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**BUDGET SPEECH DELIVERED BY MR MARTHINUS VAN SCHALKWYK,
MINISTER OF TOURISM, IN THE NATIONAL ASSEMBLY 4 MAY 2010**

Chairperson,

Today, with the World Cup a mere 37 days away, I can say with the utmost confidence that South Africa is not only ready to welcome the world, but we cannot wait to host the best World Cup ever. I can say this because I believe that every South African will, like we have done in the past when we have been presented with great opportunities, make the most of this chance to proudly show off our country, our facilities, our culture and our hospitality to the world.

Our future is in the most capable hands we could possibly entrust it to. It is in the hands of all South Africans, united in our effort to show the world the best we can be. The tourism legacy of the World Cup presents us with a particular opportunity to put our industry on a new trajectory in terms of expansion and growth.

Tourism, both globally and locally, is a powerful catalyst for economic growth, job creation and the redistribution of wealth. Globally, the number of international arrivals grew from about 25 million in 1950 to an estimated 880 million in 2009.

This is an industry which not only has direct economic benefits, but it also opens up opportunities for small businesses. It has a particularly strong local impact in terms of the provision of goods and services and contributes directly to job creation and poverty reduction. In addition, tourism is one of the major export sectors of poor countries and a leading source of foreign exchange in 46 of the 49 least developed countries.

According to the United Nations World Tourism Organisation (UNWTO), in 2009 international tourist arrivals declined in all regions except Africa, which bucked the trend with robust growth of 5.1%. Sub-Saharan regions did particularly well and collectively grew by 6.4%.

Although there are many reasons to be cautiously optimistic about the international picture, we must also keep in mind the risks to the industry. This includes that some of South Africa's main source markets in terms of international arrivals, such as the UK and Europe, are recovering slowly.

Recent global incidents such as the H1N1 virus and the Icelandic volcanic eruption have again highlighted the vulnerability of the sector in terms of external shocks.

Our local tourism industry outperformed the world trends in 2009, and we saw growth in foreign arrivals of 3.6 per cent, with a total of more than 9.9 million foreign arrivals to the country compared to about 9.6 million in 2008. The total foreign direct spend in 2009 grew by 7% compared to 2008 to R79.4 billion. This is a tremendous feather in the cap of the industry in a time when all other tourism markets worldwide were in a slump.

Arrivals to South Africa were driven by healthy growth from amongst others Asia, with a 3.7% increase, African air markets, with a 3.3% increase and African land markets, which saw 5.7% growth. The particularly good growth from China, with a 12.4% increase and India, with a 17.5% increase, is considered a good return on South African Tourism's (SAT) investment in these markets.

SAT has recently completed its third review of its portfolio markets and the results point to, amongst others, significant potential in Africa, particularly in Angola and Nigeria. SAT's international marketing plans will be adjusted accordingly to make sure that we capitalise on this potential and further extend our good relationships in Africa.

In terms of the local picture, the number of South African adults who undertook domestic trips increased from about 14 million in 2008 to about 15 million in 2009. This represents about 48% of the population undertaking an average of 2.1 domestic trips in 2009.

The number of trips taken, however, fell from about 33 million in 2008 to 30 million in 2009. The average nominal spend per trip also declined from R780 in 2008 to R730 in 2009 as consumers tightened their belts. This is a continuation of a trend that started in 2007 as a result of economic pressure on consumers.

Given the volatility of the international market, it is of course vital that any country fosters a healthy domestic tourism industry, and this is one of the aspects of our industry we will address in the Tourism Sector Strategy.

According to World Travel and Tourism Council (WTTC) estimates for 2009, tourism's direct and indirect contribution to our gross domestic product (GDP) grew by 2.7% to R198.4 billion compared to 2008. This represents 7.4% of GDP. This kind of continued and consistent growth can only be seen as a resounding vote of confidence in our tourism industry and our destination. I have no doubt that our reputation as a world-class destination will be further entrenched after the World Cup.

The World Cup will leave a tangible and lasting tourism legacy in South Africa. We are able to showcase major investments in infrastructure in terms of hotels, transport links, airports, stadia and facilities.

Our industry will also benefit from the powerful word of mouth marketing through hundreds of thousands of visitors who will return home as ambassadors and advocates for South Africa as an extraordinary tourism destination.

When the first soccer match of the World Cup kicks off in South Africa, it will be the culmination of years of dedicated effort, planning and commitment. Long after the whistle is blown at the last match, we will continue to reap the rewards of investments in this tournament which have catalysed huge developments.

The World Cup will showcase South Africa and the continent to the world, optimise tourism and other developmental opportunities, promote football and foster pride and confidence in Africa. If you combine these elements with South Africa's breathtaking natural beauty, then we have all the ingredients for a powerful tourism and investment destination.

While we are all working non-stop to put the finishing touches on the best World Cup ever, we have also never seen the World Cup as the be-all and end-all. We acknowledge that tourism to and within South Africa have grown significantly since 1994, but we also recognise that it has not yet reached its full potential.

There is concurrence that new opportunities need to be explored and in this regard we will pursue the development of new niche products. The diversification of our product base is part of the strategy to ensure that our visitors stay longer and spend more.

To ensure that there is an integrated and coordinated approach to securing the hosting rights for strategic international events, we intend to boost events tourism through the establishment of a National Conventions Bureau under the auspices of SAT. It will be responsible for business and events tourism marketing and the development of and support for bids, as well as a business tourism and events strategy.

South Africa has already secured 95 meetings and conferences between 2010 and 2016. In addition to this, we have already also put in bids for an additional 45 meetings and conferences for 2011-2020.

We have seen how sporting and other mega-events lift our nation's spirits and inspire us to be our best. Sport tourism in South Africa is estimated to contribute more than R6 billion to our tourism industry. More than 10% of foreign tourists come to South Africa to watch or participate in sport events, with spectators accounting for 60% to 80% of these arrivals.

I can give you a very practical example of the effect of events and sport tourism on our fiscus. Research recently undertaken by SAT on the impact of the Confederations Cup and Lions Rugby Tour in 2009 found that the two events brought in approximately 52 000 visitors and contributed an estimated R669 million in direct expenditure to the South African economy. More than 90% of the visitors indicated they would return to South Africa and recommend the destination to others.

The Department is finalising the National Tourism Sector Strategy. The goal of the strategy is amongst others to inspire and accelerate the responsible growth of the tourism industry from 2010 to 2015. We will be ready to launch this strategy for public comment before the end of May 2010.

In order to create an environment conducive to the growth and development of tourism in South Africa, the department has also embarked on a process to review and update the existing Tourism Act of 1993. The proposed legislation will be tabled in Parliament during the last quarter of 2010.

Chairperson, I wish to thank all our colleagues under the capable leadership of the Acting Director General, Mr Dirk van Schalkwyk, for their hard work. Mr Van Schalkwyk, I look forward to continuing to work with you as our very capable Chief Operating Officer.

I would like to take this opportunity to welcome Mr Kingsley Makhubela, who was appointed by cabinet two weeks ago as our new Director General and will assume this position on 1 June. Mr Makhubela, we look forward to your leadership as you steer our Department on an exciting new course.

Thank you to SAT which continues to market our wonderful South African destination so ably. I would also like to express my appreciation to all our partners and stakeholders in the tourism industry. We have been called upon to work together very closely over the last year, and I trust that these good relationships will thrive and serve us well into the future.

Thank you also on behalf of our Department to the Chairperson and members of our Portfolio Committee for their constructive interaction and inputs. My gratitude goes to my colleague Ms Tokozile Xasa, our Deputy Minister, for her enthusiasm and passion for the portfolio.

Chairperson, the slogan of the World Cup is *Ke Nako*, meaning "It is time". I am grateful and proud to be a South African as we confidently welcome the world to our shores. We have made it happen, we have done ourselves proud and now we can say: We are ready!

I thank you.

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