Firstly, together with the Department of Home Affairs, I believe we are making meaningful progress in addressing some of the visa issues that you raised last year. We are still far from where we want to be, but we are making significant progress.

Secondly, we are working well with our transport counterparts in finalising the new airlift strategy, which we trust will lay the foundation for much better future alignment of SAT and SAA's market segmentation, and the Department of Transport's airlift strategy and bilateral negotiations. I appreciate that so many of you contributed to the airlift strategy review process. We hope also to draw on your expertise as we start to engage in the development of an Africa aviation strategy. I am sure the Director General will be ready to elaborate on the visa and airlift issues, if needed.

Thirdly, we continue to mainstream tourism through our international diplomatic work. In a historic first, we were at the centre of efforts to ensure that, at the G20 summit in Mexico in June, tourism was for the first time ever recognised by heads of state as a priority sector to spur global economic recovery. We also secured a commitment by G20 heads of state to work on advancing travel facilitation. This provides new momentum to our efforts to advance e-visas, regional visas and visa waiver programmes between key source markets in the next few years.

Fourthly, in respect of transformation, we were among the pioneers in the development of sector charters. However, by all indications, the level of transformation in our sector falls short of our own expectations. I would really appreciate your views on the state of transformation, and what level and kind of support you would want to see from government. I have also just finalised the new charter council, and would encourage industry to support the council in fulfilling its role.

Fifthly, and emanating from many exchanges on this matter over the last year, I trust we have managed to smooth out most of the concerns about tourism statistics. It is critical that we eliminate any information asymmetries, that we work from the foundation of commonly agreed definitions and methodologies, and that we all have the discipline to communicate only credible data stripped of emotion and sectional interests. Of course, the collection of data is never an exact science and I look forward to the presentation on the steps taken to improve our systems within government.

The sixth issue is quality assurance. The three-year review of the grading criteria will be taking place in a few weeks' time. We would be very interested to hear your views on how to secure South Africa's international competitiveness as a tourism destination using grading as one of the vehicles.

Finally, I have also asked for a presentation on the new Conventions Bureau. Many of you were engaged in finalising our initial plans, which we really appreciate. The next step will be to finalise key frameworks, policies and guidelines, working with provinces, cities and the business events industry. I look forward to your further support.

Let me conclude by stressing my personal appreciation for the contribution by each and every one of you towards realising our 2020 vision as espoused in the NTSS. In a constrained fiscal environment and tough international and consumer landscape, it will always remain a balancing act, with daily trade-offs. However, I am confident that all our respective short-term actions will keep us on course as we learn, adapt and reap the benefits of this growing sector that we are creating for the future.

I thank you.

**Ends.**

For more information, please contact:

Melene Rossouw
Telephone: +27 (0) 21 465 7240
Cell: +27 (0) 82 753 7107
E-mail: mrossouw@tourism.gov.za

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