Review of South African Tourism

Report of the Expert Panel to Minister Hanekom, June 2015

FOREWORD

The pace at which the global travel market is evolving is quite giddying – it's one of the fastest growing economic sectors in the world, and as communications' technology and air travel have compressed the world into an increasingly accessible global village, so has the competition for a slice of the travel market heated up. Countries invest considerable resources and state-of-the-art technologies in making sure that their destinations are top-of-mind when people make travel choices.

Destination marketing is now a highly specialised business, and is constantly evolving - for example digital made up 25% of destination marketing budgets last year, but in five years' time that figure is going to be more like 75%. 'Connected' consumers and 'automated' travellers make mobile bookings and use on-line services like Trip Advisor to inform product choices.

Sitting as it does on the southern tip of Africa, South Africa is a long haul destination for many international visitors although it is from our region that we draw the most visitors. But we are also blessed with an incredibly unique history, a melange of vibrant cultures and a bounty of natural assets. Nothing quite compares to the vast openness of the South African landscape, layered with meaning through the passage of time. For the traveller who makes the journey to explore South Africa, the experiences on offer stand apart in their uniqueness. And the journey is the destination, as a Kenyan photojournalist, Dan Eldon, once wrote.

South African Tourism is the agency tasked with marketing South Africa as a destination, both internationally and to our domestic market. It has a difficult job, not least because many of the obstacles to tourism growth in our country – visa and other immigration regulations, airlift, safety and security – are beyond its immediate control. For this reason it needs to do its job in partnership with many actors and agencies – provincial and city tourism authorities, national departments, and most importantly, the tourism industry itself who has to convert destination awareness into real life travellers.

This means that SA Tourism needs a highly competent team capable of collaboratively leading a global marketing campaign in a tough economic environment against some formidable competitors.

The committee appointed by the Minister of Tourism, Mr. Derek Hanekom, to review the mandate, functioning, institutional and governance arrangements of SA Tourism has been mindful of the challenging task that SA Tourism faces. Our goal has been to ensure that SA Tourism is fit for purpose, and we trust that our criticisms and recommendations are taken in that spirit.

We have called on a wide range of stakeholders, including the management team and Board of SA Tourism, to participate in this process, and the views and insights that were shared with us have contributed enormously to our findings. We thank you one and all for your time and interest.

I would like to thank the members of the committee who have each made such valuable contributions to the work required in producing this report. The committee members are:

- Mavuso Msimang
- Tanya Abrahamse (until the announcement of her appointment as deputy-chair of the SA Tourism Board on 30 April 2015)
- Nunu Ntshingila-Njeke
- Kate Rivett-Carnac
- Jeanine Pires
- Crispian Olver (deputy Chair)
- Myself as Chair

We are grateful to the Minister and national Department of Tourism for the trust you have bestowed on us, and we hope in some small way to have contributed to the task you have of leading this vitally important sector of our economy.

Regards

Valli Moosa

Chairperson: SA Tourism Review Committee

Contents

List of Acronyms

ExCo: Executive Committee

GDP: Gross Domestic Product

CITS: China International Travel Services

MTEF: Medium Term Expenditure Framework

NDT: National Department of Tourism

NTSS: National Tourism Sector Strategy

PFMA   Public Finance Management Act

RevPAR: Revenue per Available Room

SABS: South African Bureau of Standards

SADC: Southern Africa Development Community

SANCB: South African National Convention Bureau

SOE: State Owned Enterprise

UK: United Kingdom

US: United States (of America)

StatsSA: Statistics South Africa

TGCSA: Tourism Grading Council of South Africa

TGS: Tourism Growth Strategy

TOMSA: Tourism Marketing South Africa

TSA: Tourism Satellite Accounts

VFR: Visiting Friends and Relatives

WTM: World Travel Market

EXECUTIVE SUMMARY

The SA Tourism Review Committee was set up in February 2015 by the Minister of Tourism in South Africa, Mr. Derek Hanekom, to review SA Tourism's vision, mission, strategy and plan, and the performance of SA Tourism against its mandate. As part of its brief, the committee was tasked to review the institutional landscape and governance arrangements.

The committee has engaged in a wide-ranging programme of stakeholder consultations in order to understand stakeholder views and elicit inputs and suggestions. In addition, the committee has undertaken an extensive review of the available literature and reports. This included a range of internal documents, covering strategic planning, governance, human resource and financial issues relating to both the National Department of Tourism (NDT) and SA Tourism itself. We have also examined broader market opportunities and constraints in order to understand how best SA Tourism can position itself.

SA Tourism has done well in certain areas and deserves recognition for this. These achievements include its part in the continuous growth rate in international tourists to South Africa, which has been above global average growth rates for many years; the recent establishment of a National Convention Bureau to pursue aggressive business tourism marketing; a new focus on expanding efforts on the very important domestic market; excellence in certain country offices; and SA Tourism's online marketing approach which draws heavily on user-generated content. Its track record of 'clean' audits is also commendable.

The tourism industry is a rapidly growing part of the global economy, making up 9% of Gross World Product and 9% of all jobs. Despite our status as a long-haul destination from many leisure source markets, South Africa has been able to successfully capitalise on its post-liberation status and steadily grow the international market to a total of 9,5 million tourists in 2014.

SA Tourism stands at the forefront of South Africa's tourism effort, and is explicitly mandated to lead the country's marketing as a tourism destination. In this role, it has a difficult mandate to fulfil. Many of the issues that confront the tourism industry, and hold back further growth in the industry – immigration laws, airlift, concerns about safety and xenophobia – are largely beyond the control of SA Tourism and even the Department of Tourism to which it accounts. While the historic growth rates achieved are impressive, South Africa's market share and growth rates from overseas source markets for the full 2014 year are not so rosy, at 1,9% for the year. Statistics South Africa data appears to indicate a decline in tourists from non-European long haul markets in the second half of 2014, although concerns exist regarding the reliability of that data.

We have examined the role and mandate of SA Tourism as articulated in the Tourism Act of 2014. While the focus on the Board at the expense of the organisation needs to be remedied in that Act, we are confident that SA Tourism's mandate and role as specified in the Act are appropriate. Most importantly, SA Tourism needs to understand the international and domestic tourism markets, build brand awareness of the country as a unique and alluring destination amongst potential international and domestic tourists, and lay the basis for the industry to convert this awareness into actual tourists.

There is a planning hierarchy in government which serves to clarify and position the mandate that SA Tourism carries, starting with the National Development Plan which identifies tourism as an essential part of our economy into the future. Tourism is a key sector contributing to Outcome 2 (decent employment through economic growth) in the state's Medium Term Strategic Framework for 2014 – 2019. The Department of Tourism is charged with developing and implementing the National Tourism Sector Strategy which sets the overall framework for how the country plans to grow the tourism economy. This in turn creates the context within which SA Tourism's Tourism Growth Strategy spells out the strategic approach to the marketing effort.

The overwhelming majority of stakeholders surveyed believe that SA Tourism could improve its performance in executing

its mandate[1]. Suggestions have focused on the need for more innovation and freshness in marketing campaigns, more marketing spend getting to actual consumer-facing activities, and a careful balancing of focus on new markets as well as more traditional markets. In addition, the Panel's research indicates that the organisational culture and certain human resource practices also need work.

The original conception of SA Tourism was as a partnership between government and industry in promoting the country. Of necessity there needs to be a close working relationship both with the industry it seeks to support, and the government agencies and institutions which regulate and fund it and which are integral to unblocking systemic obstacles to growth. In reasserting the partnership that should underpin SA Tourism, the way that SA Tourism works with private and public stakeholders must be imbued with a more collaborative approach that sees private industry and government role players as part of a single 'team SA'.

The international marketing effort is the mainstay of SA Tourism's business. Brand awareness requires on going marketing activities and should never be taken for granted, even in established markets. South Africa needs to keep pace with best practice marketing efforts and especially the emergence of on-line and digital platforms. SA Tourism's market campaigns need to be fresh and focused on the very unique experiences we can offer as a country. The practice of using a multitude of different marketing service providers should be reconsidered. It is very important that SA Tourism continues to create innovative tools to maximize user content through social media channels and on the southafrica.net site.

We also believe that the effort and resources that go into hosting Indaba can be better applied to other areas.

The work of Brand SA on overall country brand management is an essential adjunct to the destination marketing efforts of SA Tourism and greater collaboration is required in this area too.

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[1] Stakeholders' views are reported on extensively on this report. The Panel does not necessarily agree with the views expressed.

The value of our marketing spend must be preserved in terms of the currency of our core markets. This means that SA Tourism needs to constantly ensure that its overheads and fixed costs are kept to a minimum, allowing greater tactical flexibility. At the same time National Treasury needs to play a currency hedging role on behalf of SA Tourism, and provide certainty regarding marketing commitments in core markets.

While the SA Tourism research team currently undertakes good work, the research capacity and budget need even further resourcing. Stronger linkages are also required between research and business planning and decision-making. The decisions regarding which market segments to target, and which markets are classed as core, investment, watch-list or tactical, are fundamental to the success of the marketing effort.

Solid research and good market intelligence are needed to lay the platform on which the marketing campaigns are built and the organisation's strategy is developed. This must include at least 5 yearly market segmentation studies, 3 yearly portfolio reviews and annual branding tracking in priority markets. The integrity of these data-driven methodologies needs to be retained. In addition, new sources of market intelligence are required to augment the research findings of the organisation and allow it to deliver fresh insights into market developments and opportunities.

Stakeholders are widely sceptical about the veracity of the data that comes out of Statistics South Africa which forms the basis for SA Tourism's own analysis of international tourist arrivals. New data sources must be found to create a completer picture of international arrivals to South Africa, one that is both in line with global definitions, and meaningful to industry.

Domestic tourism has been the step-child of SA Tourism for some time; certain stakeholders have argued that domestic tourism should be the function of provincial and local tourism authorities. However the international and domestic brands need to be seen as one brand applied across all markets and segments both domestically and internationally. Further, a vibrant local travel market is needed to build the product base and lay the foundation on which the international market is built.

SA Tourism clearly has a leadership role to play in this space. Hopefully some proper attention will be paid to the domestic tourism function with the allocation of an additional R100m per year over the next three years. This budget needs to be paired with significantly more strategic and creative plans. Recognising this imperative, SA Tourism has already started work to enhance its work in domestic marketing.

It is also essential to establish a tourism culture in the country, and in this regard we recommend that the Welcome Campaign - or an updated equivalent - is re-launched.

The panel believes that the Tourism Grading Council (TGCSA) fits uneasily within the functions of SA Tourism. It appears to have suffered from steadily declining industry participation, partly because the brand value of the Star Grading system has been eroded and it is being replaced by market instruments such as Trip Advisor. However many stakeholders believe there is a case for a star grading system which can work in tandem with online guest reviews. While TGCSA is currently working to link online systems with its own system of grading by assessors, the Panel is of the view that SA Tourism is not the correct institutional home for TGCSA, and we recommend that the function should be assigned elsewhere. The South African Bureau of Standards is one option as it has the necessary competencies and institutional mechanisms to grow the star grading into a successful and largely self-sustaining tourism certification system and is already home to the Responsible Tourism Standard. This recommendation requires further consideration to accommodate debate and discussions on the true value of a traditional grading system, as well as a possible new business model and location of such a system.

The SA National Convention Bureau has only recently been established and it is too early to make a proper assessment of its success. The work that has been done on establishing a subvention fund, that can support bids for major international events is to be welcomed. We recommend that such a fund is supported by the fiscus. SANCB needs to develop a range of performance indicators that help it to make a strong case for larger budget allocations.

The internal structuring and governance of SA Tourism needs to be capable of delivering on its mandate. This requires a Board and management that have a practical knowledge and experience of large scale marketing campaigns and an intimate understanding of the needs of the tourism industry. The SA Tourism Board needs to operate in terms of the King III codes relating to areas such as accountability, performance culture, non-interference and separation of roles. A draft governance framework between the national Department of Tourism and SA Tourism, which applies these principles within a public sector milieu, should also be implemented. Greater attention is also needed to the overall strategic framework within which SA Tourism operates, and how strategy cascades down from the National Tourism Sector Strategy to the Tourism Growth Strategy.

The leadership of SA Tourism has attracted some criticism from stakeholders and staff. The incoming Board needs to ensure that the CEO and leadership team have the capabilities to carry out roles and duties as set out in their key performance areas. The organisational culture and the skills' profile of the staff complement also need attention. We recommend that a change management process is established to address the organisational 'DNA' of SA Tourism and shift the organisational culture and behaviour.

Putting in place effective delegations of authority which are supported by the PFMA will help to empower junior, middle and senior managers to respond to opportunities, use their skills and judgement, and take responsibility for their mandates. In this regard more consideration needs to be given to the extent to which country offices are empowered to take decisions 'in market'. The reporting and approval structure for the SA National Convention Bureau needs to be addressed to support efficient decision-making.

Increasingly the decisions to open international offices seem to be imposing an unduly high cost structure on the organisation with limited additional outcomes. We recommend that there is a comprehensive review of the country office/ hub model, especially in light of budget constraints, currency losses and particular circumstances under which country offices operate without the diplomatic 'cover' afforded to foreign missions. SA Tourism must make the case for the most appropriate forms of 'in country'

presence. There is likely to be some variability between countries in this regard. We understand there are currently discussions on this point between the

Performance management and monitoring of SA Tourism can be enhanced by introducing new measures into organisational and executive performance management systems. These should include stakeholder and staff satisfaction. Marketing Return on Investment, or Value for Money, should also be tracked including at an ExCo and Board Committee level. SA Tourism needs to develop a set of internal marketing and finance ratios and targets that monitor expenditure and 'return on investment', and identify areas for improvement.

In terms of future budget allocations, SA Tourism needs to provide the national Department of Tourism and National Treasury with a much clearer business case and consistently make the economic argument for investment in marketing.

As part of the review we have examined the role of the national Department of Tourism. The primary role of the national department must be to position tourism as a key economic sector within government and to unblock obstacles to tourism growth. At the same time the Department of Tourism needs to build a closely articulated and supportive governance relationship with SA Tourism that is responsive to the fast-paced needs of the tourism market, in particular responding to major tourist concerns and obstacles to tourism growth.

A structured relationship of accountability needs to be complemented by a collaborative approach to addressing key issues – SA Tourism must arm the national Department of Tourism with the right information and insights, the national department needs to fight for SA Tourism funding and address obstacles to its effectiveness. A major current concern relates to the new immigration regulations facing tourists to our country. The requirement of biometric visas and unabridged birth certificates is likely to have a real impact on the number of tourists that visit our country. While the intention behind these new procedures might be sound, the practical mechanics of compliance based on the current Home Affairs design appears impractical. Additional administrative burdens placed on tourists prior to their departure are likely to result in many simply switching destinations to other countries, where travel is easier and more accessible. The Department of Tourism and SA Tourism have highlighted their concerns around these issues, but more must be done earlier on to address these sorts of regulatory barriers.

We trust that this review has been able to provide a useful and practical set of recommendations that can assist both SA Tourism and the department in taking forward their responsibilities. A full summary of the recommendations, by area, is provided in **Annexure A** while **Table 1**, over the page, provides a list of our top 10 findings and areas of recommendation.

The global tourism industry is a complex, fast changing environment that needs a uniquely skilled team to be able to position the country. There are many stakeholders with an active interest in making this work, and that stand ready to partner with and support SA Tourism in this exercise. We hope to lay a foundation for reinvigorating the partnership that is integral to the success of SA Tourism and can support tourism's economic contribution to the country's development.

Table 1: Top 10 Findings and Recommendations

	Finding	Recommendations	Comment
1.	Inadequate relationship between SA Tourism and the private sector as well as other public sector tourism bodies. The sense of partnership with the tourism industry is virtually non-existent.	SA Tourism must employ a range of measures to formalise and institutionalise collaboration with industry beyond the existing relationship with TBCSA. This includes, amongst others, appointing dedicated staff to deal with trade and product, co-opting private sector skills onto ad hoc and regular committees of the Board, far more workshops and fora for engagement. SA Tourism to revitalise existing platforms for coordination with provinces, and to put in place channels of communication with natural and cultural heritage institutions, and cities.	Stakeholder satisfaction measures should be added into organisational performance indicators as well as performance measures for the leadership of SA Tourism. See Section 3.6 for more detail.
2.	Limited engagement and empowerment of management and staff by SA Tourism leadership.	The leadership of the organisation needs to empower staff and management to take decisions. Particular measures include putting in place delegations of authority, platforms for management to share and co-plan, and effective HR practices.	Board intervention to guide this process and to urgently put in place measures and interventions to ensure that the leadership team has the capabilities to carry out roles and duties required of them. The Board to urgently review the role, performance and capabilities of the Human Resource function. Staff satisfaction to be measured as part of organisational and executive performance management. See Section 3.8 for more detail.
3.	No real time consumer data and non-credible and late statistical data. Research function needs greater resourcing.	Given the concerns over StatsSA data, SA Tourism to investigate others sources of data on tourist arrivals and industry performance to supplement and 'triangulate' StatsSA data. SA Tourism to increase research budget allocation and extend research areas. Research to be placed at the heart of the organisation. Traditional methodologies such as the prioritisation of markets and segments require a review and possible update. Engage more extensively with private sector in interpreting findings and improve the packaging and communication of insights for industry's consumption.	Consider setting up a task team on foreign tourist arrivals stats to identify and review different sources to triangulate StatSA stats. Implement under Board guidance. See Section 3.7 for more detail.
4.	Insufficient consumer facing	While service providers are absolutely necessary to execute	SA Tourism to develop a set of metrics to understand the

	Finding	Recommendations	Comment
	marketing activities - international marketing requires a fresh approach to refocus resources on areas of greatest return on investment.	marketing, where it makes business sense and will not compromise the marketing delivery, the many service providers should be consolidated to reduce fees and duplication/ dissonance in marketing. The objective here is to increase funds that reach consumers through media and reduce the ratio of funds employed in production, fees, project management and the like. Marketing initiatives such as large delegations to tourism shows, buyer selection, and like, need to be reviewed. Greater uniformity in brand communication and alignment between marketing initiatives will enhance and strengthen the tourism brand. The SANCB should receive improved research and budget support to extend its efforts and impact.	value of different marketing platforms and expenditure, relative to return on investment. As part of this, SA Tourism to monitor the ratio of service providers to actual 'media' expenditure. See Section 3.2 for more detail.
5.	Domestic marketing has not received adequate attention. It requires a robust strategy. It also requires a very deliberate and well-constructed partnership with provinces and cities, as well as the private sector.	Domestic tourism requires a robust strategy to address, amongst others, the barriers to growth, lessons from benchmarking insights, the various partnerships options with local trade and product, and provincial and city tourism authorities. The international and domestic brands need alignment.	Domestic tourism has received a considerable boost from the fiscus and marketing activities should now be drastically enhanced. As with International Marketing, domestic marketing expenditure choices and initiatives must be based on cost-benefit or other options' analysis techniques. Indicators must be put in place to routinely measure performance. SA Tourism must focus on getting more black South Africans to travel for leisure. See Section 3.3. for more detail.
6.	Organisational development and design, and staff skills must be reviewed to support strategy implementation.	An organisational design and development exercise and an updated skills' audit will be required to respond to more focused international marketing, and the extended domestic marketing function at SA Tourism. This should include a review of the country office/ new regional hub approach as it relates to international marketing efforts.	Flexibility and agility are important principles for a NTO that needs to be responsive to market changes and developments. Given currency fluctuations, and the challenges of setting up, running and closing down offices, a flexible model is required for 'in country' presence by SA Tourism. This needs to also be informed by the imperative to reduce overheads and release funds for actual marketing activities. See Section 3.8 for more detail.
7.	Declining value of marketing spend in core markets. Imperfect alignment	A complete review of the budget is required to address a range of important operational and management dimensions, such as:	Implement Board-approved budget realignment within six months.

	Finding	Recommendations	Comment
	between budget allocations and SA Tourism mandate.	- country office/ hub model costs, per category; - country budgets and trends; - ratio of overheads to actual monies spent on marketing, particularly media; and - the cost of marketing service providers and ratios to other marketing categories. Re-alignment of budget should focus on: - reducing/ limiting overheads; - protecting spend in core markets; - Increasing marketing expenditure particularly on tourist-facing media; - increasing the research budget; and - targeting reductions in non-return marketing costs such as service providers; large delegations to show, etc. SA Tourism to adopt a set of financial indicators that give an immediate sense of performance against important dimensions, such as those outlined above.	Ensure regular monitoring of key ratios and indicators including at Board level and in reporting to Department. Improve quality of MTEF submissions to National Treasury, and provide them with the economic case to support the marketing budget. See Section 3.9 for more detail.
8.	The partnership between NDT and SA Tourism needs to be strengthened.	SA Tourism and NDT need to work in support of one another and to jointly pursue the strategic objectives for tourism in South Africa. Regular meetings are to be encouraged between the leadership of SA Tourism and NDT. Furthermore, the Minister and Board must share a view of the key areas of oversight that the Board should monitor.	The new governance protocol between the two institutions paves the way and should be finalised and adopted. See Section 3.10 for more detail.
9.	While NDT has grown considerably to undertake a range of different projects and initiatives, other departments are implementing plans and policies that could impede tourism growth.	NDT to focus on addressing supply-side barriers to tourism growth and making the case in government for the resourcing and support of tourism.	SA Tourism to assist NDT to make a better case for the prioritisation of tourism as an economic sector, and for increasing fiscal contributions. See Section 3.12 for more detail.
10.	TGCSA does not fit well within SA Tourism, or its mandate.	Stakeholder views, the record of performance and international benchmarking indicate that TGCSA should not form part of SA Tourism. This should be investigated further and a decision taken about its optimal placement.	The TGCSA has struggled to find an optimal business model. It is likely to play an ever-decreasing role in guest accommodation selection in a travel world that is dominated by digital user reviews. See Section 3.4 for more detail.

1. Introduction

1.1 Background

South African Tourism (SA Tourism) is the national tourism organisation (NTO) for the country. It is responsible for the international and domestic marketing of South Africa as a destination, including leisure and business tourism.

A Schedule 3A public entity, mandated by the Tourism Act no. 3 of 2014, the organisation received a final approved budget of R1, 09 billion in 2014/5, which will grow to R1, 17 billion in 2015/6 (the current year). Of the R1, 17 billion, it was estimated that approximately 9% (R104 million) would be derived from TOMSA contributions.

In April 2015 personnel at SA Tourism number 160 of the 200 approved posts. SA Tourism's organisational footprint includes 12 country offices. This includes Angola where the decision to set up an office is currently being reviewed and excludes Kenya where a formal office is not in place. A General Marketing Agreement also exists with an agency partner in Brazil. SA Tourism is governed by a Board of 13 members appointed by the Minister. The new Board appointments were confirmed in a Cabinet statement in late April 2015.

The Minister of Tourism is responsible for oversight of SA Tourism. Against this backdrop, a 7 person panel was appointed with a brief to conduct a strategic review of SA Tourism. The Terms of Reference for the review is broadly organized into:

- Role, mandate and performance of SA Tourism, both in terms of its marketing efforts and value for money, and more broadly in terms of actual visitor numbers and economic impact.
- Internal organisational environment: the institution, its governance, structures, and functional alignment to fulfil its mandate.
- External transactional environment: its role and responsibilities in relation to tourism entities at a national, provincial and local level, as well as the relationship with the private sector.

1.2 Approach

Primary research

Based on the Terms of Reference the strategic analysis undertaken by the Panel involved:

1. An online survey of private sector views.
2. A questionnaire distributed to all public sector stakeholders and tourism associations.
3. Focus group discussions with key stakeholders.
4. One-on-one interviews.

While the online survey was restricted to association members of the Tourism Business Council of South Africa (TBCSA), focus groups and one-one-one discussions spanned a range of public and private stakeholders. In total, more than 100 stakeholders were consulted, representing private sector views, national institutions involved in marketing and international relations, provincial government and its agencies, local government and its agencies, the cultural and nature heritage sectors, and the advertising and marketing industries.

As indicated earlier, not all stakeholder views are accurate or fair. But they do clearly indicate the perceptions of stakeholders that need to be addressed by SA Tourism - through action to remedy areas of concern or, at times, simply improved communication and collaboration.

A number of engagements were also held with the National Department of Tourism, and the leadership and management of SA Tourism, including with SA Tourism country managers.

The Chair of the SA Tourism Board was consulted, and written comments were provided by a small group of Board members who served on the previous Board and have subsequently been re-appointed. Dr Tanya Abrahamse was appointed Deputy-Chair of the SA Tourism Board at the end of April 2015. At that point she ceased to be part of the independent review panel.

Annexure B provides a full list of stakeholders consulted.

Secondary Research

Many documents were reviewed as part of the background research process. These included:

- Research reports into the performance of tourism, locally and globally.
- SA Tourism and Department of Tourism plans, policies, strategies, budgets, Joint Marketing Agreements, organograms and staff surveys.
- Annual reports from provincial and national departments and agencies.

Annexure C provides a list of all source documents.

We also consulted a variety of information on the National Tourism Organisations within those countries against which South Africa benchmarks itself, particularly Australia, Thailand, Brazil and Kenya. Certain other countries (USA, Canada, Britain, New Zealand) were reviewed on particular dimensions, where considered useful. It should be noted that while the choice of countries against which to benchmark SA Tourism is strategically sound, many of those destinations and NTOs are currently experiencing trying times and do not necessarily represent 'best practice'. Of the NTOs it is only Tourism Australia which we feel can be clearly singled out for best practice[2].

Report Layout

The report is laid out as follows:

- The performance of and economic case for supporting tourism in South Africa is made at the outset. As an addendum to this, **Annexure D** contains a case study of the Chinese market.
- The body of the report is structured into a number of sections. The first set of sections considers what

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[2] In considering NTO practices from around the world, the Panel recognises that context matters, and South Africa's particular history and developmental imperatives have been taken into consideration in our recommendations.

- SA Tourism does – its mandate, role, and focus areas. The second set of sections examines how SA Tourism operates. Figures 1 and 2, which follow, depict the layout of these sections.
- A conclusion sums up the recommendations and indicates the opportunity for SA Tourism and NDT to refocus.
- Annexures contain various supplementary information.
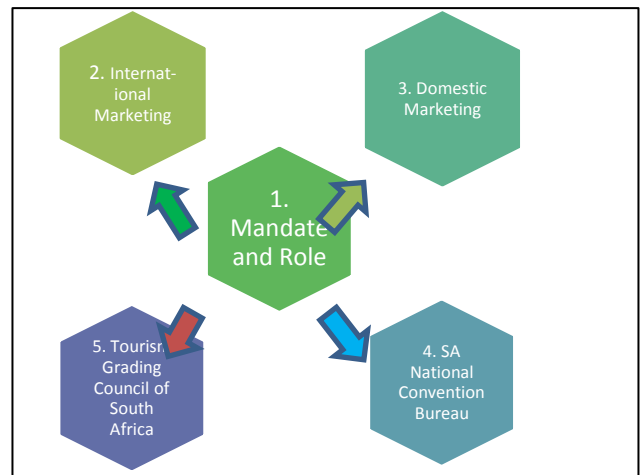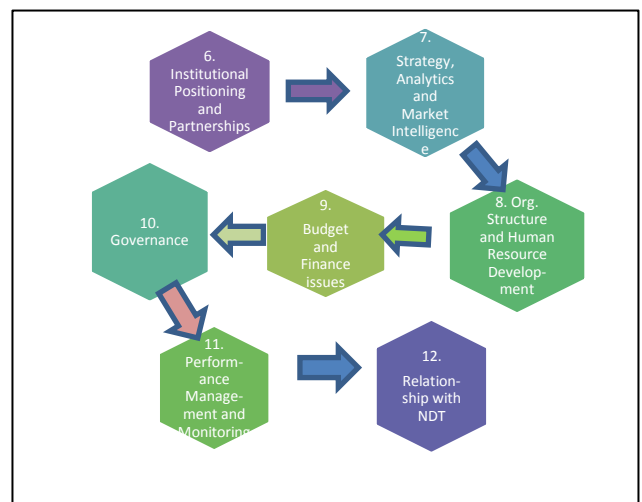
Figure 1: What SA Tourism does

Figure 2: How SA Tourism operates

2. Overview of the Tourism Economy

2.1 Why Tourism Matters

Tourism makes a massive contribution to World Domestic Product, jobs and foreign exchange earnings. It is an unusual economic sector and challenges conventional conceptions of how production and consumption take place.

Tourism is unlike other sectors in a number of ways, and this sets it apart:

- It is an export sector, but the consumption takes place in the travel destination (as the consumers travel to the country of 'production').
- It is a service sector, with most parts of the tourism value chain comprising an experience, not the purchase of a physical product or item.
- While business tourism does often take place in major urban areas, many leisure tourists are looking for rural and natural 'unspoilt' settings involving beaches, parks and mountains, amongst others. Certain tourists even prefer not to have extensive infrastructure (tarred roads, built accommodation, electricity). This lends tourism to rural development and geographic redistribution within a country.
- Domestic tourism also supports this geographic distribution. In South Africa's case, during peak holiday season many South Africans travel from urban centres where they live to visit friends and relatives back home, often in poorer regions.
- Creative destination development can also see tourist nodes developed through sheer force of imagination (and capital), as in the case of Sun City. Tourism can be a powerful force for local economic development, and the development of tourism clusters can unlock major economic multipliers in an area that might otherwise have little 'industrial' potential.
- Most tourism businesses the world over are small businesses which provide accommodation, guiding, day tours, taxi services, and the like. The more personal nature of the experience provided by small businesses is a preference for many tourists, particularly outside the business segment and

within the growing youth, responsible tourism and cultural / heritage segments.
- Authenticity and perceptions thereof in an increasingly commoditized world favour destinations that offer outstanding and unique natural and cultural characteristics.
- As with other economic sectors, marketing is an important part of communicating the offering and stimulating demand. But unlike other sectors where the product is something that is well understood to the consumer and can often be made to identical specifications in various countries around the world, in tourism, marketing is all about positioning the country in a way that sets it apart from other destinations. Destination marketing is about creating brand awareness, and brand positivity which ultimately leads to conversion into actual tourist bookings.
- The dynamic and fast-moving nature of consumer preferences in tourism requires tourism companies and organisations to be pre-emptive as well as very speedily reactive in terms of marketing strategy and product development.

Tourism marketing is no easy job. There is stiff global competition and tourism brands are constantly affected by a range of developments in the destination that are outside the tourism sector's control. A case in point are the recent xenophobic attacks in South Africa which are a terrible tragedy and shame in their own right, and will also have negatively impacted on the South African brand, and the attractiveness of South Africa as a tourism destination. This is likely to be particularly true for tourists from other African countries. The extent of the impact will be felt in the months to come.

2.2 Global Tourism Performance

2.2.1 Global international tourist arrivals

According the United Nations World Tourism Organisation (UNWTO), over 1,1 billion tourists travelled abroad in 2014, some 4,7% growth on 2013 numbers. North America grew by 8%, followed by North-East Asia, South Asia, Southern

and Mediterranean Europe, Northern Europe and the Caribbean, all increasing by 7%.

Africa grew at only 2% for the year. This 2% growth represents an additional 1 million foreign tourist arrivals. Sub-Saharan Africa outperformed North Africa with a growth of 3% compared with 1%, despite the outbreak of the Ebola virus.

Figure 3: Global Tourist arrivals by destination region
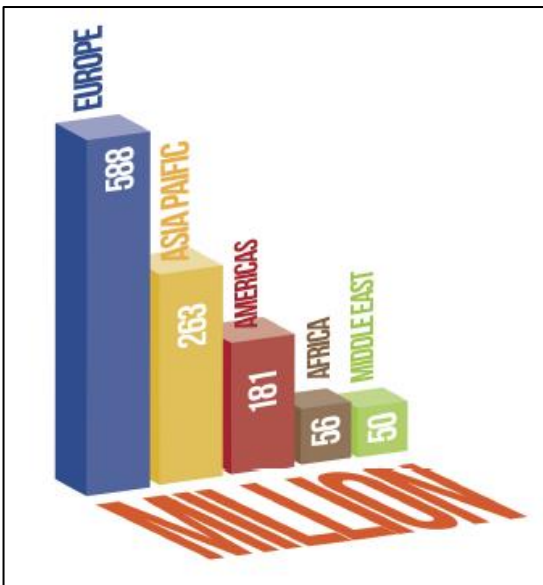
Source: UNWTO, 2015

In terms of outbound tourism patterns, emerging market growth was sluggish for 2014, while travel from traditional source market grew more robustly:

- China continued to see strong growth, with around 10% growth in outbound tourists, and an increase in 17% in associated expenditure, for the first three quarters of the year. (These impressive figures do, however, represent a growth slowdown in both tourists and spend). Total number of trips abroad from China was an estimated 109 million in 2014.

China is the world's largest outbound market since 2012 with a total expenditure of US$ 129 billion in 2013.

- Brazil grew by about 2%, attributed in part to the weakening of the currency and slower economic growth.

Table 2: Outbound tourist data

	2011	2012	2013	2014 YTD
Outbound trips	+5%	+4%	+4%	+4.5%
Outbound nights	+4%	+2%	+4%	+3%
Outbound spending in Euros	+8%	+4%	+6%	+4%

Source: IPK Consulting for ITB Academy, 2015

Table 3: Long haul source markets and destinations

Rank	Top Long Haul Source Markets	Top Long Haul Destinations
1	USA	US
2	UK	UK
3	China	Thailand
4	Canada	Italy
5	Japan	China
6	Germany	Germany

Source: IPK Consulting for ITB Academy, 2015

- Outbound tourist expenditure from Russia dropped by 6% while other, smaller emerging markets saw impressive expenditure growth for their outbound tourists. These markets included Saudi Arabia, India, the Philippines and Qatar all reporting increases of 30% or over.

2.2.2 Contribution to the Global Economy

The UNWTO estimates that direct, indirect and induced impacts from tourism account for:

- 1 in 11 jobs, or 9% of global employment.
- 9% of global GDP.
- 1,4 trillion dollars in exports (6% of global exports).
- 30% of services exports.

Figure 4: Tourism's global economic impact

Source: UNWTO, 2015

According to the World Travel and Tourism Council's 2013 benchmarking research involving in-depth analysis of 25 individual countries:

- More than 102 million people are directly employed in the industry. This is 5 times more than automotive manufacturing, 5 times more than global chemicals, and 4 times more than global mining.
- For every one dollar spent on Travel & Tourism, 3.2 dollars are generated in GDP across the entire economy.
- 1 million dollars in tourism sales generates twice as many jobs than the same 1 million dollars in financial services, communications and automotive manufacturing. This indicates that tourism has strong multiplier effects, relative to certain manufacturing industries.

2.2.3 Future Outlook

The UNWTO's confidence index records positive sentiments and expectations for 2015 performance. Oil price declines are expected to have a positive impact on travel and tourism for much of the globe, although outbound tourism from oil producing countries could be negatively affected. Growth is forecast for somewhere between +3% and +4%. Forecasts for international arrivals growth rates for Africa in 2015 are between +3% and +5%.

Emerging travel trends impacting on international tourist numbers include:

1. Holiday Type Market Segments:
   a. City trips show the biggest growth as a market segment – at 58% over the past five year - now comprising 20% of the market.
   b. Beach holidays, at 28% of the market, have grown by 18% over the past 5 years.
   c. Touring holidays (packaged) have grown by 32% to 23% of holidays.
   d. Countryside holidays have declined by 17% and now comprise 11% of all holidays.

2. Business Market Segments:
   a. Meetings, Incentives, Conferences and Exhibitions comprise 58% of all business trips, with conferences / meetings making up 41% and fairs / exhibitions 29% of this subcategory.
   b. 66% of all bookings worldwide are internet-based. Some commentators predict that 70% will represent saturation for mature markets. The global market share for travel agents has stabilized at about 24%. Smart phone booking comprised a growing percentage, with China dominating at 10% of all smartphone bookings, followed by Japan. Social media channels remain important for research and bookings.

2.3   SA Tourism Performance

2.3.1   International tourism

South Africa has experienced remarkable growth in international tourist arrivals over the past two decades. SA Tourism's marketing efforts have undoubtedly contributed to these strong historic growth rates, and also to the considerable economic impact of the growing tourism sector on the country's development.

International tourists to South Africa in 2014 were also up on 2013 although it appears that the strong growth trend might now be under threat, at least in part as a result of market access barriers in the form of new visa regulations. Current efforts of the Department and Ministry of Tourism, supported by an outcry from industry, seek to rapidly address these barriers.

2014 tourist and arrivals' data for South Africa was only released by Stats SA at the end of March 2015, after significant delays. Serious questions exist over the veracity of the data. SA Tourism has indicated there are gaps in the data and possibly other serious problems such as the removal of transit tourists from the current data. This is contrary to the global definition of a tourist and previous data, which renders comparison difficult. SA Tourism is in the process of getting data from the International Air Transport Association to double-check the trends against a more reliable source.

In the absence of other reliable and historical sources which allow for trend analysis, the Stats SA data has been used in the analysis which follows. According to the Stats SA data, in 2014 South Africa received 9 549 236 foreign tourists, up 6,6% on 2013's 8 961 565 tourists. Overseas tourist numbers only grew by 1,9% for the period, or by 41 575 tourists.

It appears, with very few exceptions, that the regional location of the source markets determined their outbound performance to South Africa, rather than their status within SA Tourism's portfolio:

- Growth was experienced out of nearly all European countries, with the exception of Russia (-9,6%) and Norway (-2,8%). The growth rate in tourists to South Africa for the whole of Europe was 6,8% for the year.
- A drop in the number of tourists was experienced for the year from all other regions, other than SADC. The Asian markets, all South American markets, and nearly all African air markets (the exception here is Angola which saw growth) declined. African air markets for the purpose of this analysis include Nigeria, Kenya, Tanzania, Angola and the Democratic Republic of Congo.
- Growth in tourist numbers was experienced from all neighbouring African countries and from Zambia too. It is worth noting that many of the cross-border arrivals from Southern African Development Community countries – a vast chunk of our international tourist numbers – do not have the same disposable income or spend patterns as those tourists who arrive by plane.

Figure 5 indicates SA Tourism's categories for prioritising markets and their meaning.

Figure 5: SA Tourism 4 priority markets: core, investment, tactical and watch list

6

Of SA Tourism's core markets, Mozambique led in terms of total tourists to South Africa in 2014, with 1 283 016 Mozambican tourists, up 17,6% on the 1 091 060 tourists in 2013. The Mozambique data does not show in the Figures which follow as it distorts the graph given the high volumes of tourists relative to all the other core markets.

As indicated in Figure 6, of the remaining core markets (other than Mozambique), the UK is the largest, followed by the US and Germany, in that order. France, the Netherlands, Australia, China (including Hong Kong) and India are also large source markets, accounting for over 80 000 tourists each in South Africa in 2014.

Figure 6: Tourists received from Core Market (less Mozambique) in 2013 and 2014
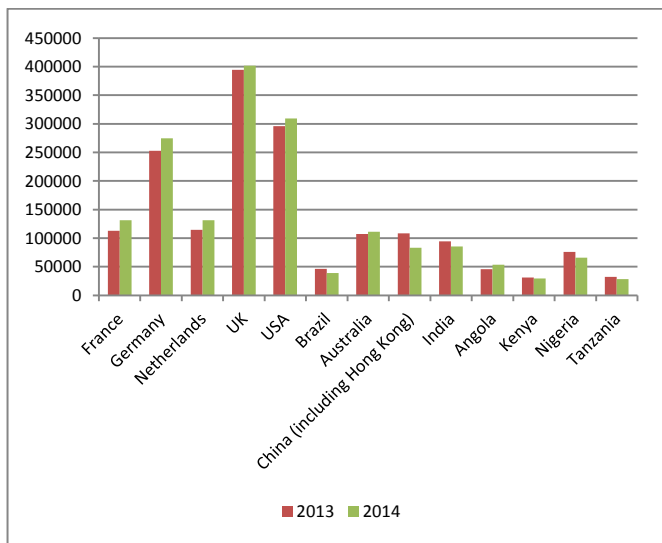
Source: SA Tourism based on StatsSA data

The significant growth out of France and the Netherlands, and moderate growth out of Germany, the UK and the US more than offset the large drops from China, Brazil, India, Nigeria and Tanzania. Figure 7 below indicates the growth or decline in tourist numbers in percentage terms between 2013 and 2014 by core market. Notably, South Africa experienced a drop of 23%, or approximately 25 000 tourists, from China.

Figure 7: Percentage change in core market tourist arrivals between 2013 and 2014
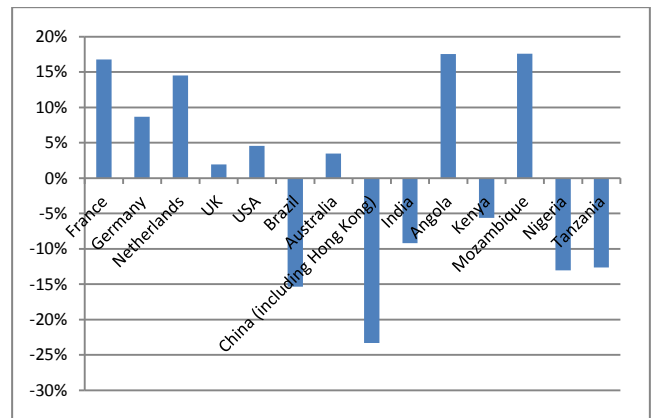
Source: SA Tourism based on StatsSA data

Investment Markets

As shown in Figure 8, Canada and Italy lead SA Tourism's investment markets by volume (other than the neighbouring country investment markets), with between 50 000 and 60 000 each in 2013 and 2014.

Figure 8: Tourists from Investment Markets (ex. neighbouring countries), 2013 - 2014
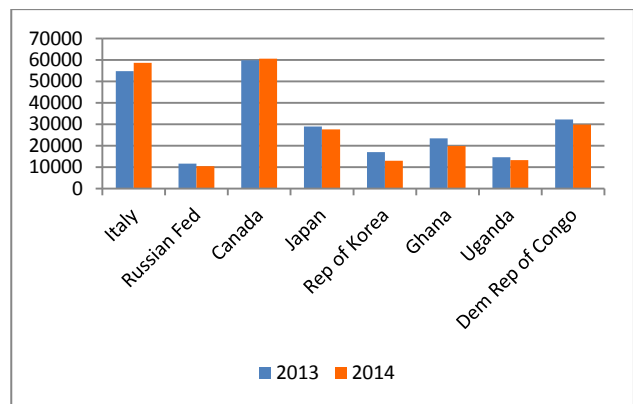
Source: SA Tourism based on StatsSA data

Other than Italy which grew at 7%, and Canada which grew by 1%, all the remaining non-neighbouring Investment markets saw declines. Figure 9 shows these declines in percentage terms.

Figure 9: Percentage growth/ decline between 2013 and 2014 from non-neighbouring Investment Markets

Source: SA Tourism based on StatsSA data

This decline - pretty much across the board - is a worrying trend given the status of these markets within SA Tourism's priority market portfolio.

Tourists from neighbouring country Investment markets increased between 2013 and 2014, as indicated in Figure 10, which follows.

Figure 10: Tourists from neighbouring country Investment markets, 2013 -2014

Source: SA Tourism based on StatsSA data

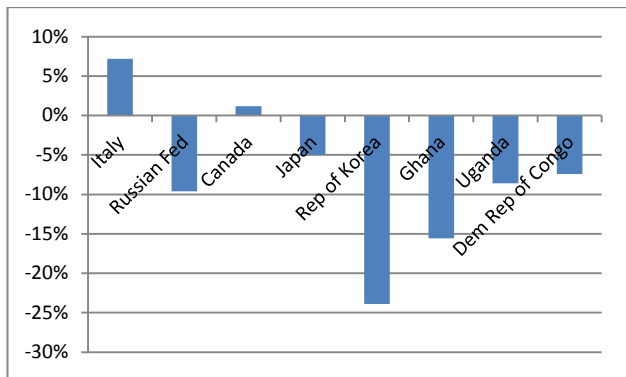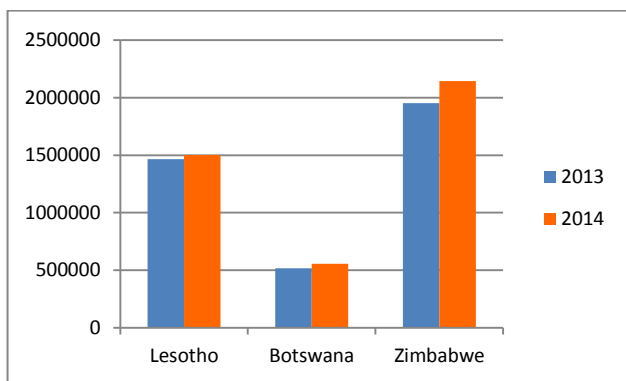The actual growth rates were 2,4%; 7,4% and 9,8% for Lesotho, Botswana and Zimbabwe, respectively.

Tactical Markets

Namibia and Zambia are the two regional tactical markets. Singapore, the United Arab Emirates and Switzerland are the

other three tactical markets in SA Tourism's portfolio of priority markets.

Figure 11 shows the performance of the Tactical markets. Namibia, the largest in terms of tourists to South Africa, grew very little, at 0.4% while Zambia, also a big market, grew at 5%. Singapore saw a large decline of 18%, or 1 682 tourists. The number of tourists from the United Arab Emirates grew at 27%, but this was off such a low base that it represented only an additional 346 tourists for the year. Switzerland grew at 6%, or by 2 743 tourists in 2014.

Figure 11: Tourists from Tactical markets, 2013 - 2014
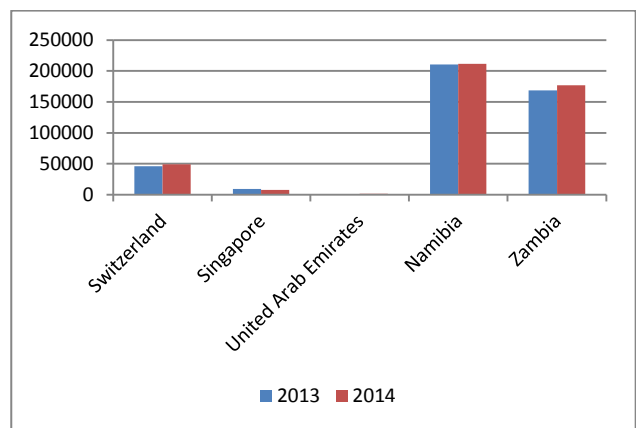
Source: SA Tourism based on StatsSA data

Watch-list Markets

The Watch-list markets are mostly European and saw growth in 2014, the exception being Norway where the number of outbound tourists declined by 3% (this decline only numbered 572 tourists). Tourists from Argentina and Turkey decreased while tourist numbers from New Zealand and Malawi were relatively flat. Tourists from Swaziland grew considerably, from 830 480 to 918 490, or by 11%. Ethiopian tourists are not listed separately in the StatsSA table provided to us, so it appears numbers of tourists from this country are very negligible. Malawi and Swaziland are not included in Figure 12 as the high numbers of tourists from those countries distorts the graph.

Figure 12: Tourists from Watch-list markets, 2013 - 2014
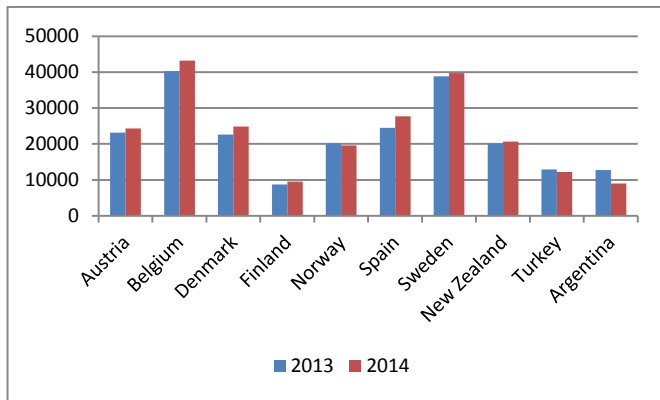
Source: SA Tourism based on StatsSA data

Explaining the trends

The reliability of the data is so questionable that it is difficult to ascribe causality to factors affecting arrivals. What is notable is that tourist numbers from Investment markets were down almost across the board. Given that these are markets where SA Tourism invests for the future, this raises questions around future tourist growth scenarios for South Africa.

Industry has been quick to blame the new immigration restrictions and the Ebola outbreak for the declines, particularly from China, and there are instances of bookings being cancelled. But the complete picture is still unclear and requires more analysis. A recent survey of the Chinese market by SA Tourism (admittedly before the impact of the new visa restrictions) indicated that concerns about personal safety and political stability were more prominent reasons for Chinese travellers not choosing South Africa. The Chinese market is considered in more detail in **Annexure D**.

2.3.2   Domestic Tourism

According to newly released SA Tourism data (May 2015), the total number of domestic trips increased by 11% in 2014 to reach 28 million trips compared to the 25,2 million trips taken in 2013.

Approximately 12 million South African adults took a domestic trip in 2014, the same number of travellers we had in 2013. However, the average number of trips taken per traveller increased from 2.1 in 2013 to 2.3 in 2014, as indicated in Figure 13.

Figure 13: Number of Domestic Trips and Travellers, 2010 - 2014
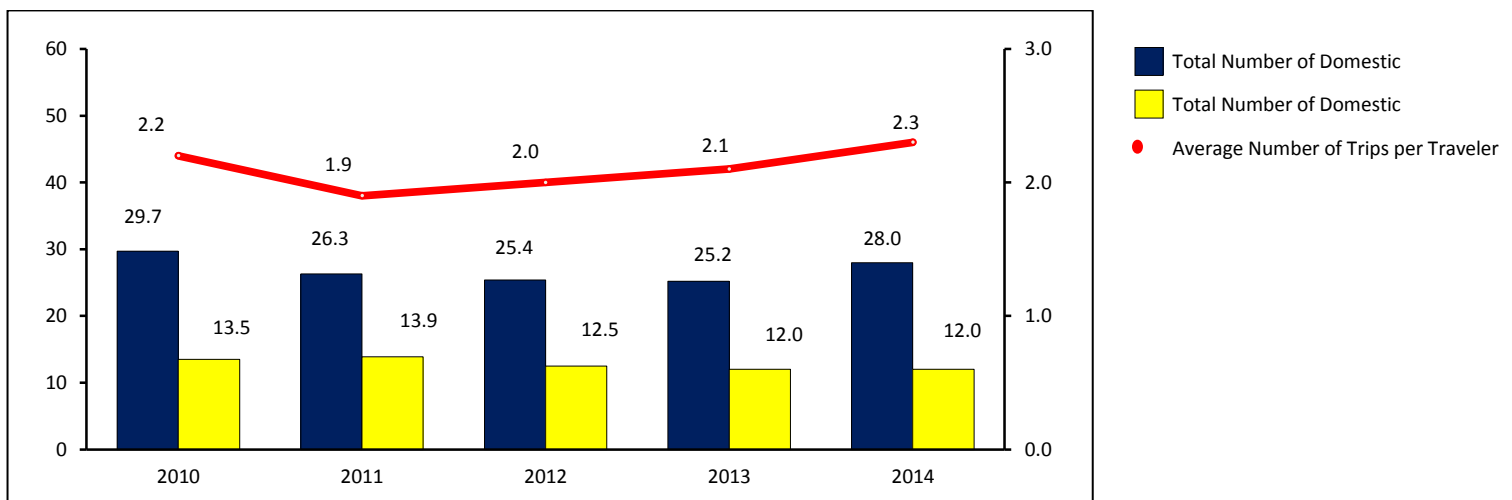
Source: SA Tourism, 2014 Domestic Survey

Figures 14 and 15, which follow, indicate a percentage decline in the number of holiday and business trips and an increase in Visiting Friends and Relatives (VFR) travel over the last year.

Figure 14: 2013 Purpose of Domestic Trip
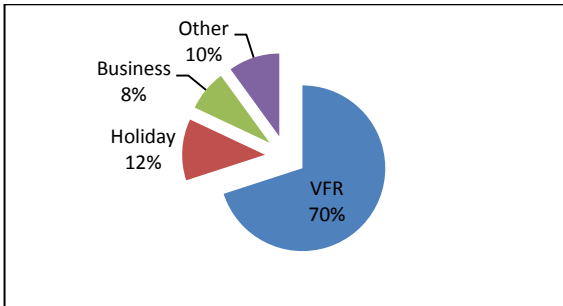
Source: SA Tourism, 2014 Domestic Survey

Figure 15: 2014 Purpose of Domestic Trip

Source: SA Tourism, 2014 Domestic Survey

The total revenue generated from domestic trips was R26,8 billion in 2014, an increase of 11% over the R24,3 billion of 2013. The increase in revenue was as a result of the increase in the number of domestic trips, as the average spend per trip decreased from R980/trip in 2014 to R950/trip in 2013. The drop in average spend is attributable to the increase in the number of VFR trips in 2014. These trips have a lower average spend relative to other types of domestic trips.
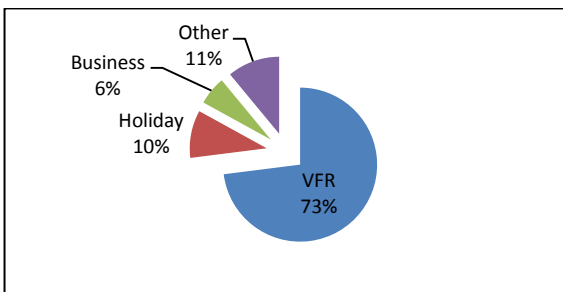
The average length of a domestic trip decreased from 4.4 nights in 2013 to 4 nights in 2014. However, given that there were more trips taken in 2014 than in 2013, the total number of bednights increased by 2% from 111,3 million in 2013 to 113,1 million in 2014.

Economic constraints remain the biggest barrier to domestic travel with 48% of the adult population mentioning that they cannot afford to travel and they are unemployed or have no income.

The domestic tourism data shows that the key SA Tourism metrics of holiday trips, length of stay and spend per trip all dropped in 2014, indicating a weakening performance.

2.3.3 Contribution to the SA Economy

Statistics South Africa compiles a Tourism Satellite Account (TSA) for the country. This is a globally preferred methodology that constructs tourism's contribution to the national economy. The latest TSA for the country was released in March 2015 and is for the 2013 year.

Using this approach, tourism's contribution up until 2013 (with 2012 and 2013 data preliminary) is assessed. It appears that the methodology is based on all 'arrivals', and not on tourists (i.e. an overnight stay) and should be understood as such.

Key findings of the TSA for 2013 relating to tourism's ***direct*** impact:

- Tourism contributed R103, 6 billion to the GDP, or 2.9% (this percentage stayed the same between 2012 and 2013).
- 655 509 people (4% of total employment) were directly engaged in producing goods and services consumed by visitors. The number of persons employed in the tourism industry increased by 9 854 (1,5%).
- Domestic visitors contributed 57% (R124,7 billion) of total tourism spend in 2013, while international visitors contributed 43% (R94,2 billion). Total tourism spend in 2013 was R218,9 billion, a growth of 9,7% on R199,4 billion in 2012. Outbound tourism expenditure was R62,6 billion, leaving tourism with a positive trade balance of R31,6 billion to the benefit of the economy and foreign exchange earnings.

Figure 16 shows the categories of products and services upon which international and domestic visitors spent

money. One clear area of difference relates to the high domestic and low foreign spend on road transport.

WHAT DID VISITORS SPEND MONEY ON, FOR EVERY R100 SPENT?
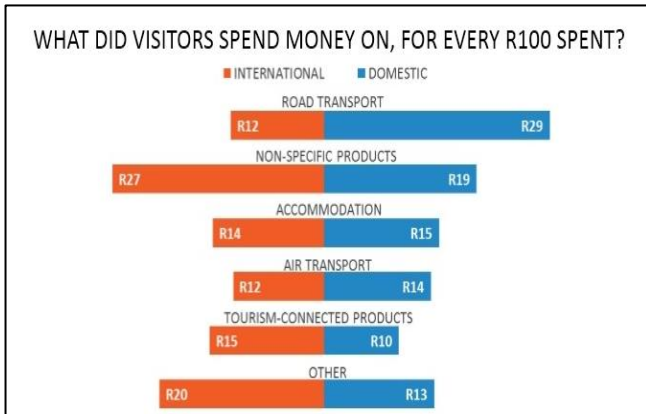
Source: StatsSA, TSA 2013, 2015

2.3.4 Industry Performance

Accommodation performance

Occupancy (the utilisation rate of the available rooms) and Average Daily Rate (the average amount a room is sold for across the different rates achieved per day) are the two key

metrics in the accommodation subsector. A third metric is RevPAR – Revenue per Available room – and this is simply a function of occupancy multiplied by Average Daily Rate. It indicates the actual income or earnings per available room per night, over a period. These measures provide a sense of the 'health' of the business performance of the industry.

Statistics South Africa Tourist Accommodation Survey

Stats SA undertakes a regular accommodation survey to assess the performance of this subsector. It segments accommodation into hotels, caravan parks and camping sites, guest houses and guest farms, and 'other accommodation'. Table 4 shows the August 2014 to January 2015 performance of these segments in terms of year on year growth or decline in income in percentage terms.

In January 2015 overall income from accommodation decreased by 1,5% year-on-year, mainly as a result of income from 'other' accommodation (-9,2%) and 'caravan parks and camping sites' (-3,2%). However, hotels and guesthouses have seen a monthly growth in their income from accommodation for some time.

Table 4: Year-on-year percentage changes in income from accommodation at current prices by type of accommodation

Type of accommodation	Aug-14	Sep-14	Oct-14	Nov-14	Dec-14	Jan-15
Hotels	11,8	9,5	7,8	6,1	1,9	1,2
Caravan parks and camping sites	-5,3	4,0	64,5[3]	19,3	3,8	-3,2
Guest-house and guest-farms	12,3	6,8	9,2	10,3	11,2	11,3
Other accommodation	12,1	4,8	14,8	12,0	0,0	-9,2
Total income from accommodation [1/]	11,8	7,9	10,2	8,0	2,0	-1,5

1/Excludes restaurant and bar sales and other income

Source: StatsSA, Accommodation Survey, 201

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[3] This 64,5% is reported in the StatsSA report. It is not clear if it is a mistake, or if there was a particular factor that caused such strong growth in caravan park and camping site income in October 2014..

South African National Parks data

South African National Parks (SANParks) owns and operates the greatest number of accommodation units of any one product owner in the country. SANParks experienced an annual average growth rate of around 5% in visitors across all the parks between 2009/10 and 2014/5.

Figure 17 shows that visitors to the parks grew from 4,5 million in 2009/10 to 5,6 million in 2014/5. The number of international visitors grew from 473 791 in 2009/10 to 700 112 in 2014/5. Fairly flat occupancy levels and activity utilisation rates were achieved while average rates increased by 54% over the 5 year period. SANParks achieves around 70% average annual occupancy of its units, and 48% occupancy for

its campsites. One can surmise that this high unit occupancy, which remains at 70%, relates to the strong demand from domestic tourists around peak holiday periods and weekends and weaker demand during other periods.

Detailed data is not yet captured at Table Mountain National Park nor at the West Coast National Park. Outside of those parks 75% or so of the guests / visitors are South African, around 30% of whom are black South Africans. Only 8% of the room nights are sold to black South Africans.

Figure 17: SANParks data on volumes, 2009/10 to 2014/5
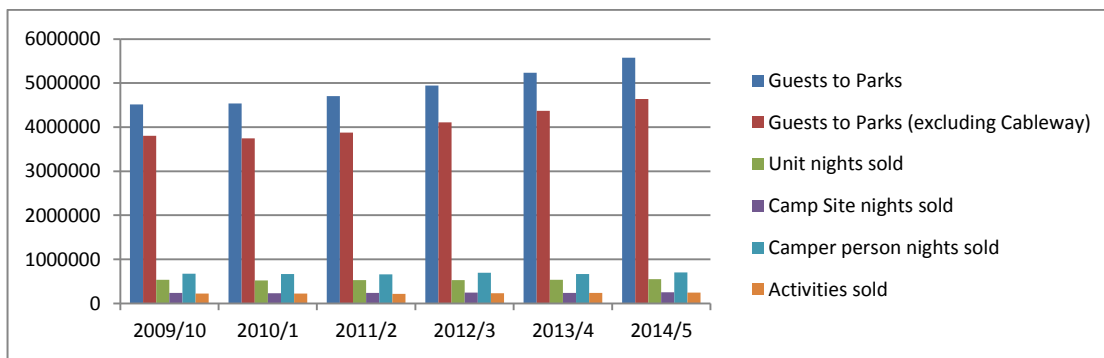
Source: SANParks, 2015

Of the international visitors to SANParks facilities, the top 5 source markets are Germany, United Kingdom, the Netherlands, France and the United States, in that order. Together these top 5 markets generated 317 184 visitors to SANParks facilities in 2009/10 growing to 455 988 in 2014/5. This represents an additional 44% in visitors over the five year period, or an 8,7% compound average annual growth rate. Nearly all the growth from these top 5 markets came from German tourists, at 82% of all additional visitors.

Figure 18: Main international source markets at SANParks, 2009/10 to 2014/5
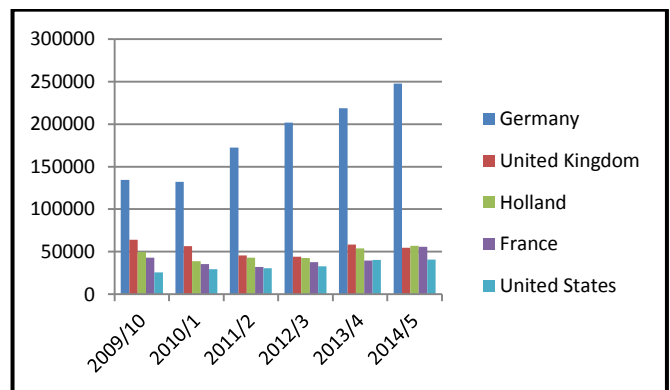
Source: SANParks, 2015

2.4 Summing it up: the opportunity

The data in this section indicates that off the back of good historic performance, South Africa's current tourism performance could be improved. The following trends are of concern:

- Declines in tourist numbers from non-European and non-SADC SA Tourism priority markets in the second half of 2014.
- Declines from domestic holiday visitors in 2014.
- Flat GDP and employment contribution of tourism in 2013 – relative to other sectors – with little employment created between 2012 and 2013.

While occupancy rates seems to have been relatively healthy in 2014, current industry sentiments dominating the travel media are negative, citing the new immigration and birth certificate procedures and the likely impact of xenophobia on demand for the destination.

Despite this, the Panel believes the tourism industry can make a profound economic impact. The size of the opportunity is significant: on the international front South Africa currently only converts around 1% of its global target market into actual tourist arrivals; on the domestic front, our domestic tourism contribution is relatively low compared with competitors such as Brazil, Australia, Thailand indicating much room for growth.

The rest of this report analyses the role and performance of SA Tourism in relation to this aggregate picture, and details the areas where we believe change is required to ignite improved performance.

3. Key findings

3.1   The Role and Mandate of South African Tourism

Introduction

SA Tourism takes its mandate and function from the 2014 Tourism Act. It is an agency of the national Department of Tourism (NDT), which in turn is part of the national government machinery aimed at addressing the country's development imperatives.

SA Tourism articulates its strategic plan according to the objectives set in the National Tourism Sector Strategy (NTSS). This strategy falls under the umbrella of the National Development Plan, the overall development plan and aspirations set for the country. Figure 19 outlines this hierarchical relationship.

Figure 19: Positioning SA Tourism within the country's development aspirations

South Africa's National Development Plan clearly indicates that tourism is a key economic sector for the country. The following key policy issues for tourism are noted in that plan:

- Increasing the number of tourists to the country and the average amount of money spent by each tourist *(this is an area to which SA Tourism's mandate responds)*;
- Improving the ease of doing business and infrastructure (particularly transport and accommodation).

- Promoting business tourism and positioning SA as a business and shopping destination *(this is the second area to which SA Tourism's mandate responds).*
- Supporting regional (SADC) tourism development including through a Univisa type arrangement.

The Tourism Act of 2014 states its objects as to:

(a) Promote the practising of responsible tourism for the benefit of the Republic and for the enjoyment of all its residents and foreign visitors;

(b) Provide for the effective domestic and international marketing of South Africa as a tourist destination;

(c) Promote quality tourism products and services;

(d) Promote growth in and development of the tourism sector; and

(e) Enhance cooperation and coordination between all spheres of government in developing and managing tourism.

SA Tourism's mandate corresponds to part (b), and the Tourism Grading Council's mandate to part (c). At the behest of the Department, SA Tourism also houses this Tourism Grading Council.

Stakeholder views

- The general sentiment is that while SA Tourism's mandate is not clear to stakeholders, international marketing of South Africa is the core activity that SA Tourism is charged with and should focus on.
- Further, that SA Tourism's job should be to help industry to transact, placing the local industry at the centre of what it does as a tourism marketing agency. Most stakeholders agreed that it is not SA Tourism's job to convert, which is rather seen as the role of trade and product.

- Most stakeholders also agree that SA Tourism should be involved in domestic marketing, but this was largely seen as a secondary focus to international marketing, and a function to be exercised in partnership with provincial and local tourism bodies.
- Certain aspects of the mandate or current functions are seen as inappropriate for the organisation. This includes transformation of the tourism economy and grading. Other grading related findings are discussed under the "Grading Council" section.

Our research

Part of the lack of clarity over SA Tourism's mandate appears to stem from a lack of communication of its current mandate and strategic objectives. SA Tourism's focus has shifted somewhat from 5 years ago, when it was more actively involved in addressing barriers to tourism growth, such as data, safety and security, and airlift. Its mandate per the Tourism Act of 2014 does not include addressing barriers to growth.

According to SA Tourism's latest strategy, the 5 year 2015 - 2020 Strategic Plan, the organisation's current objectives are:

- Contribute to the growth of international tourist arrivals in South Africa.
- Contribute to the growth of domestic tourism in South Africa.
- Grow tourism revenue, Total Tourist Foreign Direct Spend (TTFDS) and Total Domestic Direct Spend (TTDS).
- Improve brand awareness of South Africa as a tourist destination.
- Provide quality assurance for tourism products.
- Increase the number of business events hosted in South Africa.
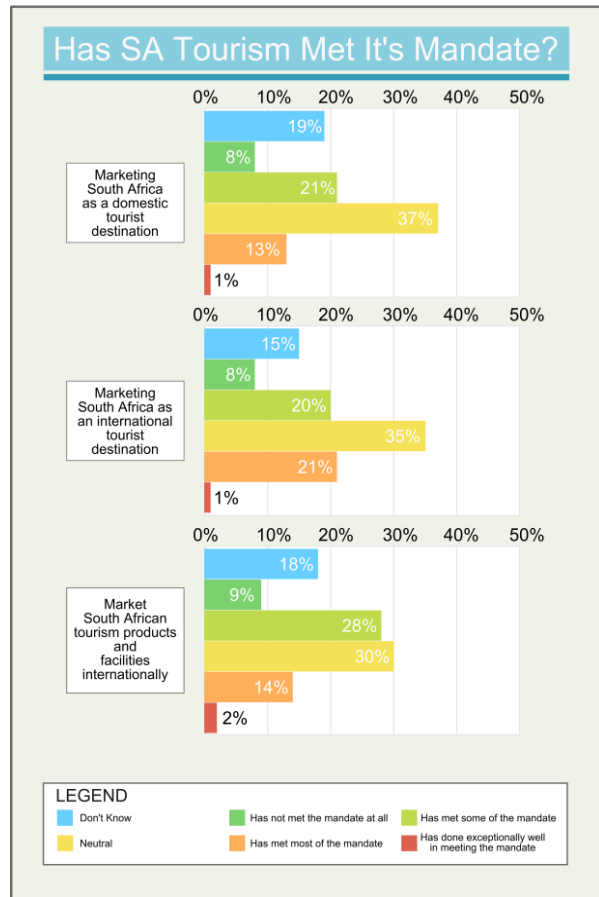
Source: TBCSA online survey of association members, 2015

In its mission statement (see Figure 21, over the page), SA Tourism does indicate its intention to 'facilitate' growth and to achieve alignment with other stakeholders. In practice, however, this has not been well-demonstrated.

Figure 21: SA Tourism's Mission statement

To develop and implement a world-class tourism marketing strategy for South Africa. In pursuance of this, SA Tourism will:

- Develop and implement domestic, regional and international marketing strategies informed by research, information and knowledge-sharing;
- Develop and implement a business events' strategy;
- Implement and maintain a recognisable, credible and globally benchmarked system of quality assurance;
- Facilitate strategic alignment of provinces and industry – in support of the marketing of tourism;
- Continuously align efforts to support tourism growth; and
- Ensure the efficient utilisation of resources in order to deliver against the tourism strategy.

Source: SA Tourism 2015-2020 Strategy, 2015

Benchmarking

UNWTO research from 2008-9 indicates the wide range of responsibilities across all National Tourism Authorities (government departments) and NTOs. Marketing, and particularly international marketing in leisure and business, are the most common functions, as indicated in Table 5 over the page. In some instance only one institution exists – referred to as the NTA/NTO.

While NTO's across the world have varying mandates, the benchmarked NTO's have similar marketing mandates. From the benchmarked set, Kenya Tourism is the only one which includes grading within its mandate (perhaps based on the South African model as a regional example).

According to the Tourism Australia Act 2004, Tourism

Australia's main functions are to increase potential international and domestic travellers' awareness, knowledge of Australia as well as desire to travel to Australia; undertake research and report on trends in tourism; communicate effectively with the industry, and increase awareness about the contribution of tourism to the economy, society and environment.

To help achieve its targets, Tourism Australia is focused on:

- 'Increasing the number of leisure and business event visitors.
- Improving visitor value, including spend per trip and spend per night.
- Competing with out-of-region travel destinations.
- Supporting supply-side factors, such as aviation and tourism infrastructure investment'.

The last point is the only one where Tourism Australia differs considerably from SA Tourism (other than grading). While SA Tourism may not have a focus on airlift, much of the foreign tourism revenue in South Africa is from air arrivals. As such airlift has been and always will be a critical enabler or disabler of tourism market access, both in terms of its availability[4] and the pricing thereof.

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[4] For example our research indicates that the cancellation of the SAA flight to India has fundamentally affected the ability to attract a spread of tourists from around that country

Table 5: NTO/ NTA functions, 2009

	All respondents	NTA/NTOs	NTOs
Domestic tourism	70	84	63
Regulation	30	74	10
Classification and licensing	47	89	27
Provide products	33	53	24
Provide infrastructure	42	63	32
Training	47	74	34
Advisory/technical support	53	84	39
Financial support	30	58	17
Marketing (international)	100	100	100
Marketing (domestic)	73	74	73
Marketing for leisure tourism	100	100	100
Marketing for business/MICE	95	100	93
CRM	48	63	41
Product development	60	74	54

Source: UNWTO, Budgets of National Tourism Organisations 2008-2009, 2010.

Our Recommendations

1. While the focus on the Board at the expense of the broader organisation needs to be remedied in the Tourism Act, we are confident that SA Tourism's mandate and role as specified in the Act are appropriate. The mandate is sufficiently flexible and relevant to the tasks required of a destination marketing organisation. International leisure tourism marketing should remain the main focus of SA Tourism with domestic tourism marketing and business tourism marketing as important additional areas.

2. As a supply side intervention, TGCSA should be removed from SA Tourism's operations as it is not well aligned to the organisation. (See more proposals in TGCSA Section).

3. There exists a serious disconnect between what SA Tourism is doing and what it is understood to be doing. The mandate needs to be communicated effectively.

4. As part of their mandate, SA Tourism needs to explicitly develop and deepen the partnership with the public and private sectors. This should be subject to performance measurement and review.

5. NDT needs to play a clearer role vis-à-vis SA Tourism. While SA Tourism has a role to play in making the case for tourism's economic contribution and the need to invest in tourism marketing, NDT must address destination constraints - particularly those put in place by other departments, such as visa regulations, health concerns, statistics, etc.

3.2   International Marketing

Introduction

The mainstay of SA Tourism has always been international marketing. Priority markets and segments are identified and targeted based on regular research. SA Tourism also undertakes benchmarking to track the destination's brand performance.
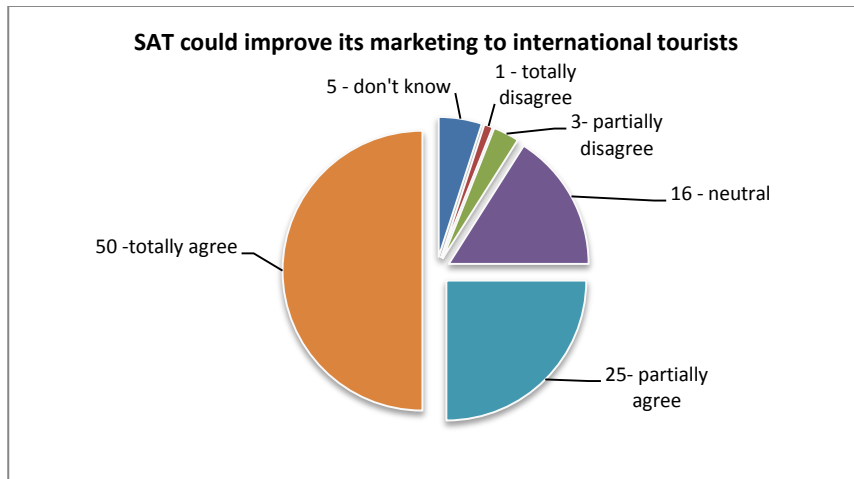
SA Tourism generates awareness of the destination and demand through Joint Marketing Agreements and communication activities. The organisation also works with the outbound trade to package the destination; this is mainly through the work of country offices in 12 different source markets.

It delivers its marketing campaigns through a range of service providers who essentially project manage the campaigns, including global advertisements (print, billboards, TV), local and international trade shows, digital campaigns and the web, public relations activities, events, and so on.

Stakeholder views

- 75% of the private sector respondents of the online survey agree or totally agreed that SA Tourism could improve its international marketing efforts. This was also the view of the focus groups.
  - There was a concern expressed that SA Tourism is removing focus from traditional markets in favour of new markets.

  - Certain stakeholders raised the age-old criticism that SA Tourism privileges certain local destinations in its marketing campaigns and collateral.
  - Many stakeholders called for greater innovation in campaigns and 'freshness'. In certain instances it was suggested that SA Tourism start from scratch to re-establish the brand uniqueness and focus on this.
  - In general, stakeholders were quite positive about the digital marketing initiatives of SA Tourism, such as those with TripAdvisor. There was a call for increased focus in this area.
  - There were various criticisms linked to perceptions of the large size and sense of ostentation associated with SA Tourism travel delegations to international tourism shows. This is perceived as wasteful and not in keeping with our brand proposition and country identity.
  - The role of provinces and cities at international tourism shows was also queried in terms of their strategic value.
- In terms of market opportunities, the following were consistently identified:
  - A focus on the unique visitor experiences that distinguish South Africa from its competitors.
  - Niche markets, particularly youth, cultural/ heritage, urban and medical.
  - Greater collaboration with cities, domestic regions, destinations.
  - Greater regional and continental collaboration.

Figure 22: Private sector views on the International Marketing of SA Tourism

SAT could improve its marketing to international tourists

5 - don't know
1 - totally disagree
3- partially disagree
16 - neutral
50 -totally agree
25- partially agree

Source: TBCSA online survey of Associations' members, 2015

- In terms of other marketing platforms, many queries and concerns were voiced around Indaba's relevance, buyer selection for shows, and the usefulness and availability of other tools for trade and product owners, such as a national product database and image library.

Our research

SA Tourism only converts about 1% of its target market into actual tourist arrivals – so the opportunity to grow foreign leisure tourists is significant.

Priority Market and Segments

Figure 23, adjacent, shows SA Tourism priority markets. The key metrics of volume and value are used to arrive at this strategic prioritisation.

The prioritised segments have not changed for some time. These are:

- 'Wanderlusters' (singles or couples aged 25 to 40), and
- 'Next-stop-South Africa' (traditional market of wealthier experienced travellers aged 40 to 60).

Figure 23: SA Tourism's Portfolio markets

	AFRICA	AMERICAS	ASIA & AUSTRALASIA	EUROPE & THE UK
CORE MARKETS	Angola Domestic Kenya Mozambique Nigeria Tanzania	Brazil USA	Australia China India	France Germany Netherlands UK
INVESTMENT MARKETS	Botswana DRC Ghana Lesotho Uganda Zimbabwe	Canada	Japan South Korea	Italy Russia
TACTICAL MARKETS	Namibia UAE Zambia	-	Singapore	Switzerland
WATCH-LIST MARKETS	Ethiopia Malawi Swaziland	Argentina	New Zealand	Austria Belgium Denmark Finland Norway Spain Sweden Turkey
STRATEGIC IMPORTANCE	Egypt, Israel, Morocco, Saudi Arabia, Tunisia	-	Malaysia	-

Source: SA Tourism, Portfolio Review, 2013

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The brand experience or elements for the country relate to diversity, possibility and ubuntu embodied in people, heritage and culture, breathtakingly enriching memories, and life-changing experiences.

Brand Performance

According to the 2013 Brand Tracker Survey results, South Africa sustained its brand ranking compared to the brand attributes of 13 of its rival destinations, including Australia, Thailand, Brazil, Kenya and the USA. While South Africa performed better than other competitors in most attributes, key competitors like Australia and Thailand were still ahead of South Africa – especially on brand awareness, brand positivity and "destination under consideration".

South Africa is strongly perceived as being a destination offering an 'adventurous' and a 'natural wildlife' experience – and remains dominant on these attributes in most markets.

The global closure ratio (indicating those who visited the destination in relation to those who sought information on the destination) declined to 1:2.27 (in 2013) from 1:2.14 (in 2012).

Marketing Platforms and approaches

Trade shows held in South Africa

SA Tourism is refocusing Indaba to improve its relevance to the trade, but there are now a diversity of independently run trade shows held locally - World Travel Market Africa, International Luxury Travel Mart Africa and 'We are Africa'. Anecdotal reports indicate a drop in the number of deals done at Indaba, and the trade and buyers are often prioritising other events. A separate review has proposed a set of strategic recommendations to improve Indaba's relevance, standing and performance.

International Trade shows

Provinces and cities do not add much value to the SA Tourism exhibition stands or the broader South African presence at global tourism shows, as they are unable to

transact, and in fact fragment the overall offering. Their funds might be spent better elsewhere. While tourism shows are still an important part of transacting for the travel market, their importance is decreasing with the advent of other digital platforms. SA Tourism needs to develop a clear understanding of the value of trade shows relative to their cost and the overall marketing strategy; and, linked to this, the best manner in which to present the country, and its offerings at such shows. An assessment of participation also needs to include reviewing pre- and post-show contacts.

International travel expenditure records for SA Tourism, as provided to the Panel do not disaggregate the size of delegations, composition or other travel choices. As a result it is not possible for the Panel to comment authoritatively on the matter of the size of, or expenditure associated with teams attending tourism shows.

Website and digital marketing

In line with current best practice, SA Tourism draws extensively on user-generated content for its website. User-generated content is preferable to mediated content in that it genuinely reflects experiences and is seen as reliable by potential tourists.

According to SimilarWeb, southafrica.net enjoys a higher time on the site than some of our competitor destinations, on average over four minutes with over four pages viewed.

The website's traffic is derived predominantly from organic search (54.8%), followed by direct (27%) and referrals (13%). Almost 46% of its traffic is from South Africa, followed by the USA (13%) and the UK (8%).

SA Tourism has a range of digital marketing partnerships with online travel players like TripAdvisor, WAYN.com and Expedia, and supplements its online marketing through Google Adwords, Lastminute.com, YouTube, Opodo, E-Bookers, CNN and NatGeo. The southafrica.net website is mobile responsive. The My South Africa essentials iPhone App was launched in 2010.

However, while SA Tourism has an extensive presence on the web, it is not coherent enough: there are 17 sites all with a different slant to attracting visitors to South Africa. SA Tourism has contracted many agencies to work across these multiple digital assets. While the country specific requirements must be recognised and met, greater conformity can be achieved.

Databases

There exists a range of resources for the trade and product owners on the SA Tourism website with regard to product databases and images. Not all are readily accessible and they are also not well communicated.

Marketing execution model: service providers

SA Tourism enters into a range of contracts with services providers. These providers deliver various project management and content for marketing and communications activities. An overall three year contract is also entered into with a primary advertising agency to project manage and execute many of these marketing activities and platforms. (This contract is currently held by Ireland Davenport. It has recently been extended to September 2015, at a retainer of approximately R2,6 million per month).

Working with and through country offices/ hubs

Country offices focus on working with the trade to assist with conversion. Effective work requires regular and respectful engagement between Head Office and country offices, particularly with regard to content and the peculiarities of the markets. Furthermore, an appreciation needs to be developed that certain global marketing choices are not appropriate for all markets. [China is a market that requires a different approach, as Google-based IT and digital approaches do not work there, and global media platforms like CNN are also not pervasive communication tools]. The relationship between Head office and Country offices is considered in greater detail in the section "Organisational Structure and Human Resource Development".

Benchmarking

A number of marketing trends observable in NTOs include:

- Co-operative, or joint marketing, programmes are popular for international campaigns and communication strategies. Figure 25 which follows provides an example of excellent co-operative marketing in Australia.
- A classic partnership marketing initiative was Tourism Australia's their 'Best Job in the World' competition, which got more than 620,000 applications from 330,000 individuals from 196 countries. It was done in partnership with state/territory tourism organisations and commercial partners Virgin Australia, STA Travel, Citibank, Dell, IKEA, Sony Music and Monster.com.
- Tourism Australia has also signed eight three-year agreements with Emirates (AU$14.3m), Virgin Australia (AU$12m), STA Travel (AU$9m), China Southern Airlines (AU$9m), China Eastern Airlines (AU$8.6m), Air New Zealand (AU$6m), Air China (AU$6m) and Etihad (AU$6m). This indicates the strength of their relationships with airlines and their recognition of the importance of airlift access to their country.
- A common theme is the increased move to digital marketing and enhanced website functionality. For examples, India Tourism has recently revamped www.incredibleindia.com in line with their plans to increase digital marketing. Tourism Australia is working on a system that will take the consumer through the whole process of travelling – from the dream, to the planning, booking, travelling and sharing your experiences afterwards.
- Cities/ provinces/ regions tend to market internationally too, sometimes co-operatively, sometimes not. This indicates that the challenge of cooperative marketing across the spheres of government is by no means unique to South Africa.

- Most established NTOs have long standing campaigns that they run under the same umbrella campaign – 'There is nothing like Australia' (2010), '100% Pure New Zealand' (1999) and others like 'Incredible India', 'Amazing Thailand', 'Magical Kenya' are five or more years old, but constantly refreshed to add new elements.

Our recommendations:

1. SA Tourism should demonstrate leadership in international marketing through innovation and freshness, and a clear strategic core that aligns and links the many marketing activities (including digital and traditional, across and between countries, etc.). SA's competitive advantage lies in the very unique experiences we can offer as a country. We should be capitalizing on this, and not following in the tired footsteps of others by marketing only adventure, wildlife or beaches.

2. SA Tourism should review its marketing execution business model, particularly the extensive use of service providers.

3. SA Tourism should seriously consider handing over the management of Indaba to an independent operator, given that industry is now actively and successfully operating in this space (as evidenced by WTM Africa), and the drain that Indaba places on SA Tourism resources.

4. SA Tourism should review its practices for buyer selection and participation at international tourism shows (particularly of provinces and cities, and its own travel delegations). With the growing using of online platforms to research and book travel, investment in tourism shows might increasingly provide less of a return than investments in other marketing media and techniques.

5. SA Tourism should continue to have a strong focus on digital marketing. There needs to be greater consolidation of digital assets across the board in order to achieve consistency in brand message and consistency in brand tone, manner and feel.
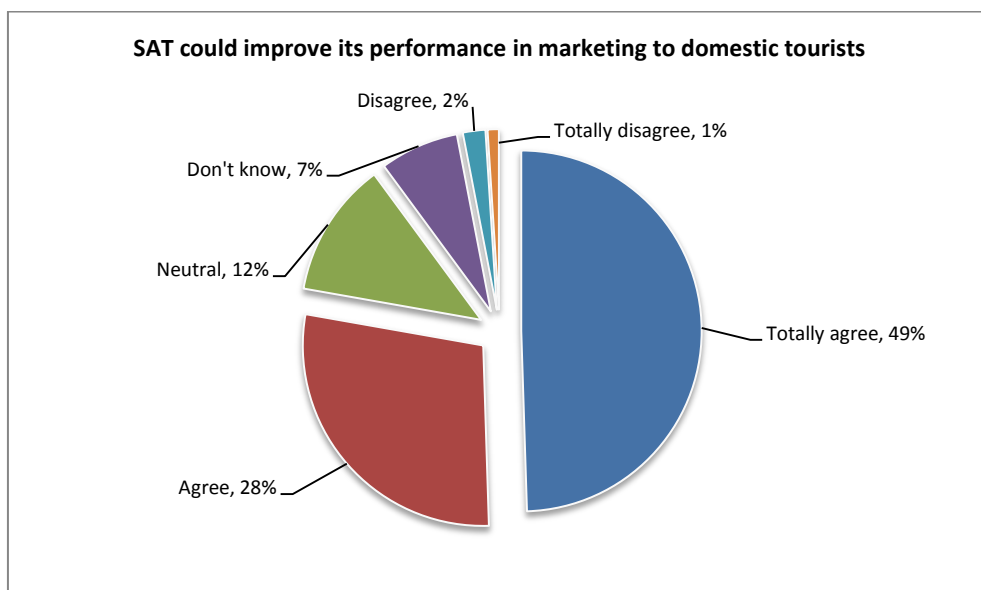
3.3   Domestic Tourism

Introduction

Domestic tourism is the backbone of all successful tourism economies. Not only is its revenue contribution often greater than that of foreign tourism, but domestic tourism also supports the tourism economy in other ways e.g. through providing resilience in the face of events that might deter foreign visitors. It may also provide a level of counter seasonality to the months during which foreign tourists travel, and a range of preferences for destinations, services and experiences that might not be supported by foreign tourists.

In many countries, including South Africa, domestic tourism is also a source of geographic redistribution of income, as South Africans travel to other parts of the county and spend their money in these destinations.

Sho't Left, now a number of years old, is the SA Tourism domestic marketing campaign designed to encourage South Africans to travel. A new SA Tourism domestic marketing strategy and major budget injection plans to significantly enhance domestic marketing over the next three years.

Figure 24: Online survey respondents satisfaction with SA Tourism's domestic marketing

Source: TBCSA online survey of Associations' members, 2015

Stakeholder views

Stakeholders typically had less to say about domestic tourism than international, perhaps indicating their lack of focus in this area. Provincial and local government stakeholders were not very clear on their own tourism marketing strategies targeting domestic tourists.

- There were divided opinions on Sho't left: certain stakeholders commended the campaign, while many

felt it was past its 'sell by' date. They pointed to a lack of focus, obscure messaging (or even inappropriate – most domestic travel is actually planned, not spontaneous), and that it was not clear who the target market was.
- Visiting Friends and Relatives (VFR) travel is not seen as an opportunity by SA Tourism, according to stakeholders (and should be).

- Metropolitan areas and cities should be viewed as gateways, i.e. driving tourists to less visited places. They have some funds which can be leveraged.
- The domestic market is understood to be affected by affordability, linked to disposable income and overall performance of the economy. Many stakeholders identified a lack of a domestic culture of travel and poor public passenger transport as other important issues. On the product side, insufficient product to cater to the domestic market in terms of diversification and prices was highlighted. The barriers to domestic travel, as identified by stakeholders, are shown in the pie chart, Figure 25, below.

Figure 25: Barriers to domestic travel
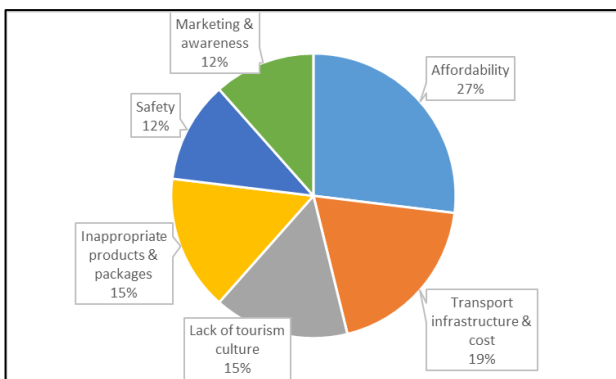
Source: Panel research, 2015

Our research

There is a clear lack of insight, understanding and focus on the domestic market across all stakeholder groups. This is despite the fact that the domestic tourism market contributed 57% of total tourism revenue, at approximately R125 billion, in 2013. While Visiting Friends and Relatives' travel has recently increased in terms of number of trips, holiday and business travel have declined. It is holiday travel that is seen as somewhat discretionary and it is this market that SA Tourism focuses upon.

Figure 26: Number of Domestic Trips by Purpose
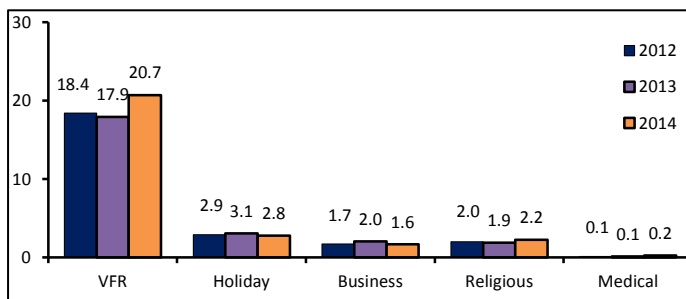
SA Tourism's own research, based on its domestic survey, indicates the reasons shown in Figure 27 as to why South Africans do not travel. While not contradicting the view of the private sector, and confirming the role of affordability as key, the Domestic Survey research indicates that time and motivation are also important factors. 'No reason to take a trip' implies that proactive marketing could active more domestic trips.

Figure 27: Why South Africans don't travel
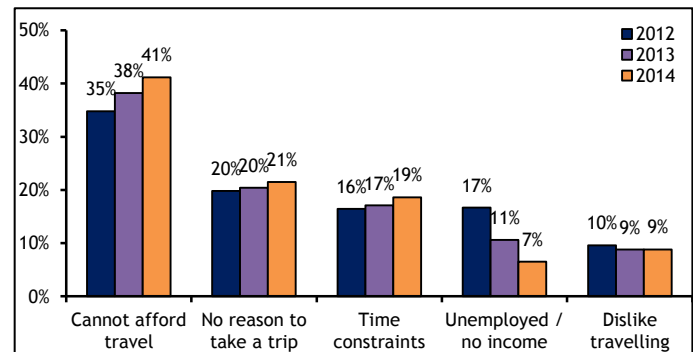
Source: SA Tourism, Domestic Survey, 2014

Sho't Left

55% of the domestic survey respondents had heard of Sho't left (unaided) as indicated in Figure 28.

Figure 28: Have you ever heard of the Sho't Left campaign [unaided]
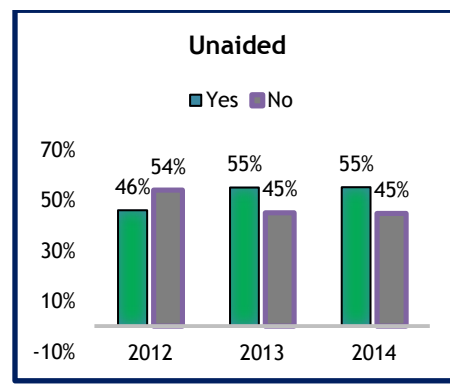
Source: SA Tourism, Domestic Survey, 2014

Sho't left is not so much a domestic tourism strategy as a campaign targeting one segment. As a campaign it has no linkages to the international marketing of the brand, leading to brand fragmentation.

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New Domestic Marketing strategy

SA Tourism's limited focus on domestic tourism – one member of ExCo referred to it as the 'stepchild' of the organisation - is currently changing with its new strategy and budget. The new strategy, as provided to the Panel in March 2015, will see R300 million spent between 2015/6 and 2017/8, will focus on:

- The 5 priority segments for travel and spend based on the 2011 SA Tourism domestic research study. These are High-Life Enthusiasts, Spontaneous Budget Explorers, Seasoned Leisure Seekers, New Horizon Families and Well-to-Do Mzansi Families. It will also focus on Middle Income Whites to try and boost numbers.
- The selected use of media channels and easily accessible value packaged deals. SMME and small travel businesses will package deals for ordinary South Africans. Furthermore, online tour operators will be partnered as will SANParks and Cape Nature.
- Building a culture of travel through targeting the 9 other segments that travel very little as well as targeting schools for school trips and tertiary institutions.
- Seasonality and geographic spread, to be addressed through 'deal driven tactical campaigns' in the low season from May to September and the use of iconic heritage sites such as SANParks, Table Mountain Cableway, Maropeng, etc. to incite free entry to attractions encouraging day trips.

The budget is being divided between creating awareness and a culture of travel, and conversion. This is shown in Figure 29, adjacent.

Source: SA Tourism, Domestic Tourism Strategy, 2015

The Panel believes that the new domestic tourism strategy should be enhanced in a number of ways. It should:

- review past performance of domestic campaigns, such as Sho't left;
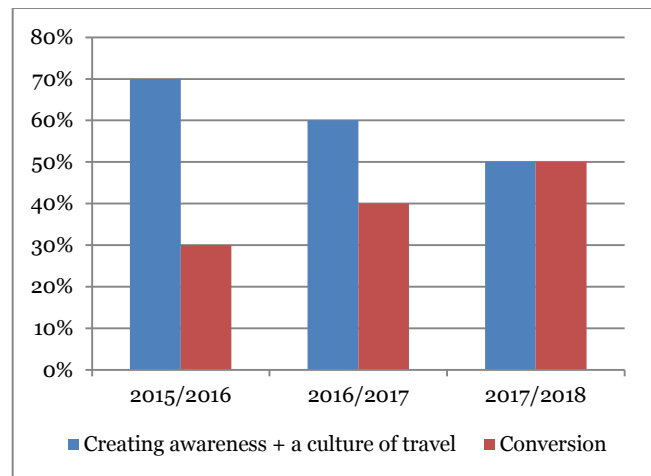- reflect on the barriers to domestic tourism in South Africa, including affordability, 'no reason to travel' and so on;
- consider opportunities for leveraging off domestic VFR travel, which is currently the main purpose of travel;
- analyse the product offering for domestic tourists and review ways to attract domestic tourists to existing product, as well as product gaps and opportunities;
- consider the seasonality associated with domestic tourism, as well as other factors, such as the use of public transport, size of travel groups, and so on;
- undertake benchmarking of other domestic tourism approaches to highlight any possible learnings from elsewhere in the world; and
- use options' analyses, cost-benefit analyses, or other strategic tools to consider how best to deploy the new funds towards marketing activities targeting the priority domestic segments.

All the above must be informed by detailed discussions with trade and product in South Africa that cater to the domestic industry. The strategy should also be based on meaningful discussions with provinces and cities on their role in and experiences of domestic tourism. Leveraging the capabilities and marketing budgets of both the private sector and public actors should be an underlying principle in domestic tourism marketing.

Recent commentary from the Board of SA Tourism indicates that many of these suggestions are already being addressed by SA Tourism and the relevant Board committee.

SA Tourism's targets and forecasts for domestic holiday trips are shown in Table 6 below. While annual growth rates of between 8,3% and 7,1% are forecast for the three year period, revenue targets and forecasts are more modest, at 4,5%.

Table 6: Targets and forecasts for Domestic Holiday Trips

KEY PERFORMANCE INDICATOR	AUDITED OUTCOME/ ACTUAL PERFORMANCE				ESTIMATED PERFORMANCE		TARGET		FORECASTS			
	2012/13		2013/14		2014/15		2015/16		2016/17		2017/18	
Number of domestic holiday trips	2 900 000		3 100 000	6,9%	2 624 214	-15,3%	2 841 209	8,3%	3 059 764	7,7%	3 278 319	7,1%
TDDS (billion)	R	21,8	R 24,3	11,5%	R 23,2	24,3%	R 24,3	4,5%	R 25,3	4,5%	R 26,5	4,5%

Source: SA Tourism Strategic plan, 2015 – 2020; 2015

Benchmarking

Most NTOs undertake domestic marketing. Interestingly both Tourism Australia and the Tourism Authority of Thailand are using their international campaigns in their domestic markets with an emphasis on different products. SA Tourism's Chief Marketing Officer has indicated an intention to do the same.

Our recommendations

1. Domestic tourism should remain a core mandate of SA Tourism, albeit exercised in partnership with national, provincial and local role players. This means that SA Tourism needs to follow a particularly collaborative approach in exercising this mandate.

2. Domestic tourism marketing needs a proper focus and long term, thoughtful, strategy. While a new SA Tourism domestic strategy exist, it needs to be seriously enhanced – and the existing efforts to enhance it must continue. A key focus must be to increase travel by black South Africans.

3. The fragmentation of the tourism brand needs to be addressed by applying one brand strategy across international and domestic markets. Work in this area is already underway.

4. We need a new campaign on being a 'tourism nation', particularly post-xenophobia attacks. The Welcome campaign is an example of such a campaign. Together with Brand SA, SA Tourism should look at reviving this programme, or establishing an equivalent.

3.4   Tourism Grading Council of South Africa

Introduction

Star grading systems for accommodation exist in many countries. They still provide an assurance role, albeit limited, that establishes comfort and a benchmark in the mind of the consumer. However the changing face of travel – now informed by online databases of peer reviewed products and experiences – questions the long term business case for traditional grading systems.

In South Africa, the Tourism Grading Council has operated for just over ten years, and has been through a series of reviews and business model refinements. The latest business strategy, dated mid-2014, requests additional resources and funds from NDT to better fulfil its mandate.

Stakeholder views

- Stakeholders expressed a unanimous view that the TGCSA does not fit within SA Tourism's mandate.
- Questions were raised regarding the business case for TGCSA:
  - Certain stakeholders believed that in the era of social media driven reviews of destination accommodation and experiences, a national grading council is irrelevant.
  - Other stakeholders felt that a grading council is still needed, but with a curtailed role, and with a clear business proposition.
  - Yet others suggested that grading had a role but could only work if it became mandatory.
- Concerns were also expressed about the performance of the TGCSA, amongst others:
  - Limited consumer awareness and feedback.
  - Major corporations have left the grading system.
  - There aren't sufficient benefits for participating enterprises.
  - The grading system requires improved evaluation criteria and assessment frequencies.
  - Ungraded establishments should be penalised by timely removal of their TGCSA plaques.
  - The website is not user-friendly

Our Research

TripAdvisor and other websites provide consumers with a direct channel to rate their experiences in the destination. A challenge here is that for smaller accommodation properties there may not be sufficient TripAdvisor ratings to provide guidance to potential customers. Thus part of the value of star grading systems appears to be for non-hotel accommodation, where the tourist wishes to get a third party sense of the level of facilities.

Consumer experience is not limited to the facilities offered (size of bed, television services, etc.). Many potential customers are looking for a broader rating of the overall experience at the establishment, linked to an increasing desire for experiences. This challenges traditional grading methods, which focus on the physical set of facilities more than other, 'softer' considerations.

Performance of TGCSA

Board minutes and documents provided to the Panel indicate that as many as 25% of the establishments previously signed up to the TGCSA are no longer graded properties.

A new business model proposed by TGCSA in mid-2014 motivates for additional resources and funds from NDT. This is in order to better fulfil its mandate and to make the 'basket of benefits' available. Table 7 shows TGCSA targets indicating forecast performance on the current strategy, and with implementation of the new strategy.

Table 7: TGCSA performance and targets for graded properties

2012/3	2013/4	2014/5	2015/6
Actual	**Actual**	**Forecast**	**Estimated**
6022	5587	6068	6493
		*7088	*8155

*if new strategy implemented

Source: TGCSA Final Strategy; 2014

The new Tourism Grading Council strategic plan includes:

- Continuously increasing the base of graded establishments, as well as renewals.
- Increasing value-add for graded establishments through a tangible Basket of Benefits.
- Empowering assessors to be of greater value to the establishments.
- Offering support to Exempted Micro Enterprises (EMEs) – in order to create a more inclusive base of graded establishments.

The same plan indicates that TGCSA will also:

- Review the assessor model, and consider moving from an outsourced function managed through Service Provider Agreements to full-time employment.
- Enhance and improve the integrity of the grading criteria and process.
- Enhance the competency and integrity of the grading assessors.

It is clear from the above that the TGCSA is attempting to grapple with certain of the challenges that confront its business model. However it remains unclear to the Panel what the demonstrable value of the grading system is.

In addition, the NDT has instructed TGCSA to extend grading beyond accommodation to other industries such as attractions, restaurants and tour operators. TGCSA has also been requested to manage the Lilizela awards – an annual industry awards programme. Given that TGCSA has yet to excel within the traditional sector, this desire to expand its mandate may be misplaced.

The recruitment of a new Chief Quality Officer is currently underway.

Benchmarking

A United Nation's World Tourism Organisation published study, "Online guest reviews and hotel classification systems", looked at the integration of hotel classifications (i.e. grading systems) with online consumer reviews. While they should ideally be more integrated, the study found this to be difficult, for a few reasons:

1. Consumers use both — the classification system gives them the area to research (i.e. 3-4 stars in a certain location), followed by online reviews to make their choice.

2. Online reviews work because they are perceived to be independent. Bringing the two systems together might raise concerns regarding review authenticity.

What is clear is that online reviews play a critically important part in selection of properties. While the TGCSA does have feedback on their site, it appears to be feedback to the organisation and not reviews as such. Linking consumer reviews of the graded properties to the star grading could enhance the value of the TGCSA for consumers.

Our recommendations

1. The TGCSA be moved from SA Tourism. A separate process should consider where best it could be located. The Panel has identified 3 possible options for its new location:
   o A government component under NDT.
   o A separate agency operating under its own board ('the Council').
   o The South African Bureau of Standards (SABS). SABS is an attractive option as it is the home of standards, including voluntary standards. Under the Act the Minister can assign the TGCSA to SABS.
2. The process of recruiting a new Chief Quality Officer should be put on hold until such time as the location and business model, including funding, for the TGCSA has been determined
3. The new business model for TGCSA should be interrogated as to whether there is real value in a grading council for industry and the destination. The extended mandate should be reviewed. In this regard, a limited role with limited costs to the fiscus should be considered for the short to medium term. The TGCSA should principally be self-funding, which will create a structured system of accountability. If a compelling case is not built for the grading

system and industry walks away from it, NDT should not be required to subsidise it.

4. SA Tourism should continue to partner with TripAdvisor and other online platforms that are extensively used to research product and for peer reviews of the destination.

3.5 South African National Convention Bureau

Introduction

Business tourism includes travel to business events such as meetings, conferences and exhibitions. It also includes participating in incentives (or rewards) travel but excludes regular business travel, which is not discretionary and where NTOs can do little to leverage it. The appeal of business tourism, and the reason many destinations now target this market, is that business tourists' spend is high, and many business tourists extend their trip to leisure travel, or return to the destination as leisure tourists.

According to the SA Tourism 2013 Annual report on international arrivals, business tourists accounted for 8,3% of all arrivals, up from 5,9% in 2012.

After research into the potential of business tourism, and ways in which it could be leveraged by a dedicated team, the South African National Convention Bureau (SANCB) was established at SA Tourism. It is relatively new – commencing operations in March 2012. Its primary focus is support to industry and destinations in bids to host major business tourism events.

Stakeholder views

Most stakeholders were positive about SANCB's performance. Suggestions to improve its performance included:

- More resources – a substantial bid fund.
- Advance planning of more than a year and only attract mega events that build strategic partnerships.
- Work more closely with airlines.
- Tourism organisations should have access to the statistics and be aware of SANCB targets.
- Improve buyers for Meetings Africa, share data, market conference venues.
- Ensure fair provincial representation.
- Cities need to be included in meetings with SANCB, not just provinces.

Our research

The business tourism strategy at SA Tourism is distinct from the leisure portfolio market and segmentation approach. Major associations are targeted (as they decide on the location of events) using a hybrid sales model combining sales representatives and in-house sales teams.

The business tourism priority markets and segments are shown in Table 8, below.

Table 8: SA Tourism priority business tourism markets and segments

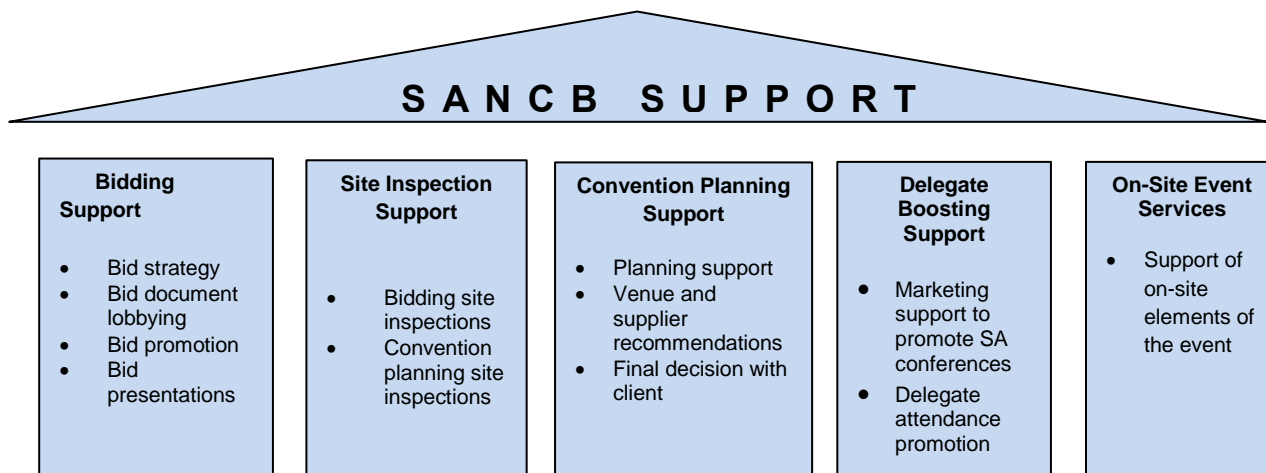|	MEETINGS	INCENTIVES	CONVENTIONS	EXHIBITIONS
Targeted geographic locations	SADC, Europe, USA and Asia	UK, Europe, US, BRICS and Asia	Europe, USA and Africa	South Africa, Europe and US
Target audience	African product launches and user groups, as well as African regional meetings of multinational corporations.	Incentive companies, corporate agencies, and in-house planners.	Associations with South African key contacts or areas of specialisation.	Internationalising national shows and African versions of existing titles.
South Africa's potential	Limited	Strong	Strong	Limited

Source: SA Tourism Strategic Plan: 2015 – 2020; 2015

SANCB provides a range of services within the business tourism arena, from bid support to on-site services as indicated in Figure 30, below.

Little market intelligence currently exists for business tourism in South Africa.

According to the Strategic Research unit of SA Tourism, a project is currently underway to establish benchmarks and measures for business tourism. This is due to be completed by the end of next year.

SANCB SUPPORT

Bidding Support	**Site Inspection Support**	**Convention Planning Support**	**Delegate Boosting Support**	**On-Site Event Services**
• Bid strategy • Bid document lobbying • Bid promotion • Bid presentations	• Bidding site inspections • Convention planning site inspections	• Planning support • Venue and supplier recommendations • Final decision with client	• Marketing support to promote SA conferences • Delegate attendance promotion	• Support of on-site elements of the event

Source: SA Tourism Strategic Plan: 2015 – 2020; 2015

Structure and reporting of SANCB

As shown in Figure 31, the SANCB reports to a SANCB Marketing sub-committee which in turn reports into the SA Tourism Marketing Committee, and this to the Board.

SA Tourism Board

CEO

Marketing Committee

Chief Convention Bureau Officer

SANCB Marketing Sub-committee Chairperson – SA Tourism Board member

Business Events Coordinating Forum
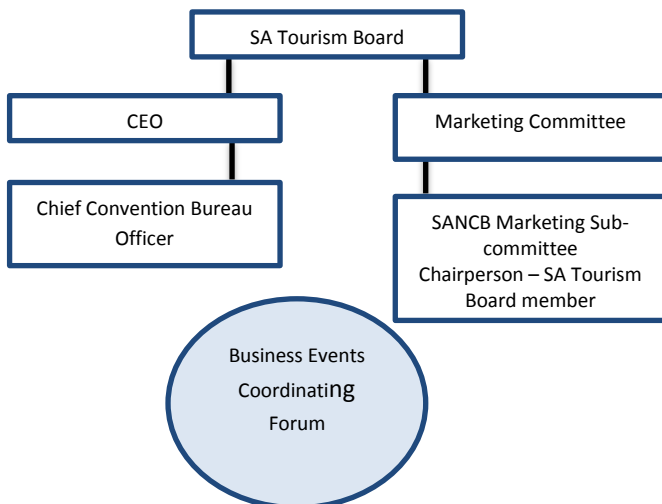
Source: SANCB Activation Strategy, 2015

This complicated reporting and decision-making structure impedes quick decisions and approvals.

The mechanism for coordination between primary government stakeholders is the Business Events Coordinating Forum (BECF). It consists of the heads of all the Convention Bureaus and Business Events units in SA and is recognised as the official coordinating platform. It has developed and agreed on the minimum criteria for the establishment of Convention Bureaus and Business Events units in SA.

There are currently 5 Convention Bureaus (Durban KZN CB, Cape Town and Western Cape CB, Johannesburg CB, Tshwane CB and Gauteng CB) and 5 Business Events units: Nelson Mandela Bay Tourism, Limpopo, Mpumalanga, Northern Cape and the North West Province. In each case jointly agreed to guidelines inform the status and operations of these Bureaus and Units. These specify the nature and extent of industry participation, budgets, legal status, staff members, trade show participation, number of

annual meetings and recognition / endorsement by provincial and / or local government.

On the face of it, it appears that this Business Events coordinating forum between national, provincial and local tourism bodies is a far more strategic and tightly run affair than the CEO's and Marketing forums that characterise their leisure tourism counterparts.

Subvention Fund

SANCB and SA Tourism ExCo have indicated that a Subvention Fund is necessary to boost the support that SANCB can offer to organisations and associations that bid for major business events. The subvention fund may include cash or in-kind incentives, including interest free loans, insurance, etc. Much of its finance to date has been taken up by financial guarantees required by the associations that award bids to destinations.

A policy on subvention has been developed together with industry to motivate for the funds – and a motivation was made in the 2015 MTEF motivation. It amounted to R36 million for 2015/6, growing to R39,6 million in 2016/7. According to SA Tourism, the funding request was not granted. A set of policies, procedures and criteria are in place to support the subvention fund, should it be secured in future.

SANCB should use the benchmarks and measures for business tourism that are currently under development at SA Tourism to make a case for an increased share of the SA Tourism budget, including a substantial subvention fund, in the order of R100 million. Any motivations should however be well-substantiated relative to best practice elsewhere in the world and a track record of good performance including a demonstration of 'return on investment' by SANCB.

Benchmarking

NTOs tend to market to business events' markets but few run a bureau:

- In Tourism Australia, a division exists for business tourism marketing called Business Events Australia. It

works with the state convention bureaux and the tourism industry to showcase Australia's best incentive offerings. The Association of Australian Convention Bureaux brings together 15 city and regional bureaux dedicated to marketing. The bureaux recognise their collective responsibility to promote Australia as a whole.

- The Canadian Tourism Commission has a marketing division called Business Events Canada. Besides marketing Canada as being the best place to do business and invest, the division focuses on priority sectors where Canada holds a competitive advantage.
- The Indian Convention Promotion Bureau, set up in 1988 as a non-profit organisation consists of members from the travel trade, airlines, hotels etc. and their job is to promote and raise awareness of India as a Meetings, Incentives, Conferences and Exhibitions destination. The Ministry assists them with money to make bids from the members through its Market Development Scheme.

Our Recommendations

1. The SANCB is a new institution and should be given an opportunity to perform.
   - It should however be making a more compelling business case to NDT, National Treasury and industry for its existence and the motivation for the use of state resources for subvention funding.
   - Effective Delegations of Authority need to be developed to allow for speedy approvals affecting SANCB operations without the formal sitting of the Marketing committee of the Board, or the Board.
2. While it might not be currently appropriate for the Subvention fund to be partly recapitalized from successful bids through a levy on income received from events, it is important that self-funding mechanisms continue to be considered with the maturation of SANCB and the Business Events' industry. This will reduce reliance on the fiscus and could provide for greater flexibility.
3. Improved research and analysis must be generated for business tourism, including data from business events attendees (SANCB is in a position to get significant data through surveys of attendees at events). This data can

assist to make a case for subvention. Metrics must also be developed to measure performance and the data shared with industry.

4. SA Tourism must maximise the linkages between

business and leisure tourism. Within the various strategies, plans, research, etc. there is no indication that this area has received much attention.

3.6 Institutional positioning and partnerships

Introduction

Tourism is a concurrent function in government. It is also impacted by a range of other national government departments. Those that most affect tourism growth in South Africa include safety and security (concerns regarding crime), health (concerns regarding diseases), home affairs (particularly visa regulations), transport (with relation to international air service agreements, and aviation and airport taxes) and higher education and labour (with regard to labour relations and skills development).

Certain departments have reach and resources that could be better leveraged for international marketing and brand positioning. These include Telecommunications and Postal Services (specifically Brand SA), the Department of International Relations and Cooperation, and the Department of Trade and Industry (through Trade and Investment South Africa's marketing and economic staff stationed at missions).

In terms of the product mix and offering, Arts and Culture; Sports; and Environment; are together responsible for the oversight of many of the country's natural, cultural heritage and sporting facilities and events.

Provinces all have departments that contain a tourism function, often with economic affairs / development and/or environment. Each of the nine provinces also has a tourism agency, again often with conservation and/or investment promotion.

Local government also supports tourism, both within economic development, and through visitor information centres and bureaus. The biggest metros have standalone tourism offices.

The private sector in tourism is comprised of many different industry associations that represent different parts of the value chain, from airlines, to intermediaries such as inbound operators, to destination products like restaurants, hotels, vehicle leasing, and the like.

Figure 32: TBCSA member associations

Source: TBCSA presentation to Tourism Portfolio committee, 2015

Certain associations exist on the basis of the tourist segments they service, such as the Professional Hunters Association, and the South African Youth Travel Federation. The Tourism Business Council of South Africa (TBCSA) has many of the associations as members, in addition to certain of the larger corporate players. The current membership of TBCSA is indicated in Figure 32 above.

Stakeholder views

- The private sector and certain public sector bodies believe that NDT and SA Tourism are not managing to drive the tourism agenda across government. A particular deterrent to tourism which has been singled out (amongst others cited) is the new visa rules which require tourists to appear in person to apply for visas. Industry believes this had a major impact on tourist arrivals from India and China in the last quarter of 2015. The perceived inability of SA Tourism to speak out about Ebola was also criticized.

- The private sector is very dissatisfied with the level of engagement with SA Tourism. They mentioned in particular that they don't have one person or team who

is 'industry-facing' for them to contact. It appears that the lack of a collaborative approach with industry is a pervasive trend across the organisation.

- Public sector stakeholders indicated that the CEO's forum and the Marketing managers' forum are not particularly strategic platforms and called for enhanced collaboration and coordination between SA Tourism (and NDT) and the provinces.
- A challenge exists for the big cities that are not accommodated in the existing (limited) communication channels and are meant to work through provinces to engage in the CEOs forums.
- Natural and cultural heritage organisations have no formal channels of engagement with either SA Tourism or NDT. Of particular note is that SANParks does not have a channel of engagement with SA Tourism despite being the largest provider of tourist beds in the country.

Some stakeholders have commented that the original conception behind Brand SA remains valid – i.e. brand management is an essential adjunct to the destination marketing efforts of SA Tourism.

Our research

Although tourism is a function of the three spheres of government, it is essentially a private sector activity, with a limited regulatory role for government. Government does participate as a player in the tourism economy within the accommodation and other offerings at national, provincial and municipal conservation and heritage facilities.

Private sector

A strong relationship with TBCSA does not adequately substitute for engagement with industry at large. Nor is 'The Power of One', an annual roadshow by SA Tourism, a platform for SA Tourism to share its marketing work, a sufficient mechanism for engagement.

TBCSA has identified a number of opportunities for collaboration, as indicated in Figure 34.

Figure 33: Online Survey responses to SA Tourism understanding of their business needs
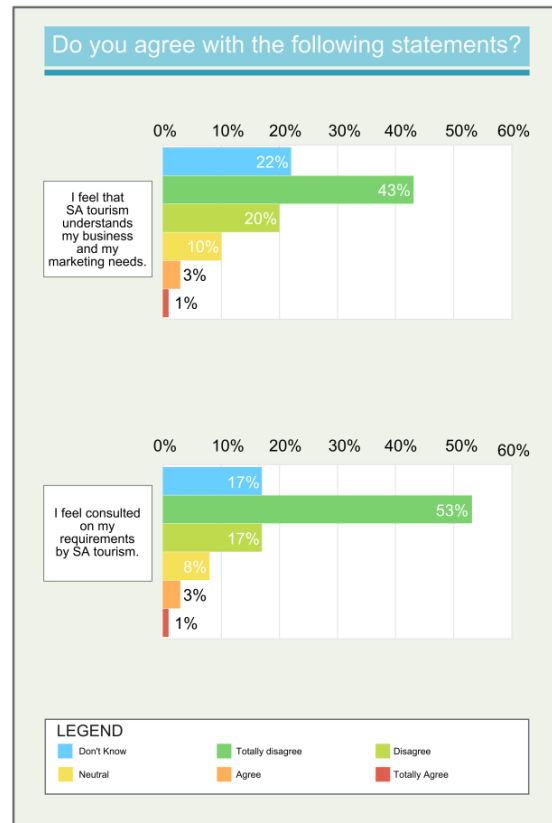
Source: TBCSA online survey of Associations' members, 2015

Figure 34: Opportunities for collaboration with TBCSA

Source: TBCSA presentation to Tourism Portfolio committee, 2015

National Government

Tourism does not feature prominently within the cluster system of coordination, or current priorities initiatives like the Presidential Infrastructure Coordinating Commission and its Strategic Integrated Projects. NDT needs to lobby more effectively for the importance of tourism, and the need for coordination in national government in those areas which impact upon tourism.

Brand SA, DIRCO and TISA

The role of Brand SA as defined by its Board Members is to create and harness messages to position South Africa in a positive light. Given this mandate, it is surprising that there is no mechanism or forum for Brand SA and SA Tourism to discuss and shape this positioning on an ongoing basis.

South African embassies should be our brand ambassadors, and NDT and SA Tourism should be concentrating on empowering them to effectively market the destination through e.g. participating in training programmes for ambassadors, giving them brand guidelines, sharing marketing insights and so on. Some work has been conducted on this front by NDT and SA Tourism.

The same applies to the Department of Trade and Industry economic representatives and marketing officers who are located in the foreign missions. There are currently no formal structured programmes with these officials.

Provinces and Local Government

Coordination between NDT and provincial departments is through MINMEC and MIPTEC. SA Tourism formally communicates with the provinces through the CEO's forum and the Marketing Managers' forum but discussions in these forums are not sufficiently focused on strategy. Local government is meant to work through provinces.

Figure 35 shows the total budget of R1,5 billion for the combined tourism allocations within provincial departments in 2014/5. Despite this considerable budget, in reality the levels of coordination between provinces and between national and provinces are weak. The budgets are simply not leveraged for maximum impact.

Figure 35: Provincial Tourism Budgets, in R millions, 2014/5
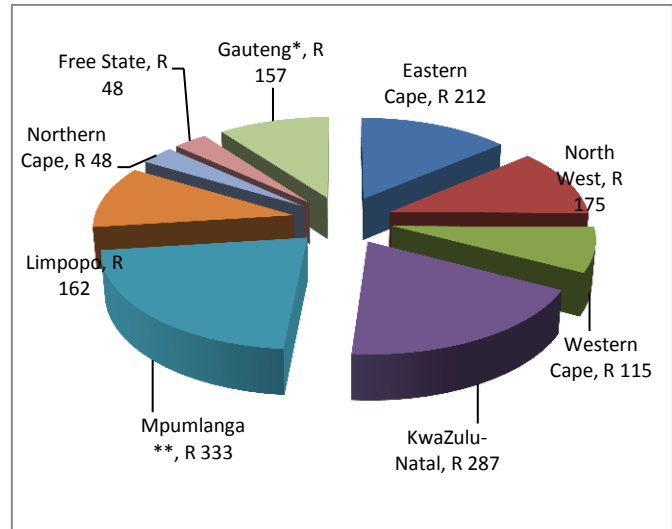
Source: National Treasury, Estimates of Provincial Expenditure; 2014

*Gauteng includes not only Gauteng Tourism Authority, but the Cradle of Humankind and Dinokeng projects too.

** A large portion of Mpumalanga, Eastern Cape and North West's budgets include the provincial Tourism and Parks agencies. Much of those agencies funding is likely to go on conservation activities, not tourism.

Provinces should be responsible for getting tourists into their regions. They can market to trade in collaboration with country offices, and even run joint campaigns. Some provinces do undertake international Joint Marketing Agreements (for example KwaZulu-Natal has such agreements in Poland where SA Tourism does not operate). The most effective place for provinces to spend their funds is on hosting trade and media: certain provinces have quite substantial hosting budgets.

Municipalities need to focus on getting the basics right such as roads, and other infrastructure services. With digital technology, walk-ins to information offices are dropping. There will need to be some reconceptualization of the role of information offices and visitors centres.

Natural and Cultural Heritage Authorities and Agencies

No formal channels of coordination exist with the nature and cultural heritage sector, or sports facilities and agencies, other than where the tourism agency is also the

conservation authority. The World Heritage Site management authorities are also not formally engaged, although NDT is currently working to enhance the visitors experience at certain of these sites.

Benchmarking

Unlike certain other NTOs (Australia and Canada, amongst others), nowhere in its strategic plan does SA Tourism use the language of partnerships, leverage, cooperation, or collaboration. Certain NTOs are also measured against stakeholder satisfaction and partnerships.

The Australia Tourism Act actually gives Tourism Australia a function:

"to communicate effectively with the Australian tourism industry on issues that may affect it; and

'to increase awareness throughout Australia of the contribution of tourism to Australia's economy, society and environment'.

Furthermore,

'In performing its functions, Tourism Australia must have regard to the needs of the Australian tourism industry and government.'

'Tourism Australia may perform its functions:

(a) in cooperation with the tourism industry; and

(b) in cooperation with Australian governments and agencies, and foreign governments'.

Part of Tourism Australia's engagement involves an annual Australian Tourism Directions Conference, which examines the long-term opportunities for tourism and its growing economic value while addressing key issues. The conference also reports on the state of the industry and delivers research and insights. In 2013 it was attended by more than 300 leaders and decision-makers from the tourism industry, as well as senior Australian government officials, academics and media.

Following the national conference, Tourism Australia conducted industry briefings around the country in collaboration with Austrade and the state/territory tourism organisations. They provided an overview of Tourism Australia's marketing initiatives, consumer insights, business events' activities and partnership opportunities. They were rated 'good to excellent' by more than 90% of respondents in all locations.

Tourism Australia works with all state/territory organisations on all their campaigns.

Our Recommendations

1. SA Tourism must be underpinned by a partnership between government and industry. SA Tourism needs to work in a way that is fundamentally collaborative: where collaboration is a value and measure for the organisation.
2. TBCSA provides an overarching voice for tourism on certain issues and should and must remain a main channel of communication, but SA Tourism will need to also engage with industry associations and members across its functional areas.
3. Additional formal and informal channels are required for communication with industry associations, trade and product. These may include
   - An annual conference.
   - Newsletters.
   - Regular workshops with invitations sent through associations (members associations of TBCSA).
   - A (dedicated) team or post at SA Tourism is required to work with stakeholders (such as a trade manager post where the primary job description is engagement with trade and product).
   - Website to be reformed to allow for stakeholders to draw data reports of relevance.
4. New and improved platforms for cooperation and collaboration with government should include:
   - A shared platform for tourism with counterpart government departments to ensure the timely addressing of issues with major implications for tourism.

- Regular and formalized engagement between SA Tourism and Brand SA at a marketing level, where messaging and responses to crises, as well as proactive opportunities, can be shared.
- Provinces, as partners in tourism marketing and destination delivery, require the CEO's forum and marketing managers' forum to become more strategic with important discussions on brand alignment and marketing initiatives and materials. Metros should be invited to attend

such forums. Provinces and cities need to be empowered to play a more meaningful role.

- A channel should be established to engage the key cultural and natural heritage management agencies, and World Heritage Sites, in a regular manner. This could be part of the role to be undertaken by the proposed trade and product manager.

3.7 Strategy, analytics and market intelligence

Introduction

Strategy relies on cutting-edge research and market intelligence to inform and guide decision-making. The quality of the decision-making is directly linked to the accumulated intelligence from markets, insights from partners and stakeholders. This is particularly true for an organisation such as SA Tourism that competes in a global arena characterised by constant change. Information and analysis to inform insights and strategy need to be very current.

The key research and strategic documents that inform SA Tourism's work include:

- The National Tourism Sector Strategy of the Department of Tourism, updated every five years.
- SA Tourism's Tourism Growth Strategy, meant to be updated every three years, which outlines the international marketing strategy including:
  - o The portfolio review, undertaken every three years.
  - o The market segmentation review, every five years.
- Brand tracking, which happens each year, and establishes how South Africa is performing in terms of brand awareness, brand positivity and brand associations. This is benchmarked against peers.
- A 5 year SA Tourism strategic plan.
- An annual performance plan against the key objectives and targets of the organisation.

Stakeholder Views:

Public and private sector stakeholders generally expressed discontent with the tourism research and statistics that exists in the country at large as well as at SA Tourism. Particular findings relate to:

- Reliability and Accuracy:
  - o While industry has been unhappy with the Stats SA tourism and migration release for some time, SA

Tourism and NDT have themselves expressed concerns regarding the veracity of recent data.
  - o Not only this, but the methodologies appear to have changed, with transit tourists removed from the latest data, which is not in keeping with previous data nor with the UNWTO definitions of a tourist. (However, Industry believes that the transit visitors create an inaccurate picture of tourist arrivals, and have singled out tourists from Brazil, China and the US in particular in this regard).
  - o The small size of the sample undertaken in the SA Tourism Domestic Survey raises questions around the accuracy of the findings.
- Comparability and coordination:
  - o The lack of data at a city and provincial level that is comparable and aligned with the SA Tourism data reduces local level analysis and comparisons.
  - o A lack of coordination with others sources, such as SANParks data impacts on possible insights.
  - o Industry involvement in identifying trends and research needs, and/or interpreting findings is totally lacking.
- Packaging and communication of research and market intelligence publications:
  - o Stakeholders seem unaware of the range of research publications developed by SA Tourism, including country reports and the like. Indeed, SA Tourism has a wealth of quality research that could enhance the performance of businesses if it were shared better, and if industry took greater interest and initiative in using these sources.

Our research

Tourism Research in the country

The delay in tourist arrivals data from Home Affairs and Stats SA in 2014 made measurement of the performance of the tourism economy in South Africa impossible, and the measurement of SA Tourism equally difficult. While the data has finally been released, there are concerns regarding its accuracy. The Strategic Research Unit of SA Tourism is investigating other sources of data to triangulate

the Stats SA data. This includes data from the International Air Transport Authority, based on ticket sales; and data from the Airports Company of South Africa.

SANParks have access to a vast amount of data which has not been used by SA Tourism or NDT. SANParks point to the increasing number of direct sales (via online platforms) which cut out intermediaries such as tour operators. In the case of SANParks, this is now at 30% of their total bookings. Direct online sales will necessarily decrease the sales made by the trade and could explain in part the lack of growth experienced by some of the operators, although conclusively establishing this requires proper evidence-based research findings.

Research at SA Tourism

The value of research insights

While a capable albeit small research team exists at SA Tourism, the broader organisation appears to be in a 'research mind-set' and has not progressed the function to one of 'analytics, insights and market intelligence'.

Research appears to have not been valued properly at the institution. This is in part a result of staff changes and movements, and in part what appears to be a lack of management and leadership focus on and integration of research (and perhaps understanding of the critical importance and value of this area). There are now efforts underway to revive the role of research within the organisation.

A limited budget exists for research which is largely eaten up by standard ongoing research work, such as brand tracking, departure surveys, domestic tourism surveys, foreign tourist arrivals' analysis and so on. This means little forward-looking research is being commissioned. Furthermore, budget forecasts indicate a (marginally) reduced budget for research. (The research budget is covered in more detail in the Budget and Finance section).

Methodological approaches

A core research output which is fundamental to the organisation's strategy - the Tourism Growth Strategy - is

out of date. While the Portfolio Review – a review of the core, tactical, investment and watch-list markets which is at the heart of this TGS - is up to date, it is no longer publicly available on the SA Tourism website.

The Portfolio Review methodology is one developed in the early 2000's and while it should be maintained for consistency, new modules could be considered for inclusion to reflect fast-changing consumer and market trends and practices. It could be argued that tourism retails experiences in the same way that Woolworths retails food. Creative thinking is required to capture more information on tourists to South Africa, and their behaviour in South Africa. One suggestion, from SANParks, relates to introducing some sort of travel card which could essentially track purchases and travel behaviour once in the country. South African Tourism could also consider partnering VISA and Master Card for data mining, as well as some of the major online retailers like Trip Advisor and Google. This could provide the real time information on trends that SA Tourism and the industry need so badly.

As indicated elsewhere, SA Tourism's domestic tourism survey sample size is very small. Stats SA are planning to embark on a domestic survey although it remains unclear when this will start. Analytics and market intelligence must be evidence based (proper and scientific) which requires reasonable sample sizes and a commitment to the correct budgets to undertake the level of detailed work that is required.

While it is important that SA continues to adopt the global (UNWTO) definition of a tourist, valid concerns do exist regarding the Stats SA data. Stats SA also has to provide the information in a much shorter time frame.

Packaging and communicating the research

The current research output from the Strategic Research Unit is quite impressive, but the format of the research publications is not always optimal for trade and product usage, nor is it well communicated. As indicated by SA Tourism management itself, new databases could be considered that allow stakeholders to 'pull data' and

customize their own reports to allow for optimal usage and value.

Industry can also provide valuable insights into trends as they are highlighted in research findings.

Strategic Planning at SA Tourism

Current process

SA Tourism's Strategic Management Process is depicted in Figure 36, which follows.

This process does not specify the key strategic research and analytics' deliverables into strategy, that is, the Tourism Growth Strategy with its portfolio review and market segmentation.

Figure 36: SA Tourism's strategic planning process
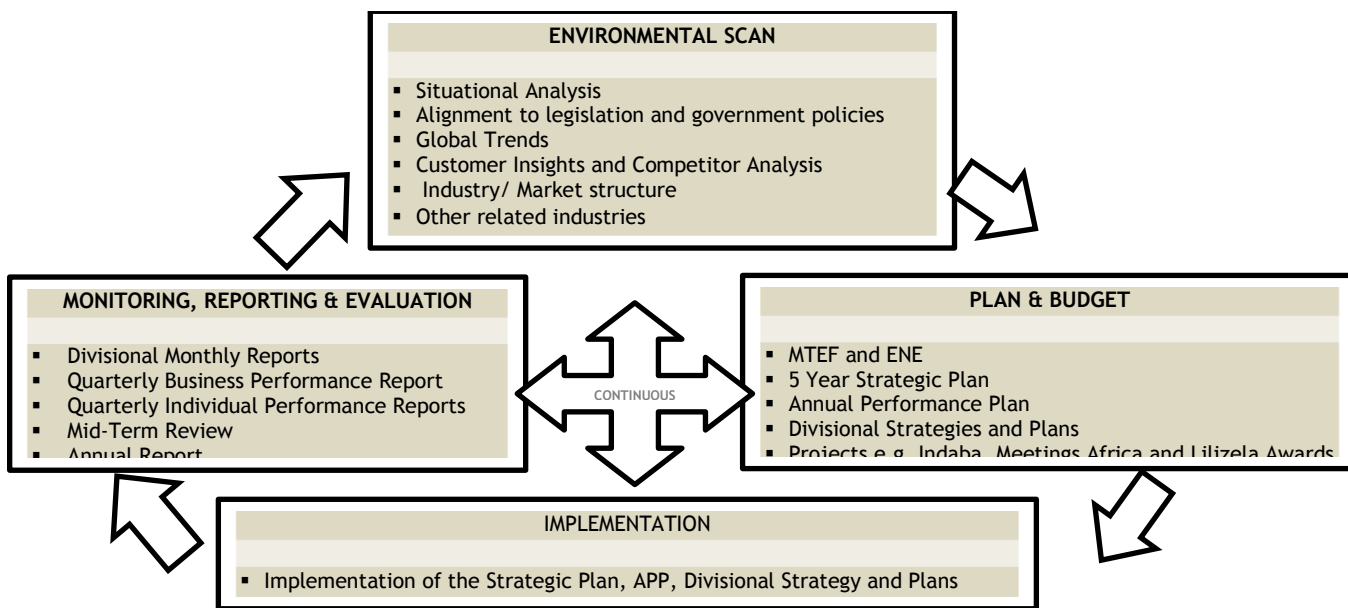
Source: SA Tourism, Strategic Plan 2015 – 2010; 2015

New Process

A new Planning, Reporting, Monitoring Framework is being put in place and a Strategic Implementation Plan Monitoring Tool will cascade organisational targets to an operational, divisional, level. A Revised Targets methodology for the organisation details the targets for international tourists and domestic trips. The budget is taken into consideration to derive a cost of acquisition per market, and to assist in estimates, targets and forecasts. This more targeted forecasting is to be commended.

It appears that country targets are arrived at through using high level assumptions related to budget and arrivals'

trends and then there are discussions with marketing staff and country managers on how to plan to meet the targets.

Alignment between the National Tourism Sector Strategy and SA Tourism's 5 year Strategic Plan

The National Tourism Sector Strategy (NTSS) is currently due to be revised. That strategy states the economic importance of tourism to the economy, and establishes clear objectives for the sector.

SA Tourism's TGS is 'subordinate' to the NTSS although it does include the empirical basis for the marketing targets that get set.

There are a range of inconsistencies between the NTSS objectives, and those of SA Tourism's strategic plan, as follows:

- The NTSS target for foreign arrivals are no longer comparable with SA Tourism's as the latter's targets are based on foreign tourists (as now measured by Stats SA) and NTSS with the larger figure of foreign arrivals.
- SA Tourism only measures its performance on domestic holiday trips, not other domestic trips while the NTSS contains a range of domestic trip targets (including for holiday purposes). The NTSS target for domestic holiday trips is 6 million holiday trips in 2015, while SA Tourism is 2,8 million, less than half, given the drop in trips experienced in recent years.
- In terms of entrenching a tourism culture amongst South Africans, the NTSS is fairly general in its prescriptions; while SA Tourism measures the rand value, in R millions, of media and PR. These SA Tourism measures do not adequately measure the broader objective of developing a tourism culture; they are output rather than outcome based.
- In terms of positioning South Africa as a globally recognized tourism brand, NTSS suggests using the 2010 World cup as a baseline for brand awareness and perception. SA Tourism currently measures brand awareness, brand positivity, and the percentage increase in Public Relations' value.

There clearly exists a level of dissonance between the objectives and methodologies utilised in the NTSS and SA Tourism's Strategic Plan.

Benchmarking

Market intelligence and Country Reports tend to help communication strategies to be more effective in achieving goals and deciding on the focus of the limited budgets of NTOs. While SA Tourism does undertake marketing intelligence and country research to derive analytics, on a comparative basis the Strategic Research Unit appears less resourced, and its research/ market intelligence activities more circumscribed than those of comparable NTOs.

SA Tourism's research unit has recently undertaken investigated other NTO's research programme work. Figure 37, adjacent, shows those categories of research undertaken by NTOs in Australia, Canada and Britain. Areas not currently covered by the SA Tourism research function include:

- Product research
- Trends
- Economic analysis
- Forecasts
- Industry research
- Aviation research (only Australia does this, given its reliance on long-haul travel which is not that dissimilar to South Africa's own for revenue).

Figure 37: Categories of research undertaken by other NTO's

Source: Strategic Research unit, SA Tourism, 2015

Of particular note given the dissatisfaction of industry with SA Tourism is that 'industry research' is part of the research portfolio in both Australia and Canada, but not in South Africa.

Our recommendations:

1. Reposition research at the heart of SA Tourism strategic planning by:
   a. Reviewing and updating the TGS every three years, including the market prioritization and segmentation work. Discuss the findings with

stakeholders and staff. Ensure this work feeds directly into Strategic Planning.

b. Rename the Strategic Research Unit as "Insights and Analytics" to attest to its important role in strategy and expand and resource a larger, more strategic mandate.

c. Regular reporting to and engagement with ExCo on these insights and analytics. "Insights and Analytics" should be a standing item on Board committee meetings.

d. Strategic Planning must centrally situate research insights and the culture of SA Tourism must value and elevate strategic insights that inform marketing choices.

2. Enhance research deliverables through:

a. Finding new sources to triangulate the StatsSA releases on tourist arrivals and migration. Board to consider setting up a task team with industry participation to look at this matter.

b. Reviewing the current methodologies for market and segment prioritisation and adding new modules to historical research methodologies to reflect changing practices and new digital sources of information.

c. Ensuring the new domestic tourism survey to be undertaken by StatsSA is extended to a larger survey.

d. Routinely undertaking benchmarking work to understand new practices at comparable NTOs.

e. Improved packaging and communication of insights and analytics so it has maximum value and impact for stakeholders to inform their own marketing choices and activities.

f. Engaging industry to help interpret the market intelligence based on their actual experience of working with the markets.

g. Achieving greater alignment between the NTSS and Strategic Plan of SA Tourism.

3. On the basis of quality market intelligence, business planning should be reinstituted as the core mechanism for determining strategy and allocating resources:

a. ExCo must prioritise and participate in the business planning process.

b. Country office and regional managers need to be involved in an iterative process of determining priorities and plans in each market.

c. Once approved the business units should be given the operational autonomy to implement in terms of the strategy.

3.8   Organisational Structure and Human Resource Development

Introduction

SA Tourism has been through a period of change in top management over the past 5 years. As of June 2015 a completely new team (bar the CEO and the Chief Convention Bureau officer) is in place with appointments made of a new Chief Financial Officer and Chief Operating Officer in 2014, and a new Chief Marketing Officer in early 2015. The post of Chief Quality Assurance Officer has been vacant since April 2015.

Key posts within the shareholder department – the National Department of Tourism – have also seen changes. When the incumbent CEO of SA Tourism was appointed in 2011, a new Director-General was also appointed at the helm of the standalone Department of Tourism. More recently, Minister Hanekom has replaced Minister van Schalkwyk (in 2014), and a new Director-General is now being sought within that same tourism department.

These new teams present the opportunity for a fresh start and enhanced coordination between the entities.

Stakeholder views

The main opinions as expressed by stakeholders, based on their perceptions:

- SA Tourism's leadership and staff do not possess the right skills to do an optimal job. Many public and private stakeholders also queried whether SA Tourism staff has a detailed understanding of the destination offering.
- The perception of country offices is that certain of these perform well (Germany, India and China / Japan were mentioned a number of times), while other country office managers "are simply waiting out their contracts". A number of stakeholders (private and public) indicated that the country office model needs to be rethought and other approaches should be considered, such as leveraging the capacity of South African Embassies.

- The view was expressed that the values of the organisation are not what they should be and staff do not live the values. A few respondents close to the organisation indicated the culture has become one of compliance and fear, and that there is limited strategic engagement with staff.
- As indicated elsewhere, the lack of a post or team for a global trade manager and product manager seriously impedes communication between the industry and SA Tourism.

Interviews were also conducted with a number of current SA Tourism executives and managers as well as past staff. A handful of country office managers were also consulted for their views. All these respondents expressed largely the same view: the main point relates to the perceived centralisation of control by leadership. While historic reasons may have existed for this approach, it was indicated by many staff members that this style of leadership stymies any flexibility to respond to opportunities and disempowers the staff.

Our Research

Organisational Culture and Development

Certain of the past organisational practices of SA Tourism seem to have fallen by the wayside although current indications are that these may be re-introduced. This includes the induction approach: 'marketing the SA Tourism way', the strong focus on research, and the strong lobbying approach to government around market access barriers in tourism, amongst others. Staff engagement appears to have decreased as the Management Committee has been scrapped.

Discussions with Board indicate that the focus of the incumbent CEO after his appointment was to get the organisation's compliance back on track after a lack of accountability at the organisation and concerns around disregard for the PFMA.

The 2013 Hay and Best Company to Work For surveys both yielded findings that staff satisfaction was low on a number

of elements. These survey findings are now rather dated, and the picture they present does not go into explaining the reasons for their findings. Nevertheless, they do point to high levels of staff dissatisfaction in 2013:

- The Hay survey indicated that while staff were largely content with their direct managers, and the (then) CFO, there was strong dissatisfaction with (the then) other members of ExCo as well as the practices of senior management.

Figure 38: Hay Survey Findings, 2013
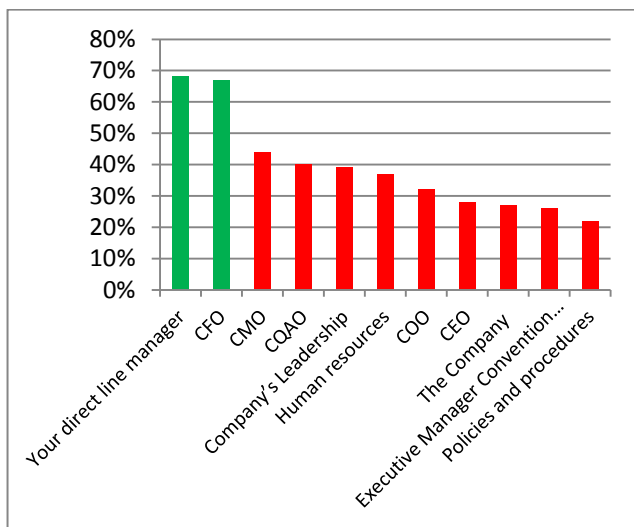
Source: Hay Survey: South African Tourism, 2013

- The Best Company to Work For survey measured Employee (staff other than ExCo), and Employer (ExCo) ratings of different dimensions. It then used a factor to account for the level of importance ascribed to those different dimensions by the individual respondents to arrive at a score out of 5. Anything below 3.37 is deemed an area of concern; scores below 3.15 are 'problematic'.

Of particular note is that ExCo scores were lower on many items than other staff. Given that this survey was conducted in 2013, none of the then ExCo members (other than the CEO) remains in their post.

Table 9: Best Company to Work for Survey Findings, 2013

Dimension	Employee	Employer
Work-life balance	3.54	2.9
Manager / Supervisor	3.42	2.65
Job Satisfaction	3.33	3
Sense of Confidence	3.29	2.64
Operational Effectiveness	3.28	3.31
Performance & Recognition	3.06	2.66
Ethics & Integrity	2.81	2.76
Inclusion	2.79	3.25
Remuneration	2.73	2.69
Career Development	2.6	2.55

Source: Best Company to Work for Survey: South African Tourism, 2013

At Board request an action list was compiled as a response to the Hay and Best Company to Work For surveys. It aimed to put in place a range of initiatives like e-newsletters, CEO feedback to staff, new policies on remuneration and bonuses, and a code of ethics.

SA Tourism has also recently (March 2015) requested proposals for an organisational development exercise (which excludes country offices).

Skills and Human Resource Development

As to be expected, most staff (81 of 170 in March 2015) is located in the 'marketing' function, as indicated in Figure 39, over the page. Marketing staff numbers are down approximately 10% on numbers between 2009 and 2012. In terms of overall staff levels, SA Tourism was sitting with a 16% staff vacancy rate in March 2015, down from a 19% vacancy rate in 2013/4. Figure 39, below, shows the staff complement of SA Tourism between 2009/10 and 2014/15.

Research remains a small component of the overall staff complement, while Operations has fluctuated and is now at its largest size. The SANCB has grown in line with its own setting up phase, while the Grading Council's staff has also fluctuated. SA Tourism plans to increase its current 170 staff members to 212 in 2019/20.

Figure 39: SA Tourism staff numbers by component
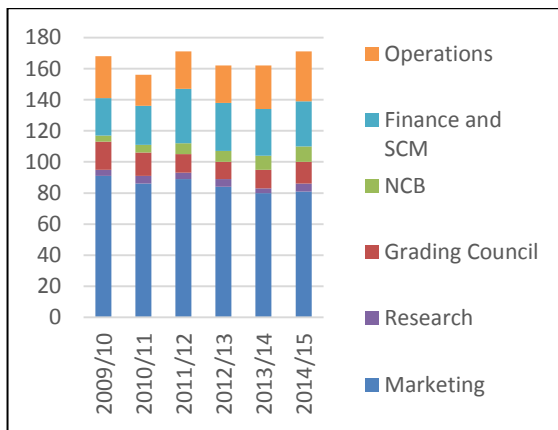
Source: SA Tourism Figures, March 2015

Training expenditure appears low as indicated in data provided by SA Tourism, below the 1% standard

recommended rate. Furthermore, SA Tourism has indicated that there is no current skills audit for the organisation to indicate skills' levels and gaps.

The marketing capabilities of the organisation are also affected by a high turnover of staff and service providers. This is in part a result of the primary service contract lasting 3 years, half of which is spent 'learning' the complex business of tourism marketing. (It is understood that this time frame is stipulated within the PFMA).

A draft Human Resources strategy exists and a 'Human Resources strategy elements for tracking' document has been provided to the Panel and contains a range of once-off and ongoing actions. These address everything from leadership, to vacancy rates, induction, talent management and the like. But discussions with staff and management indicate that more needs to be done to support Human Resource development and staff needs and concerns.

Table 10: SA Tourism Staff statistics

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Approved posts	179	184	193	196	201	202
Actual staff	149	158	158	160	162	170
Vacancies (%)	17%	14%	18%	18%	19%	16%
Dismissals (no.)	0	1	0	2	4	1
Turnover (%)	7.8	6.96	8.23	14.4	11.73	7.65
Training as % of personnel budget	1.85%	0.92%	0.68%	0.57%	0.43%	0.73%

Source: SA Tourism Figures, 2015

Country offices: moving to a hub approach

SA Tourism experiences a number of challenges relating to staff and the more general operations of country offices, including set up and closing down of these offices.

Identifying, attracting and retaining the right staff to manage country offices are ongoing challenges.

Undoubtedly these are also challenges experienced by other NTOs and organisations that have remote offices elsewhere in the world. The requirement for decisive, strong, capable individuals to run offices abroad, while needing to deal with a head office and its bureaucracy, is tricky.

In line with the general point made earlier, the delegations of authority appear to be too limited for

operational effectiveness and the tactical flexibility required of country managers.

In addition to this, SA Tourism head office policies are at times contradictory and not aligned with country office needs. Context differs and the various country offices have widely differing labour relations and intellectual property regimes, as well as privacy laws and procurement and financing practices. SA Tourism country offices are not diplomatic missions, and could better be understood as "representative offices" which means they are 100% subject to local law.

Head office needs to support country managers and staff to resolve the complexity of dealing with differing circumstances.

The setting up of the offices in Africa is particularly challenging. Considerations include office location and the requirement of hefty operational budgets in very expensive locations such as Angola and Nigeria.

Country offices work with outbound trade to facilitate conversion. The need to service more markets and challenges associated with running and funding offices has led to a reintroduction of the 'hub' strategy, in order to service more than one country from an office. While a hub approach has been used before, and abandoned, it does appear to be an appropriate response to the current needs of the organisation, but it will require a supportive and responsive Head Office and well-resourced business plans.

In terms of its new country office and hub strategy, and within the plans of the Department, SA Tourism had committed to opening 3 African offices by this year, and 5 by 2020. The form of in country presence needs to be dictated by business decisions, and must be both well considered and practical. SA tourism should motivate to NDT where targets or commitments no longer make sense.

Benchmarking

In general, it appears that NTOs' structures have been becoming smaller in terms of the number of international

offices and staff members. To expand their influence and reach, NTOs work in collaboration with trade organisations or representations.

Tourism Australia has a workforce of around 220 people approximately half of whom are located at the Sydney head office and half across 11 regional offices in Auckland, Frankfurt, Hong Kong, Kuala Lumpur, London, Los Angeles, Mumbai, Seoul, Shanghai, Singapore and Tokyo.

While the staff complement is similar in size to SA Tourism's, the division between head and country offices is not: SA Tourism has far more staff at head office. (This may be a wise strategy given the costs of operating country offices and other organisational development challenges facing the organisation at the moment).

In general it appears that overseas offices of NTOs either focus on a core market (country approach) or as a springboard into a region (hub approach):

- Tourism Australia focuses on a market with a clearly defined brand marketing strategy aimed at specific consumers.
- The hub approach as practiced by other NTOs appears to be more 'scattergun' (IndiaTourism is an example of this), with no clearly defined sets of consumers. This appears more reactionary than by predefined strategy.

At a superficial level the SA Tourism's country office footprint appears similar to that of Australia and Brazil's earlier footprint (offices are now being closed down due to financial constraints).

Table 11: Country offices for comparable NTOs, 2015

National Tourism Organisation	No. of country offices
South Africa	12 including Kenya, excluding Brazil
Tourism Australia	11
Thailand Authority of Thailand	27
Brazil	12 –but closed between 2011 and 2013
India	14
Kenya	0 [according to website]

Source: Various NTO websites, 2015

Our Recommendations

1. In light of the issues raised by both stakeholders and the internal surveys, the new Board needs to urgently put in place measures and interventions to ensure that the CEO and leadership team have the capabilities to carry out roles and duties as set out in their key performance areas.

2. The Board should urgently review the role, performance and capabilities of the Human Resource function given the findings and recommendations of this Report and the Hay and Best Company to Work For Surveys.

3. SA Tourism must establish a culture of engagement and empowerment within and across all levels and units of the organisation, to include:

   - Introducing ways for middle management to engage in strategic discussions and share plans and practices.
   - Effective delegations of authority to devolve decision-making to management.
   - A change management process to look at the DNA of the organisation, and to shift the organisational culture.

   - Staff satisfaction should be monitored through annual surveys and remedial actions swiftly taken.

4. The finalization of the organisational review of head office should be postponed until such time as the findings of the Panel are discussed between the Minister, Board and ExCo, as these may have bearings on organisational design. This organisational design should include (as it currently does not) a comprehensive review of the country office / hub office model, given funding and resource constraints including currency risks and losses. This includes the 'mandated plans' to expand to 5 country offices in Africa. The most appropriate and practical forms of establishing a market presence must guide the decision. This includes keeping overheads low and the investigation of other modalities of 'in country' presence.

5. A skills' audit must be undertaken against the new organisational design to understand which important skills are missing.

Figure 40: Tourism's Australia's Organisational Values

Tourism Australia has the following organizational values:

> *There's nothing like getting value for money.* *Tourism Australia encourages staff to treat every dollar as if it is their own. This means being accountable in managing money, planning work effectively, looking for efficiencies and achieving value for money in all their endeavours.*

> *There's nothing like an enquiring mind.* *Tourism Australia's staff members are enthusiastic, collaborative and creative. They are hungry for knowledge and are always looking for ways to improve outcomes for Australian tourism.*

> *There's nothing like sharing for success.* *Tourism Australia expects its staff members to work together cooperatively and professionally, to be respectful and trusting of others, to collaborate freely, to focus on the customer, and to use their expertise and experience to get the best possible results.*

Source: Tourism Australia, 2015.

3.9   Budget and Finance

Introduction

SA Tourism's budget for this year (2015/6) is R1,18 billion. It is funded mainly from transfers from the Department of Tourism. An additional 12% to 15% of the budget is a contribution from TOMSA - a bednight levy on guests at participating accommodation facilities. The decision to participate in the TOMSA scheme and impose a levy on guests is voluntary.

Excluding the 2009/10 year, when the 2010 FIFA World Cup inflated the budget, between 2010/11 and 2013/4 the trend was for the government grant to increase in real terms. For 2014/5, 2015/6 and 2016/7 the grant has and will remain static in real terms due to a more constrained fiscal environment.

However, recent new allocations include those for domestic marketing (at R100 million per year between 2015/6 and 2017/8), the SANCB as well as the Africa strategy (Africa offices).

While expenditure on international marketing accounts for close to 50% of the total budget, in real terms the allocation did not grow in 2014/5 and will not grow over the remaining period of the MTEF.

The main expenditure category for the organisation relates to 'goods and services', which mainly comprises the various marketing activities.

Table 12: SA Tourism income, by component (R'000) (adjusted to 2014/5 prices)

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	Audited	Audited	Audited	Audited	Audited	Budget
Government grant	R 902 457	R 785 066	R 787 106	R 841 996	R 913 190	R 880 009
TOMSA levies	R 97 395	R 130 462	R 115 567	R 124 879	R 138 390	R 104 000
Indaba & Meetings Africa	R 85 338	R 90 254	R 56 732	R 55 779	R 44 759	R 48 694
Grading fees	R 6 186	R 7 924	R 6 220	R 3 627	R 15 007	R 14 668
Sundry revenue	R 9 644	R 50 251	R 50 664	R 66 312	R 24 121	R 47 717
Total	**R 1 101 021**	**R 1 063 957**	**R 1 016 289**	**R 1 092 593**	**R 1 135 466**	**R 1 095 088**

Source: SA Tourism figures adjusted using Statistics SA CPI data, March 2015

Stakeholder views

- Stakeholders are concerned about the efficiency of SA Tourism's spend - too much of SA Tourism's budget is spent on overheads and too little on marketing.
- National Treasury has indicated the following:
  - More compelling proposals are needed for budget allocations and increases in the MTEF, as well as other proposals.
  - Treasury manages currency risk and does a post-hoc reimbursement of 'currency losses' based on whether additional funding is warranted. This is the same approach as applies to the Department of

International Relations and Cooperation. National Treasury is willing to consider creative proposals from SA Tourism regarding the management of currency volatility but the size of SA Tourism's budget relative to other government functions with similar requirements (DIRCO is a primary example) does not warrant a substantially different mechanism.

Our Research

SA Tourism's budget and sources of income

While government grants will not increase in nominal or real terms over the Medium Term Expenditure Framework (MTEF) period, TOMSA levies are increasing, at least in nominal terms, and have done so for some time (bar 2010 to 2011, as a result of the FIFA 2010 World Cup). SA Tourism's TOMSA entry for 2014 at R104 million appears to be an estimate as TOMSA's own records show R112 million for the year, as indicated in Figure 41, below.
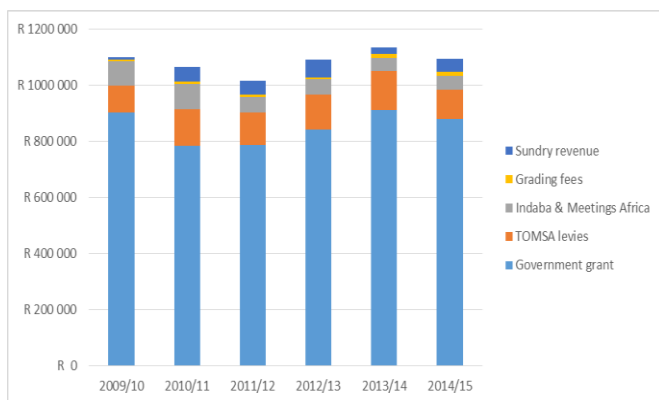
Figure 41: TOMSA levy contributions, R'millions, 2000 – 2014
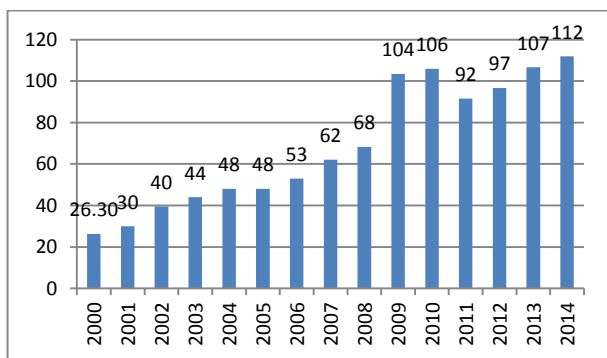
Source: TOMSA, 2015

While income is received from SA Tourism's two owned events – Indaba and Meetings Africa – costs associated with the events means that they are not profit centres. Furthermore, the grading fees are before costs.

Figure 42: SA Tourism income by component (R'000) (adjusted to 2014/15 prices)

Source: SA Tourism figures adjusted using Statistics SA CPI data March 2015

SA Tourism's budget expenditure

Table 13 shows the SA Tourism budget as provided in the MTEF allocation letter from the then Acting Director-General of Tourism to the Chair of the SA Tourism Board, dated 22/12/2014. Assuming 5% inflation, this equates to little real growth in the international marketing budget and a decline in the category of 'financial assistance'.

It appears that the special allocations to domestic marketing and 'growing tourism from Africa to South Africa' are made at the expense of routine work, particularly for 2015/6.

Table 13: Allocations from NDT to SA Tourism, R'000's.

	2014/5	2015/6	2016/7	2016/7
International Marketing	R449 232	R451 900	R487 847	R512 239
Domestic Marketing	R43 672	R43 800	R44 000	R156 450
Additional Domestic marketing: ECSP		R100 000	R105 000	
Financial Assistance	R233 518	R231 112	R240 000	R252 000
Grading Council	R29 220	R29 500	R30 000	R31 500
Convention Bureau	R33 607	R33 700	R34 00	R35 700
Lilizela awards	R3 000	To be motivated	To be motivated	
Growing tourism from Africa to South Africa	R84 000	R84 000	R84 000	R88 200
TOTAL	**R876 309**	**R974 012**	**R1024 847**	**R1 076 089**

Source: NDT, 2015 and 2014

SA Tourism's own budget statements also show this trend, as shown in Table 14 below. It appears that in real terms the International Marketing budget will decline over the next three years, and so will the research component. The 11% (over and above inflation) increase in budget is in place this year to accommodate the extra domestic strategy injection.

It is not clear where the additional 'Growing tourism from Africa to South Africa' fund allocation from NDT is located in SA Tourism's budget as presented in Table 14. This should be under either 'marketing – international' or

'marketing support units' but both these components see

decreases, or little growth, not considerable increases.

Table 14: 2014/5 – 2017/8 SA Tourism expenditure by functional area, adjusted to 2014/5 prices, in R'000s

	2014/15	2015/16	2016/17	2017/18
	Budget	**Budget**	**Budget**	**Budget**
Board / governance	R 303	R 297	R 291	R 286
Marketing – international	R 443 893	R 435 438	R 427 144	R 419 008
Marketing – domestic	R 38 977	R 134 568	R 135 147	R 135 147
Marketing support units	R 352 559	R 296 976	R 303 302	R 311 629
Grading Council	R 44 171	R 43 244	R 42 420	R 41 612
NCB	R 59 661	R 58 525	R 57 410	R 56 316
Research	R 60 660	R 50 760	R 49 793	R 48 845
Finance and SCM	R 28 037	R 32 310	R 31 695	R 31 091
Operations	R 66 827	R 65 554	R 64 305	R 63 081
TOTAL	**R 1 095 088**	**R 1 117 671**	**R 1 111 507**	**R 1 107 015**

Source: SA Tourism figures, 2015, adjusted

Expenditure by category, shown in Table 15, below, indicates that 'goods and services' are by far the largest category of expenses. This amounted to some R900 million in 2014/5 or 75% of the budget. These costs should have some level of flexibility (even if tied to three year marketing services contracts). A clear breakdown of 'goods

and services' expenditure has not been received from SA Tourism.

Personnel, at R178 million, is 15% of the budget. Rental and office costs are only R25 million, or 2% of the budget.

Table 15: SA Tourism expenditure by category (R'000) (adjusted to 2014/15 prices)

	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
			Audited			Budget
Capital	R 110 541	R 79 564	R 35 036	R 31 960	R 88 853	R 88 509
Personnel	R 144 286	R 128 790	R 143 609	R 166 530	R 178 642	R 177 861
S&T	R 1 592	R 1 521	R 2 771	R 1 221	R 2 994	R 3 019
Rental & office costs	R 19 611	R 18 648	R 13 930	R 18 080	R 24 795	R 24 696
Goods and services	R 935 532	R 914 997	R 855 978	R 906 762	R 907 952	R 889 512
TOTAL	**R 1 211 562**	**R 1 143 521**	**R 1 051 325**	**R 1 124 553**	**R 1 203 236**	**R 1 183 597**

Source: SA Tourism figures adjusted using Statistics SA CPI data March 2015

Expenditure on priority markets

Figure 43, which follows, shows the marketing expenditure for the priority markets in nominal, Rand terms. The total country expenditure was R494 million in 2014/5. This will drop to R438 million this year (2015/6).

Most markets saw a constant and slow increase in expenditure between 2009/10 and 2014/5. Exceptions are

the UK, France and Italy, which all saw a spike in expenditure in 2013/4 followed by a budgeted drop in 2014/5.

This is at least in part explained by currency movements in that year as the Rand lost value against the Euro.
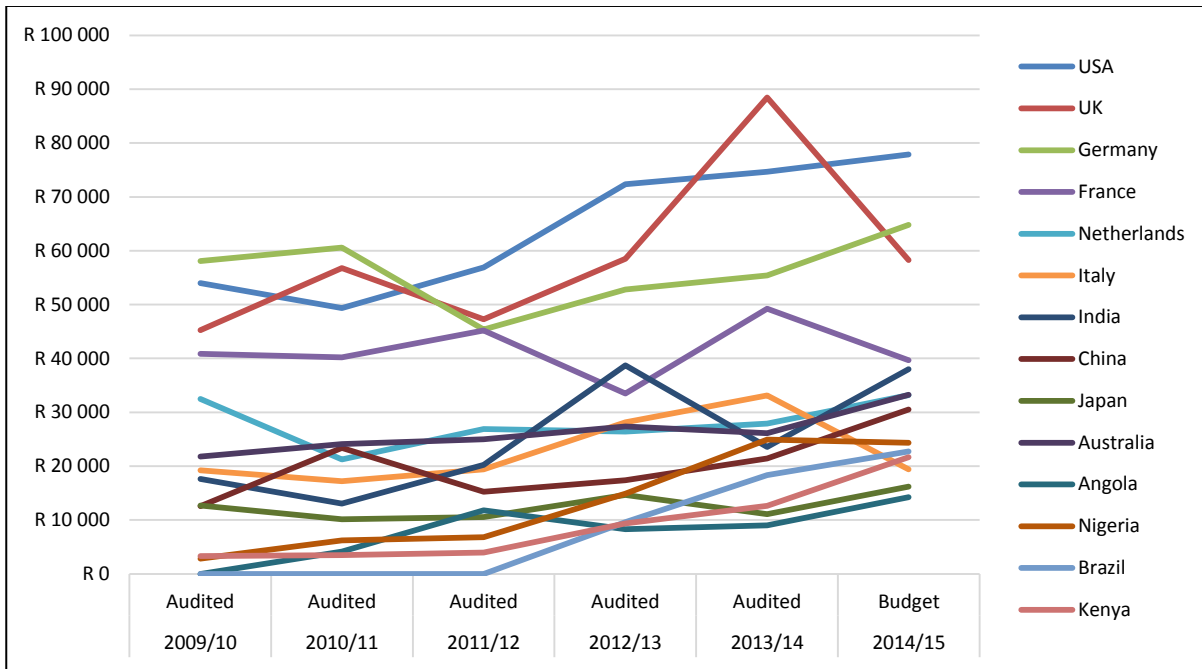
Source: SA Tourism figures, 2015

If one considers the budgets in currency of target market and nominal terms, then a real drop is also indicated for the marketing budgets of USA (in addition to Italy, UK and France) in 2014/5 against 2013/4 audited performance. But India, China, Japan, Australia, Brazil and Kenya all see significant increases in budgets between 2013/4 and 2014/5 in the currency of target market.

The budget allocations to international markets, particularly traditional markets, remain largely flat between 2014/5 and 2017/8. This means in real terms these budgets are likely to be eroded. The newer markets and those markets outside of Europe appear to be less affected (other than India, where a budget decrease is also noted).

Of particular concern here is that the existing offices will have additional responsibilities to service surrounding countries, as part of the new hub strategy. Where resources are not increasing, this may prove difficult.

Figure 44, over the page, shows the budget amounts and trends for the period.
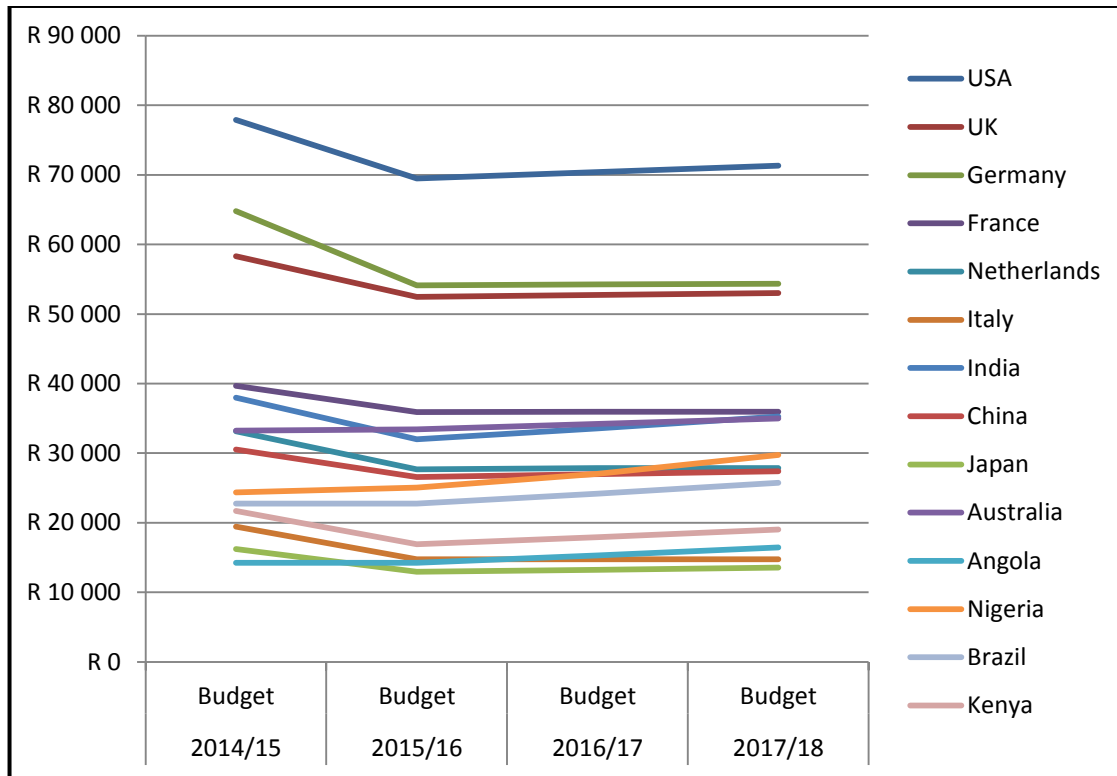
Source: SA Tourism Figures, 2015

Expenditure on marketing categories and service providers

SA Tourism management accounts record a budget of R781 million on marketing in 2013/4. This grew to R849 million in 2014/5. The main marketing cost categories, as recorded by SA Tourism, are shown in Figure 45, adjacent.

SA Tourism captures 'research' and 'travel' under marketing expenditure, as well as more standard categories, such as 'media' (33% of total), production (20%), activation (14%), and hosting (8%).

Travel amounted to approximately R20 million, or 5%, of marketing budget in 2014/5. This data is not broken down by employee band to cover Board, ExCo, management or general staff.

Of the marketing cost categories it is 'Media' that indicates the actual consumer facing spend. This amounted to 33% or R276 million in 2014/5. The marketing budget allocations as a percentage of total are indicated in Figure 46, over the page.

Figure 45: SA Tourism marketing categories of expenditure, 2013/4 and 2014/5
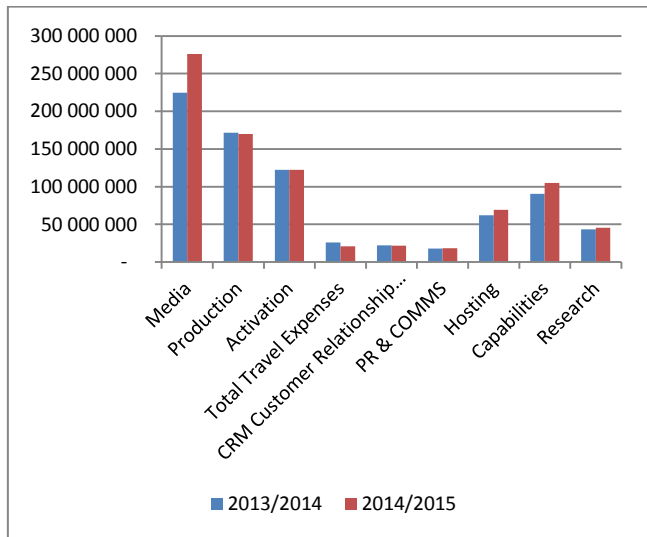
Source: SA Tourism Figures, 2015

'Capabilities' (12%) refers to certain service provider fees, at about R100 million in the 2014/5 financial year. Together with Production (20% of total costs), which also relates to service provider fees, at R170 million, an amount of about R270 million, or about 30% of total marketing budget appears to have gone to service providers in 2014/5. It is likely that other service provider costs are not shown as separate line items, and that a truer figure for total fees is higher, perhaps as much as 40% (approximately R360 million) in 2014/5.

In general, the financial information provided to the Panel by SA Tourism does not allow for a clear or meaningful analysis of spend patterns, or ratios on critical areas like the cost of intermediation / service providers and the country offices. The organisation itself needs a clearer grasp on expenditure, and marketing "returns". This sort of information will also improve SA Tourism's ability to make a compelling case for funds to both NDT and National Treasury.

Figure 46: SA Tourism Marketing percentage allocations, by category, in 2014/5

Source: SA Tourism Figures, 2015

Currency Losses

In terms of currency losses, SA Tourism indicates losses have varied from R10 million in 2011/12 to R128 million in 2014/5, amounting to some R300 million over t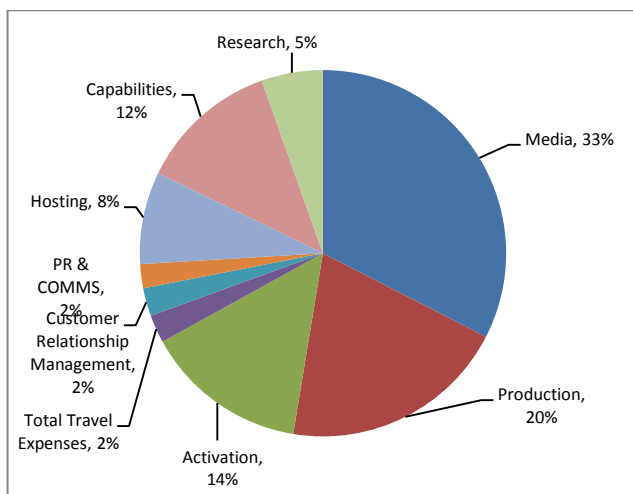he past 4 years. For 2013/4 and 2014/5 losses were in the region of 15% of the total annual budgets, a significant amount.

Benchmarking

SA Tourism's Strategic Research Unit has recently conducted research into the budgets of other NTOs. Table 16, which follows, shows that the sources of income for SA Tourism are largely similar when compared to those of Australia.

Table 16: Budget Sources of Income Comparison: SA, Australia, Thailand, 2013

Source of income	South Africa	Australia	Thailand
Income from Government	Y	Y	Y
Sale of goods and rendering of services	Y	Y	Y
Advertising / Sale of Marketing material	Y	Y	N
Interest	Y	Y	N
Contributions revenue	N	Y	N
Rental income	Y	Y	N
Foreign exchange	N	Y	N
Grading income	Y	N	N
Membership charges	N	N	Y
Shared profit from investment with partnership company	N	N	Y
Other gains / Revenue (unspecified in financial statements)	Y	Y	Y

Source: SA Tourism Research unit, 2015

The Tourism Australia Annual Report indicates that currency losses due to currency volatility are returned to them by their department of Finance. Excerpts from the Tourism Australia Annual Report which explains this, read as follows:

> *"The overall financial result for Tourism Australia, excluding foreign exchange losses, was a small surplus of $0.1 million, which is within 0.1 per cent of budget.*
>
> *"The Australian dollar's fall in value from the previous financial year (between 10 per cent and 14 per cent in the UK, the USA, Europe and China) resulted in an overall foreign exchange loss for the year of $9 million compared to the budgeted exchange rates provided by the Australian Government. This foreign exchange loss will be returned to Tourism Australia in 2014–15 by the Department of Finance in line with Australian Government policy.*
>
> *Tourism Australia had a deficit of $8.9 million in 2013–14, taking the impact of foreign exchange into consideration."*

Our Recommendations

1. SA Tourism to provide NDT and National Treasury with a much clearer business case for investment in marketing, and consistently make the economic argument for budget allocations.

2. SA Tourism needs to develop a clear strategy to improve collection of the TOMSA levy which includes demonstrating value for money. The SA Tourism budget from NT should not be cut when TOMSA revenues grow.

3. SA Tourism to generate management accounts that provide a useful level of detail on key expenditure considerations and ratios as they relate to marketing investments and returns. A review of the budget should be undertaken to include a range of important operational and management dimensions, such as:
   - country office/ hub model costs, per category;
   - country budgets and trends;
   - ratio of overheads to actual monies spent on marketing media; and
   - the cost of marketing service providers and ratios to other marketing categories.

4. A re-alignment, and ongoing monitoring of the budget should focus on
   - reducing/ limiting overheads;
   - increasing marketing expenditure, in particular on actual tourist facing media;

- protecting spend in core markets (this can be accommodated within the existing mechanism followed by National Treasury but SA Tourism needs to be given an explicit undertaking that NT will manage the currency risk);
- increasing the research budget; and
- targeting reductions in non-return marketing costs – such as service providers; large delegations to shows; etc.

The board-approved budget realignment should be approved within six months. Regular monitoring of key ratios and indicators should be reported at Board level and in reporting to Department.

3.10 Governance

Introduction

The corporate governance legislation which informs SA Tourism includes:

- Section 55 of the Constitution, which provides the National Assembly with powers over executive organs of state in the national sphere of government.
- The Tourism Act of 2014, which establishes SA Tourism as a juristic person and provides its mandate.
- Section 92 of the Constitution, which requires the Minister of Tourism to be responsible for the tourism portfolio, and entities within it.
- The Public Finance Management Act, which specifies how public funds are managed.
- The Protocol on Corporate Governance in the public sector, which includes the principles contained in King II. A summary of King III's more recent principles is contained in **Annexure E**.

The Executive Authority for SA Tourism is the Minister of Tourism, who also acts as shareholder. The Accounting Authority is the Board of SA Tourism and the Board reports directly to the Minister of Tourism.

SA Tourism is governed by a Board of at least 9 and no more than 13 members plus one officer of the Department of Tourism appointed by the Minister of Tourism. This Board is subject to Cabinet approval.

Source: SA Tourism, 2015

Stakeholder views

- Questions and concerns were raised about the composition of the Board with regards to their skill set. A perception exists that the Board lacks tourism, and particularly tourism marketing, experience.
- There exists a perception that Board members travel extensively to international tourism shows. Related to this is the view that the funds needed for large SA

Tourism delegations to shows could better be spent elsewhere.

- In the past there have been certain concerns regarding the accountability of the SA Tourism Board as Accounting Authority, and its reporting to the Department (the Executive Authority).

Our Research

The Board

Role of Board

The Corporate Governance policy of the Board, which refers to and extensively draws upon King II, indicates that the main responsibility of the Board is to:

'Provide a wider perspective, independent and objective strategic horizons and enhanced sense of responsibility and accountability".

Composition of Board

The newly appointed Board collectively possesses a range of capabilities. The array of skills and experiences needed to steer SA Tourism into its next phase that the Board encompasses include governance, legal, arts and culture, human resource, finance management and business management.

Given that the arena of tourism marketing is a particular specialty which requires an understanding not only of tourism, but of marketing and advertising, and that only a few Board members appear to have direct and particular experience and insights into tourism marketing, this capability will need to be strengthened.

Committees of the Board

While the Tourism Act indicates that the Board will establish committees in line with functional needs, the SA Tourism Corporate Governance policy indicates that there are 6 such board committees, as follows:

- Chairpersons' committee (comprised of the Chair of the board and Chairs of each of the committees. It meets on an ad hoc basis including on urgent matters).
- Marketing committee.
- Remuneration committee.
- Audit and Risk committee.
- TGCSA Awards committee: the Chair is appointed by the Minister and also serves on the main SA Tourism Board and an additional 8 members with particular expertise which is relevant to grading.
- SA National Convention Bureau Marketing subcommittee that reports to the marketing committee. The Chair is a SA Tourism Board member but other members are drawn from relevant business tourism associations and value chain stakeholders. In addition the Chief Convention Bureau Officer and CEO also serve on this committee. In total it has no more than 9 members.

The Panel's review of Board minutes indicates that the committees are active and provide ongoing inputs and guidance into the operations of the organisation, including strategic guidance. The Board committees have also noted and proposed certain areas requiring improvement regarding the capabilities of the leadership team and the strategies, plans and policies of the organisation.

In terms of Board travel, an area highlighted by certain stakeholders, our research has been unable to disaggregate travel by Board, ExCo and staff. We are therefore unable to comment conclusively on the extent of Board travel in response to the stakeholder perceptions that exist that Board members' travel to tourism shows is a routine matter.

The ExCo

The Chief Executive Officer leads an executive team also comprising a Chief Operating Officer, A Chief Marketing Officer, a Chief Financial Officer, a Chief Quality Assurance Officer and a Chief Convention Bureau officer.

Governance – NDT and SA Tourism

A draft governance protocol now exists between SA Tourism and NDT. It is in essence the 'shareholders' compact' which, according to Treasury's regulations, is an agreement between the Executive Authority and Accounting Authority with respect to performance expectations and parameters:

"It describes the relationship between the signatories and defines the behaviour that would be required on both sides to support effective performance and management of the entity."

The protocol indicates the Executive Authority (Minister's) role as:

- Providing policy direction to SA Tourism in line with the legislative mandate.
- Monitoring and ensuring SA Tourism complies with relevant laws and legal prescripts.
- Ensuring timely appointments and/or re-appointments of SA Tourism Board.
- Ensuring that appropriate and effective induction, training and education programmes are offered to new and existing directors.
- Monitoring and assessing the financial and non-financial performance of SA Tourism.
- Ensuring that the annual performance plans, strategic plans, annual reports and audited financial statements of SA Tourism are submitted to the Executive Authority through the Accounting Officer and tabled in Parliament.

The role of the Director-General, as Accounting Officer, is indicated as one which assists the Minister and provides recommendations to the Minister on matters affecting SA Tourism.

SA Tourism's governance policies

The Corporate Governance policy of the Board makes specific statements regarding the objectives of internal control. Amongst those processes and documents listed are the Tourism Growth Strategy and the Code of Conduct for the Board and staff. Both require updates, in line with the aforementioned policy. The Code of Conduct makes no

reference to Board members' travel to SA Tourism shows around the world.

Another area which requires attention, and is a focus of King III, relates to Information Technology oversight. Currently the organisation has an Information Technology committee, but this is a not a committee of the Board. King III suggests a Board committee to deal with IT governance, given the strategic importance and value of IT to organisations.

Benchmarking

The Tourism Australia Act is detailed in the provisions it makes for Board appointments and specifies the skill sets that Board members must possess. Background of current board members at Tourism Australia and other NTOs include:

- Tourism Australia: The chair is the former Managing Director of Qantas. The deputy chair has three decades of experience in culinary tourism. Other Board members have particular experience in different aspects of tourism and marketing including having held positions in marketing at a global hotel groups, executive posts at Qantas; the former chair of Tourism Accommodation Australia and Chief Development Officer of InterContinental Hotels Group Asia Pacific (a chartered accountant); ex CEO of Virgin Blue (aviation and corporate leadership); etc.
- In Great Britain, Visit Britain (which reports to the Ministry for Culture, Media and Sport) has a six-person board of largely private sector players – five of whom are appointed by the Minister. The chair's background is in the National Trust, World Travel and Tourism Council and is a former CEO of Visa and Thomas Cooke. There is an ex-Boston consulting man, online specialist who ran both last-minute.com and Travelocity, a person from a brand agency who was also a former CEO of Virgin Air and another who is the former Chair of ExCel.

The Tourism Australia Act also makes provision for the establishment of Advisory committees: The Canada Tourism Commission also has advisory committees which engage

specialist industry skills on particular areas of importance to their organisations.

Our Recommendations

1. South Africa's particular circumstances, including its unique geographical, historical and political context, require that the Board of SA Tourism should reflect:
   a. a partnership between public and private sector;
   b. a strong focus on leadership or management experience in tourism, particularly tourism marketing;
   c. diversity that can properly reflect and accurately represent the country and ensure this is taken forward in destination brand positioning and marketing.
2. In order to co-opt additional specialist tourism marketing skills, we recommend the following:
   a. Subcommittees, such as the Marketing Committee, should bring in additional industry experience in relevant areas.
   b. Ad hoc advisory committees should be set up from time to time to advise the Board on particular issues.
3. The new governance protocol with NDT must be finalised as a matter of urgency.
4. SA Tourism's Corporate Governance policy and Code of Conduct for Board members must be updated based on King III, and the new protocol with NDT. This should include, but not be limited to:
   a. Information Technology risks and systems should be reported on to the Board.
   b. Given the stakeholder perceptions that exist regarding Board travel to tourism shows, and the current efforts around cost containment at SA Tourism, as well as the kind of image SA Tourism should project of the country, the Code of Conduct for the Board should specify that Board travel is not to occur unless under special circumstances, and the possible eventualities of these special circumstances should be spelt out.
   c. An annual performance review should be conducted of the Board and its committees, which should include the extent to which it members contribute to its effectiveness.

3.11 Performance Management and Monitoring

Introduction

Appropriate performance measures – at organisational, and ExCo levels – can assist with guiding strategic focus and behaviour. This helps to achieve strategic outcomes for an organisation. SA Tourism's current performance targets are:

- Foreign tourist numbers and spend.
- Domestic holiday tourist numbers and spend.
- Brand Performance.
- Number of graded properties.
- Number of business tourism events.

In addition to the standard Annual Performance Plan for the organisation, a set of new performance related procedures have recently been developed. These allow for the translation of the strategic organisational targets to a departmental level:

- The SA Tourism Planning, Reporting, Monitoring Framework indicates that ultimately staff performance plans will be linked with organisational performance plans and indicates a number of other processes that need to be followed in order to implement the framework.
- The Strategic Implementation Plan Monitoring Tool details implementation of targets at a functional level and departmental level.
- There is a new target setting methodology, already discussed under 'Strategy, analytics and market intelligence'.

Stakeholder views

- Private sector stakeholders were unanimous that SA Tourism is not performing on key measures such as delivering tourist volumes and spend, geographic spread or seasonality.
- Concerns were expressed about performance management at SA Tourism and the incentivisation of staff.

Our Research

Organisational Performance

SA Tourism's annual performance indicators for 2015/6 are indicated in the table at the end of this section. There are no measures on stakeholder or partner satisfaction, or internal performance measures against the key values and aspirations for Human Resource Development or Organisational Development (such as staff satisfaction).

Certain State Owned Enterprises adopt a balanced scorecard approach to attach weightings to external objectives as well as internal objectives. A combination of outcome and process indicators may also be used to accommodate difficulties in ascribing developmental or 'softer' impacts to one activity. NDT is itself currently in the process of returning to a balanced scorecard approach.

Executive Performance Management

According to the 2009 Corporate Governance Policy of SA Tourism, revised in October 2013, the key performance criteria of the CEO relate to:

- Organisational culture and structure.
- Governance and leadership.
- Team building.
- Human Resources
- Strategic Relationship.
- Corporate Citizenship.
- Transformation management.

While minutes of the August 2014 Remuneration Committee of the Board indicate the need for a new approach to executive remuneration and performance, we have not been able to verify that this has been addressed. It is not clear therefore that SA Tourism's leaderships' performance agreements and incentives are directly linked to organisational targets. Nor is it clear if any other measures, like those related to internal organisational consideration, such as governance and leadership, are included.

<u>Marketing Effectiveness Performance measures</u>

A high level of variation exists across country offices in their marketing activities (as observed through a consideration of the country office JMAs). Furthermore, an analysis of the marketing budget appears to indicate that a significant share of the budget is eaten up by the fees of many service providers.

Trying to get a clearer understanding of these two dimensions of marketing performance has revealed that there is not a set of marketing effectiveness measures within the organisation. While Brand tracking and 'click through rates' for digital marketing are measured, 'value for money', or 'return on investment' are absent from all strategic documents that we have reviewed.

The absence of a set of marketing effectiveness measures, ratios and targets, is concerning given that this is the core business of the organisation. While high level objectives relating to tourist arrivals are important, the 'next level down' where SA Tourism can more accurately indicate a causal relationship with their marketing choices, is absent.

Monitoring value for money ratios could also help the organisation to identify areas in which to 'finesse' the business model and release additional funds. Where difficult decisions are necessary with a budget that is challenged in hard currency terms, these sorts of measures are absolutely essential.

Benchmarking

Internal organisational factors are important dimensions of an NTO's performance, including stakeholder satisfaction.

Both Canada Tourism Commission and Tourism Australia include these indicators in their performance management system.

Tourism Australia also has partnership satisfaction measures and marketing effectiveness measures (they use 'traditional marketing recall from consumers' and 'monthly unique visitors to Tourism Australia website').

Our Recommendations

1. SA Tourism should introduce staff satisfaction and stakeholder satisfaction measures into its organisational performance management and targets to be monitored by the Board.
2. ExCo's performance contracts should be aligned to the organisational one and the CE's measures of performance should reflect the Corporate Governance policy's prescriptions to include a range of internal 'health of organisation' measures. The CEO and Chief Marketing Officer's performance should also be measured into terms of marketing effectiveness.
3. Organisational and Executive performance management reviews must be based on objective measures. The results of the annual organisational performance review, and possibly that of the CE, should be made public.
4. Marketing effectiveness measures should be developed and introduced to achieve an understanding of the impact of various marketing activities relative to Rands spent. These should also include different cost ratios related to actual marketing delivery models.

Table 17: Annual performance indicators, 2015/6, as per South African Tourism Annual Performance Plan 2015/6

KEY PERFORMANCE INDICATOR	AUDITED OUTCOME/ACTUAL PERFORMANCE				ESTIMATED PERFORMANCE		TARGET		FORECASTS			
	2011/12	2012/13	2013/14		2014/15		2015/16		2016/17		2017/18	
Number of international tourist arrivals achieved	8 339 354	9 188 368	9 616 964	4.7%	10 263 393	6.7%	10 977 407	7.0%	11 540 685	5.1%	12 020 928	4.2%
Number of domestic holiday trips achieved	3 900 000	2 900 000	3100 000	6.9%	2 624 214	-15.3%	2 841 209	8.3%	3 059 764	7.7%	3 278 319	7.1%
Total revenue achieved (billion rand)	R91.3	R 96.0	R 94.6	-4.0%	R 101.8	7.6%	R 107.4	5.5%	R 112.7	5.0%	R 117.5	4.2%
TTFDS (billion rand)	R 71	R 74.2	R 70.3	-5.3%	R 78.6	11.8%	R 83.1	5.7%	R 87.4	5.2%	R 91.0	4.1%
TDDS (billion rand)	R 20.3	R 21.8	R 24.3	11.5%	R 23.2	24.3%	R 24.3	4.5%	R 25.3	4.5%	R 26.5	4.5%
Brand awareness achieved (%)	77% (Feb 2012)	81% (Feb 2013)	79% (2013 average)		80%		80%		80%		80%	
Number of graded accommodation establishment members achieved	4 886	6 022	5 587	-7.2%	7 088	26.9%	6 493	-8.4%	6 948	7.0%	7 643	10.0%
*Number of business events achieved in South Africa	N/A	52 587 (delegates)	118	-	71	-39%	87	22.5%	118	35%	125	5.9%

Source: South African Tourism, Strategic Plan 2015 – 2020; 2015

3.12   National Department

Introduction

A new standalone Department of Tourism was announced in 2009 by the President. Since then the department has grown considerably in staff and work programmes. It has become involved in a great many activities aimed at tourism development in the country.

This section considers the focus of the Department, and its relationship with SA Tourism. Of particular importance is the division of roles and responsibilities and the degree to which these two organisations are aligned to support one another, and further the broader economic objectives for tourism in the country.

Stakeholder views

- Most private stakeholders were not very clear on what NDT's focus is, nor how its mandate relates to that of SA Tourism. Comments included:
  - o   NDT should be doing the work on transformation and host the Grading Council, not SA Tourism.
  - o   NDT should focus on policy making and addressing barriers to travel and supply-side issues including safety and security, airlift, product mix, skills and training, visa policies and costs, negative image of country and continent (Ebola, etc.). Co-ordinated work with other government departments is required.
- Public sector stakeholders indicated similar views to the private sector. Additionally, that:
  - o   NDT should work with local government; smaller, less visited provinces and key attractions like World Heritage sites.
- Certain well-placed experts and public sector representatives queried NDT's size and effectiveness. Particular questions were asked regarding the area of International Tourism Management relative to SA Tourism's mandate.

Our Research

NDT has grown considerably from 68 staff (not including shared service staff) at the time of the announcement of the new, standalone department in 2009 to 530 in 2014/5. The total budget in 2014/5 was R1,6 billion with the main budget items transfers at R1,27 billion in 2014/5 - the bulk of NDT's budget - and personnel, which was R233 million in 2014/5.

There are four divisions within NDT: Operations, Policy and Knowledge Services, International Tourism Management and Domestic Tourism Management.

Table 18 shows the key staff indicators and how these have changed over the past 5 years.

Table 18: NDT staff indicators, 2011 to 2015

	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15
Funded posts	378	446	528	555	570
Actual staff	303	404	467	507	530
Vacancies (%)	19.8%	9.4%	11.6%	8.6%	7%
Turnover (%)	12%	8%	13.4%	12.4%	11%
Training as % of staff costs	1.1%	1.6%	1.8%	2.1%	1.8%

Source: NDT. 2015

The NDT personnel budget has grown by around 86% to R233 million in 2014/5.

Figure 47: NDT expenditure by category (R'm) in adjusted to 2014/15 prices
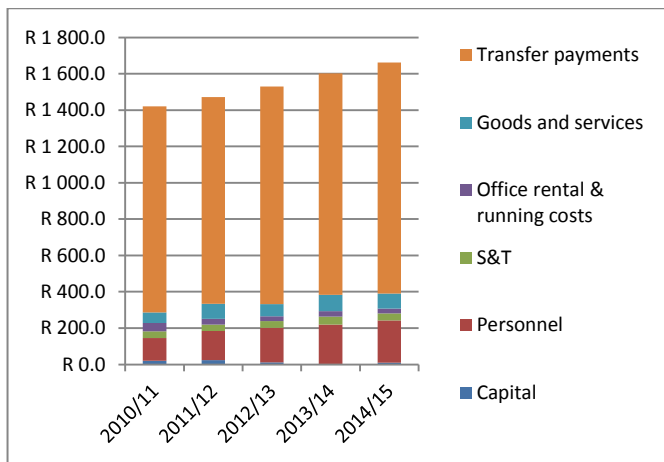
Source: NDT, 2015

Once transfer payments are removed, the expenditure by component area is the highest by far in the COO / Corporate Services division, at R140 million in 2014/5, of the R389, 6 million budget.

Most of the staff is also located in the COO / Corporate Services division – at 236 of 530, almost half. A number of roles of the Corporate Services division are mandated within the PFMA and other legislation. This in part explains the larger budget and staff complement.

Table 19: NDT expenditure by component (R'm) (excluding transfer payments) adjusted to 2014/15 prices

	2010/11	2011/12	2012/13	2013/14	2014/15
Ministry	R 30,2	R 33,7	R 32,0	R 39,5	R 36,2
DG's office and internal audit	R 10,9	R 10,8	R 18,1	R 18,6	R 17,9
COO / Corporate Services	R 105,9	R 152,7	R 118,7	R 130,4	R 140,5
Policy and knowledge management	R 15,5	R 27,8	R 40,8	R 34,2	R 41,5
International tourism management	R 28,7	R 24,4	R 26,3	R 38,2	R 46,1
Domestic tourism management	R 50,2	R 52,7	R 67,9	R 92,1	R 81,0
Office accommodation	R 45,2	R 31,4	R 27,5	R 30,6	R 26,4
TOTAL	**R 286,7**	**R 333,5**	**R 331,4**	**R 383,5**	**R 389,6**

Source: NDT ,2015

NDT's focus areas

According to the 2015/6 Performance Plan of the Department, these are the key functions of the department:

- Policy and knowledge management division, accounting for 71 staff. The budget in 2014/5 was R950 million, which includes the transfer payment to SA Tourism of R880 million, and R21 million for the tourism incentive programme.

  The main programme purposes include support to sector policy development and evaluation, research and knowledge management, and the promotion of transformation and responsible tourism. Areas of particular relevance to SA Tourism and to the focus areas outlined for NDT by stakeholders include:
  o A new tourism incentive, launched in March 2015, which includes a facility for 'market access'.
  o Destination development plans supported at certain major attractions and tourist information capacity building.
  o National Tourism Information Gateways plans and implementation strategies.
  o Initiatives to professionalise tourist guides.
  o State of Tourism Reports. (Presumably these cover the impact of tourism on the economy and raise and review important issues around tourism development in the country, including impediments).
  o A Tourism Knowledge portal.

- The International Tourism Management division comprises 62 staff. The total budget for this division was R45 million in 2014/5. This will grow to R56,5 million in 2017/8. Compromised of geographically focused teams, the main programme purpose is to provide strategic policy direction for the development of South Africa's tourism potential throughout various regions of the world. This division has particular relevance to SA Tourism and includes:
  o Capacity building in skills development in embassies for destination promotion. 126 missions supported in adopting business planning model for institutionalising tourism.

- o Develop watch list markets and markets outside SA Tourism's portfolio.
- o Promote regional tourism integration. Measures here include reports on international agreements and participation in regional forums as well as a review of the expansion of Indaba.

Questions have been raised regarding the strategic value of these activities and their interaction with SA Tourism's marketing efforts.

- The Domestic Tourism Management division has 97 staff configured with a provincial focus. The 2014/5 budget for this division was R363 million of which R299 million was the Expanded Public Works Programme incentive – known as the Social Responsibility Initiative. The division's programme purpose is to provide strategic policy direction for the development and growth of sustainable domestic tourism throughout South Africa. Areas with some relevance to SA Tourism include the implementation of:
  - o Education and awareness programmes aimed at stimulating interest in travel and promoting wider access to grow domestic tourism (however, the deliverable is Tourism Month).
  - o Service excellence standards - 2 sites are identified in the 2014/5 performance report. Service excellence training is also undertaken.

Through its considerable staff complement and budget the NDT undertakes a wide range of activities in support of implementing the NTSS. Stakeholders repeatedly identified a number of obstacles to growth, and proposed this as the critical area the NDT should focus on unlocking.

The obstacles identified are shown in Figure 48, which follows.

Figure 48: Obstacles to international tourism
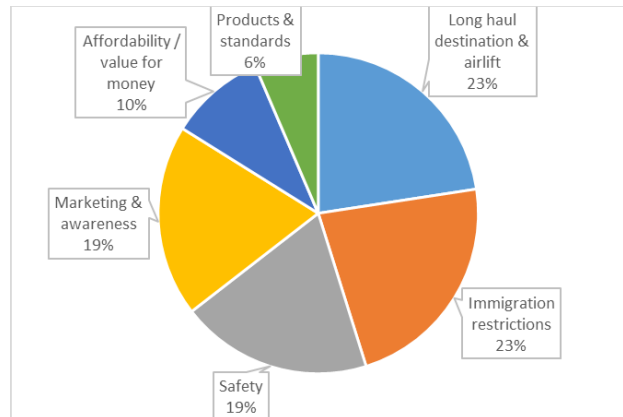
Source: Panel research based on stakeholder submissions, 2015

Perceived obstacles have also been categorized according to their impact on domestic or international tourism growth, as indicated in the Figure 49, below.

Figure 49: Obstacles to tourism growth ranked by frequency with which issues were raised

Domestic	International
1. Affordability	1. Immigration restrictions
2. Transport infrastructure & cost	2. Long haul destination & airlift
3. Lack of tourism culture	3. Marketing & awareness
4. Inappropriate products & packages	4. Safety
5. Safety	5. Affordability / value for money
6. Marketing & awareness	6. Products & standards

Source: Expert panel research based on stakeholder submissions, 2015

Our research indicates that the new immigration regulations are likely to have seriously negative consequences. For example:

- Japan does not issue birth certificates; Italy only issues birth certificates at local offices and these vary in format; and in China only two visa processing offices have been proposed by the Department of International Relations and Cooperation. For all non-English speaking countries, translation into English is an additional cost and hurdle. It is also not clear if the new visa regulations and the Approved Destination Status accorded to

South Africa by China are in concert or are contradictory.

An associated issue relates to the processing time for visas. In India this takes close to 22 days as adequate processing capabilities are not in place. The same is true for visas issued in important African destinations. For example, it is impractical for Nigerians outside Lagos and Abuja to obtain visas.

Furthermore, for biometric visas, South Africa apparently only issues a 1 month single entry visa (which excludes a number of travellers wanting to visit the region), compared to competitors such as Australia and the US which issue 5 and even 10 year multiple entry visas.

Benchmarking

Tourism tends to be a standalone Ministry in developing countries, whilst in the developed world it more often falls under Departments of Commerce or Industry. The roles of the national department and NTOs vary extensively from country to country.

Recommendations

1. The primary role for NDT must be to position tourism as a key economic sector within government and to unblock obstacles to tourism growth. NDT should look at cutting back on its other focus areas and staffing levels and rather focus on legislation, regulation and policy. A departmental review should consider how to refocus the department for greater effectiveness.

2. In relation to SA Tourism, a structured relationship of accountability needs to be complemented by a collaborative approach to working together to address key issues – SA Tourism must arm NDT with the right information and insights, NDT needs to fight for SA Tourism funding and address obstacles to its effectiveness. Regular meetings are to be encouraged between the leadership of SA Tourism and NDT. Furthermore, the Minister and Board must share a view of the key areas of oversight that Board should monitor.

5.   Conclusion

The last few years at SA Tourism may be characterised as a period of stabilisation which appears to have resulted in a greater level of centralisation and control.

SA Tourism possesses many staff hard at work doing their best to deliver marketing value for the country. Certain examples of good or best practices were regularly cited across stakeholder groups and deserve a mention:

- Certain county offices and their managers, particularly Germany, India and the China / Japan / Korea hub.
- The digital presence and online partnerships of SA Tourism, particularly its strong focus on user-generated content.
- Certain of the global television advertisements.
- The evidence based and rigorous research methodologies historically used to arrive at decisions regarding which markets to prioritise.

The unqualified audits also indicate that the finances of the organisation are largely well managed and in keeping with the prescripts of the PFMA.

This report has highlighted many areas where SA Tourism must make significant changes and strides to succeed as a leading NTO in the 21st century. SA Tourism is in a good position to put in place a refocused strategy and reinvigoration of its delivery for a number of reasons:

- For the most part a relatively new ExCo who represent a 'fresh start'.
- A new Board who will be well-briefed to steer and monitor the performance of the organisation.
- A relatively new Minister to champion the cause of tourism in government.

Furthermore, the private sector is keen to partner with SA Tourism in many aspects of its mandate. Public sector partners, particularly provincial and local government,

have also indicated their desire for a more strategic collaboration.

With full adoption of the recommendations contained within this report, we can expect:

- A real and valuable partnership with industry and government stakeholders which is supported through both formal and informal engagements and shared strategising.
- Enhanced international marketing to unleash stronger tourist arrivals growth and tourism revenue.
- An improved culture of travel amongst South Africans, and greater awareness of and enthusiasm amongst South Africans for their country's travel experiences.
- An increasingly robust tourism strategy which drives operations, and pervades the organisation, informed by cutting edge research and analytics, resulting in optimal allocation of limited resources and improved decision making.
- A culture of trust, inclusion, openness, fairness, delegation, respectfulness and transparency, led and demonstrated by ExCo and cascading to all levels of staff, and permeating dealings with stakeholders.
- Clearer performance expectations and definitions of roles and responsibilities between NDT and SA Tourism.
- A more focused NDT which uses its resources to address the major barriers to tourism growth, lobby government, and provide strong support to SA Tourism's work.

Taken together, all of these improved elements should translate into a strong growth in tourist numbers and spend, and most important of all, a significantly larger economic impact from tourism in South Africa.

Annexure A: Full list of Recommendations, by Area

3.1 The Role and Mandate of South African Tourism

1. While the focus on the Board at the expense of the broader organisation needs to be remedied in the Tourism Act, we are confident that SA Tourism's mandate and role as specified in the Act are appropriate. The mandate is sufficiently flexible and relevant to the tasks required of a destination marketing organisation. International tourism marketing should remain the main focus of SA Tourism with domestic tourism marketing and business tourism marketing as important additional areas.

2. TGCSA should be removed from SA Tourism's operations as it is not well aligned to the organisation.

3. There exists a serious disconnect between what SA Tourism is doing and what it is understood to be doing. The mandate needs to be communicated effectively.

4. As part of their mandate, SA Tourism needs to explicitly develop and deepen the partnership with the public and private sectors. This should be subject to performance measurement and review.

5. NDT needs to play a clearer role vis-à-vis SA Tourism. While SA Tourism has a role to play in making the case for tourism's economic contribution and the need to invest in tourism marketing, NDT must address destination constraints particularly those put in place by other departments, such as visa regulations, health concerns, statistics, etc.

3.2 International Marketing

1. SA Tourism should demonstrate leadership in international marketing through innovation and freshness, and a clear strategic core that aligns and links the many marketing activities (including digital and traditional, and across and between countries). SA's competitive advantage lies in the very unique experiences we can offer as a country. We should be capitalising on this, and not following in the tired footsteps of others by marketing only adventure, wildlife or beaches.

2. SA Tourism should review its marketing execution business model, particularly the use of extensive service providers.

3. SA Tourism should seriously consider handing over the management of Indaba to an independent operator, given that industry is now actively and successfully operating in this space (as evidenced by WTM Africa), and the drain that Indaba places on SA Tourism resources.

4. SA Tourism should review its practices for buyer selection and participation at international tourism shows (particularly of provinces and cities, and its own large travel delegations). With the growing using of online platforms to research and book travel, investment in tourism shows might increasingly provide less of a return than investments in other marketing media and techniques.

5. SA Tourism should continue to have a strong focus on digital marketing. There needs to be greater consolidation of digital assets across the board in order to achieve consistency in brand message and consistency in brand tone, manner and feel.

3.3 Domestic Tourism

1. Domestic tourism should remain a core mandate of SA Tourism, albeit exercised in partnership with national, provincial and local role players. This means that SA Tourism needs to follow a particularly collaborative approach in exercising this mandate.

2. Domestic tourism marketing needs a proper focus and long term, thoughtful, strategy. While a new SA Tourism domestic strategy exist, it needs to be seriously enhanced – and the existing efforts to enhance it must continue. A key focus must be to increase travel by black South Africans.

3. The fragmentation of the tourism brand needs to be addressed by applying one brand strategy across international and domestic markets. Work in this area is already underway.

4. We need a new campaign on being a 'tourism nation', particularly post-xenophobia attacks. The Welcome campaign is an example of such a campaign. Together with Brand SA, SA Tourism

should look at reviving this programme, or an equivalent.

3.4 Tourism Grading Council of South Africa

1. The TGCSA be moved from SA Tourism. A separate process should consider where best it could be located. The Panel has identified 3 possible options for its new location:
   - A government component under NDT.
   - A separate agency operating under its own board ('the Council').
   - The South African Bureau of Standards (SABS). SABS is an attractive option as it is the home of standards, including voluntary standards. Under the Act the Minister can assign the TGCSA to SABS.

2. The process of recruiting a new Chief Quality Officer should be put on hold until such time as the location and business model, including funding, for the TGCSA has been determined

3. The new business model for TGCSA should be interrogated as to whether there is real value in a grading council for industry and the destination. The extended mandate should be reviewed. In this regard, a limited role with limited costs to the fiscus should be considered for the short to medium term. The TGCSA should principally be self-funding, which will create a structured system of accountability. If a compelling case is not built for the grading system and industry walks away from it, NDT should not be required to subsidise it.

4. SA Tourism should continue to partner with TripAdvisor and other online platforms that are extensively used to research product and for peer reviews of the destination.

3.5 South African National Convention Bureau

1. The SANCB is a new entity and should be given an opportunity to perform.
   - It should however be making a more compelling business case to NDT, National Treasury and industry for its existence and the motivation for the use of state resources for subvention funding.
   - Effective Delegations of Authority need to be developed to allow for speedy approvals

affecting SANCB operations without the formal sitting of the Marketing committee of the Board, or the Board.

2. While it might not be currently appropriate for the Subvention fund to be partly recapitalized from successful bids through a levy on income received from events, it is important that self-funding mechanisms continue to be considered with the maturation of SANCB and the Business Events' industry. This will reduce reliance on the fiscus and could provide for greater flexibility.

3. Improved research and analysis must be generated for business tourism, including data from business events attendees (SANCB is in a position to get significant data through surveys of attendees at events). This data can assist to make a case for subvention. Metrics must also be developed to measure performance and the data shared with industry.

4. SA Tourism must maximise the linkages between business and leisure tourism. Within the various strategies, plans, research, etc. there is no indication that this area has received any attention.

3.6   Institutional positioning and partnerships

1. SA Tourism must be underpinned by a partnership between government and industry. SA Tourism needs to work in a way that is fundamentally collaborative, where collaboration is a value and measure for the organisation.

2. TBCSA provides an overarching voice for tourism on certain issues and should and must remain a main channel of communication, but SA Tourism will need to also engage with industry associations and members across its functional areas.

3. Additional formal and informal channels are required for communication with industry associations, trade and product. These may include
   - An annual conference.
   - Newsletters.
   - Regular workshops with invitations sent through associations (members associations of TBCSA).
   - A (dedicated) team or post at SA Tourism is required to work with stakeholders (such as trade manager post where the primary job description is engagement with trade and product).

- Website to be reformed to allow for stakeholders to draw data reports of relevance.

5. New and improved platforms for cooperation and collaboration with government should include:

- A shared platform for tourism with counterpart government departments to ensure the timely addressing of issues with major implications for tourism.

- Regular and formalized engagement between SA Tourism and Brand SA at a marketing level, where messaging and responses to crises, as well as proactive opportunities, can be shared.

- Provinces and cities, as partners in tourism marketing and destination delivery, require the CEO's forum and marketing managers' forum to become more strategic with important discussions on brand alignment and marketing initiatives and materials. Metros should be invited to attend such forums. Provinces and cities need to be empowered to play a more meaningful role.

- A channel should be established to engage the key cultural and natural heritage management agencies, and World Heritage Sites, in a regular manner. This could be part of the role to be undertaken by the proposed product manager.

3.7   Strategy, analytics and market intelligence

1. Reposition research at the heart of SA Tourism strategic planning by:

- Reviewing and updating the TGS every three years, including the market prioritization and segmentation work. Discuss the findings with stakeholders and staff. Ensure this work feeds directly into Strategic Planning.

- Rename the SRU "Insights and Analytics" to attest to its important role in strategy and expand and resource a larger, more strategic mandate.

- Regular reporting to and engagement with ExCo on these insights and analytics. "Insights and Analytics" should be a standing item on Board committee meetings.

- Strategic Planning must centrally situate research insights and the culture of SA Tourism must value and elevates strategic insights that inform marketing choices.

2. Enhance research deliverables through:

- Finding new sources to triangulate the StatsSA releases on tourist arrivals and migration. Board to consider setting up a task team with industry participation to look at this matter.

- Reviewing the current methodologies for market and segment prioritisation and adding new modules to historical research methodologies to reflect changing practices and new digital sources of information.

- Ensuring the new domestic tourism survey to be undertaken by StatsSA is extended to a larger survey.

- Routinely undertaking benchmarking work to understand new practices at other comparable NTOs.

- Improved packaging and communication of insights and analytics so it has maximum value and impact for stakeholders to inform their own marketing choices and activities.

- Engaging industry to help interpret the market intelligence based on their actual experience of working with the markets.

- On the basis of quality market intelligence, business planning should be reinstituted as the core mechanism for determining strategy and allocating resources:

- ExCo must prioritise and participate in the business planning process.

- Country office and regional managers need to be involved in an iterative process of determining priorities and plans in each market.

- Once approved the business units should be given the operational autonomy to implement in terms of the strategy.

3.8   Organisational Structure and Human Resource Development

1. In light of the issues raised by both stakeholders and the internal surveys, the new Board needs to urgently put in place measures and interventions to ensure that the CEO and leadership team have the capabilities to carry out roles and duties as set out in their key performance areas (and proposals thereto, which follows).

2. The Board should urgently review the role, performance and capabilities of the Human Resource function given the findings and

recommendations of this Report and the Hay and Best Company to Work For Surveys.

3. SA Tourism must establish a culture of engagement and empowerment within and across all levels and units of the organisation, to include:

- introducing ways for middle management to engage in strategic discussions and share plans/ practices;
- effective delegations of authority to devolve decision-making to management;
- a change management process to look at the DNA of the organisation, and to shift the organisational culture; and
- staff satisfaction should be monitored through annual surveys and remedial actions swiftly taken.

4. The finalisation of the organisational review of head office should be postponed until such time as the findings of the Panel are discussed between the Minister, Board and ExCo as these may have bearings on organisational design. This organisational design should include (as it currently does not) a comprehensive review the country office/ hub office model given funding and resource constraints including currency risks and losses. This includes the 'mandated plans' to expand to 5 country offices in Africa. The most appropriate and practical forms of establishing a market presence must guide the decision.

5. A skills' audit must be undertaken against the new organisational design to understand which important skills are missing.

3.9   Budget and Finance

1. SA Tourism to provide NDT and National Treasury with a much clearer business case for investment in marketing, and consistently make the economic argument for budget allocations.

2. SA Tourism needs to develop a clear strategy to improve collection of the TOMSA levy which includes demonstrating value for money. Their budget from NT should not be cut when revenues grow.

3. A review of the budget should be undertaken to include a range of important operational and management dimensions, such as:

- Country office/ hub model costs, per category;
- Country budgets and trends;

- Ratio of overheads to actual monies spent on marketing media;
- the cost of marketing service providers and ratios to other marketing categories.

4. A re-alignment, and ongoing monitoring of the budget, should focus on:

- reducing/ limiting overheads;
- increasing marketing expenditures, in particular on actual tourist facing media;
- protecting spend in core markets (this can be accommodated within the existing mechanism followed by National Treasury but SA Tourism needs to be given an explicit undertaking that NT will manage the currency risk);
- increasing the research budget; and
- targeting reductions in non-return marketing costs – such as service providers; large delegations to shows; etc.

The board-approved budget realignment should be approved within six months. Regular monitoring of key ratios and indicators should be reported at Board level and in reporting to the Department.

3.10   Governance

1. South Africa's particular circumstances, including its unique geographical, historical and political context, require that the Board of SA Tourism should reflect:
   a. a partnership between public and private sector;
   b. a strong focus on leadership or management experience in tourism, particularly tourism marketing; and
   c. diversity that can properly reflect and accurately represent the country and ensure this is taken forward in destination brand positioning and marketing.

2. In order to co-opt additional specialist tourism marketing skills, we recommend the following:
   a. Subcommittees, such as the Marketing Committee, should bring in additional industry experience in relevant areas.
   b. Ad hoc advisory committees should be set up from time to time to advise the Board on particular issues.

3. The new governance protocol with NDT must be finalised as a matter of urgency.

4. SA Tourism's Corporate Governance policy and Code of Conduct for Board members must be

updated based on King III, and the new protocol with NDT. This should include, but not be limited to:

a. Information Technology risks and systems should be reported on to the Board.

b. Given the stakeholder perceptions that exist regarding Board travel to tourism shows, and the current efforts around cost containment at SA Tourism, as well as the kind of image SA Tourism should project of the country, the Code of Conduct for the Board should specify that Board travel is not to occur unless under special circumstances, and the possible eventualities of these special circumstances should be spelt out.

c. An annual performance review should be conducted of the Board and its committees, which should include the extent to which it members contribute to its effectiveness.

3.11 Performance Management and Monitoring

1. SA Tourism should introduce staff satisfaction and stakeholder satisfaction measures into its organisational performance management and targets to be monitored by Board.

2. ExCo's performance contracts should be aligned to the organisational one and the CE's measures of performance should reflect the Corporate Governance policy's prescriptions to include a range of internal 'health of organisation' measures. The CEO and Chief Marketing Officer's performance should also be measured into terms of marketing effectiveness.

3. Organisational and Executive performance management reviews must be based on objective measures. The results of the organisational review, and possibly that of the CE, should be made public.

4. Marketing effectiveness measures should be developed and introduced to achieve an understanding of the impact of various marketing activities relative to Rand's spent. These should also include different cost ratios related to actual marketing delivery models.

3.12 National Department

1. The primary role for NDT must be to position tourism as a key economic sector within government and to unblock obstacles to tourism growth. NDT should look at cutting back on its other focus areas and staffing levels and rather focus on legislation, regulation and policy. A departmental review should consider how to refocus the department for greater effectiveness.

2. In relation to SA Tourism, a structured relationship of accountability needs to be complemented by a collaborative approach to working together to address key issues – SA Tourism must arm NDT with the right information and insights, NDT needs to fight for SA Tourism funding and address obstacles to its effectiveness.

Annexure B: List of Consulted Stakeholders

NAME OF ORGANISATION	PERSONS CONSULTED	NATURE OF CONSULTATION
A&K	Paul Baner	Workshop on the 12th March 2015
AA Quality Assured	Shane Erlank	On line survey 1st March 2015 - 1st April 2015
African Ample Assistance Travel	Charlene Sudlow	Workshop on the 18th March 2015
AASA	Chris Egenthal	On line survey 1st March 2015 - 1st April 2015
ACSA	Bongani Masego & Tebogo Mekoe	On line survey 1st March 2015 - 1st April 2015
Afrikaanse Handelse Instituut	Kobus Tait	On line survey 1st March 2015 - 1st April 2015
ASATA	Otto de Vries	On line survey 1st March 2015 - 1st April 2015
AVIS SA	Keith Rankin & Lance Smith	On line survey 1st March 2015 - 1st April 2015
BARSA	June Crawford	On line survey 1st March 2015 - 1st April 2015
Bidvest Car Rental	Paulette Mc Ghee & Lindsay Versfeld	On line survey 1st March 2015 - 1st April 2015
Big Ambitions	Natalia Rosa	Telecon 4 May 2015 and written submission
Blue Train	Herbert Masheula & Hanlie Kotze	On line survey 1st March 2015 - 1st April 2015
Bon Hotels	Guy Stehlik	On line survey 1st March 2015 - 1st April 2015
Brand SA	Thebe Ikalafeng & Happy Ntshingila	Telecon & Meeting on the 24th April 2015
Cape Grace	Sandy Powell	Workshop on the 18th March 2015
Cape Nature	Razeena Omar	Telecon
Cape Rainbow Tours	Alvin Kushner	Workshop on the 18th March 2015
Cape Town Partnership	Skye Grove	Meeting on the 6th March 2015
Cape Town Tourism	Enver Mally & Velma Corcoran	Meeting on the 6th March 2015
Cape Town Waterfront	Annemie Lieberberg	Workshop on the 18th March 2015
City Lodge Group	Clifford Ross	On line survey 1st March 2015 - 1st April 2015
City of Cape Town	Anton Groenewald	Meeting on the 6th March 2015
City of Ekurhuleni	Tebogo Mangangwana	Meeting on the 16th March 2015
City of Tshwane	Linda Ngcipe	Meeting on the 16th March 2015
COMAIR	Margaret Kinsman	Workshop on the 12th March 2015
Deloitte	Jan Hutton	Phone/Skype on the 5th March 2015, Workshop on the 12th March 2015

Durban Convention Bureau	James Seymour	Written Submission on the 13th March 2015 and Meeting on the 12th May 2015
Durban Tourism	Phillip Sithole	Written Submission
Ecco Tours	Steve Bailey	Workshop on the 18th March 2015
ERM Tours	Barry Hultek	Workshop on the 12th March 2015
Europcar SA	Dawn Jones	On line survey 1st March 2015 - 1st April 2015
Exhibition Association of South Africa	Sue Gannon	On line survey 1st March 2015 - 1st April 2015
Expedia	Ross Carter	On line survey 1st March 2015 - 1st April 2015
Fair Trade in Tourism SA	Jennifer Seif	On line survey 1st March 2015 - 1st April 2015
Fair Trade in Tourism South Africa	Jennifer Seif	Telecon on 6 March 2015, email correspondence thereafter
Fairfield	Juliane Loubser	Workshop on the 18th March 2015
Fancourt	Lizl De Wet	Workshop on the 18th March 2015
FEDHASA	Eddy Khosa	On line survey 1st March 2015 - 1st April 2015
FNB	Wiza Nyondo	On line survey 1st March 2015 - 1st April 2015
Forever Resorts	Kobus Tait	On line survey 1st March 2015 - 1st April 2015
Freelancer	Didi Moyle	Meeting on the 10th March 2015
Gauteng Province	Mags Pillay	Telecon
Gloo Digital	Pete Case	Telecon on the 24th April 2015
Gooderson Leisure	Gail Westphal	Meeting 30th March 2015
Grant Thornton	Gillian Saunders	Meeting on the 20th March 2015 & On line survey
Grosvenor	Peter-John Metrovic	Workshop on the 18th March 2015
Ignite Strategies (PTY) LTD	Paul Bannister	Meeting on the 11th March 2015
Ilanga Travel	Anedore Kessler	Workshop on the 18th March 2015
Ilios Travel	Mohamed Baba	Workshop on the 18th March 2015
INDABA Hotel	Charles Drews	Workshop on the 12th March 2015
Industrial Development Corporation	Chistine Engelbrecht & Moseketsi Mpeta	On line survey 1st March 2015 - 1st April 2015
Ireland Davenport	Andre Lombaard	Meeting on the 21st April 2015
Isimangaliso	Andrew Zaloumis	Telecon
Iziko Museums	Susan Glanville - Zini	Telecon
Johannesburg Tourism Company	Phelisa Mangcu	On line survey 1st March 2015 - 1st April 2015

Kuoni Private Safaris	Bettina van der Hurk	Workshop on the 18th March 2015
Legacy Hotels & Resorts International	Paddy Brearly	On line survey 1st March 2015 - 1st April 2015
Legend Tours	Faiz Nordien	Workshop on the 18th March 2015
Leriba Hotel & Spa	Peet Du Preez	On line survey 1st March 2015 - 1st April 2015
Marriott Luxury Hotels International	Mark Satterfield	On line survey 1st March 2015 - 1st April 2015
MORE	Britt More	Workshop on the 12th March 2015
Ministry of Tourism	Minister Derek Hanekom	Meeting on the 25 May 2015
National Accommodation Association of South Africa	Donovan Muirhead	On line survey 1st March 2015 - 1st April 2015
National Department of Tourism	Dirk van Schalkwyk	Meeting on the 23rd April 2015
National Department of Tourism	Shaun Vorster	Meeting on the 28 March 2015
National Department of Tourism	Victor Tharage	Meeting in March 2015
National Treasury	Ricardo Andrews, Ashley Ramasimu, Luchelle Soobyah & Owen Willcox	Meeting on the 09th April 2015
North West Parks and Tourism Board		Written Submission
Now Media	Tessa Reed	Workshop on the 12th March 2015
Paarl & Wellington Tourism	David Frandsen	Workshop on the 18th March 2015
Pam Golding Hotels	Joop Demes	On line survey 1st March 2015 - 1st April 2015
Peermont Global Resorts SA	Jegie Padmanathan	On line survey 1st March 2015 - 1st April 2015
PHASA	Adri Kitshoff	On line survey 1st March 2015 - 1st April 2015
Pulse Africa	Nicci Leuterna	Workshop on the 12th March 2015
Red Carnation Hotels	Sally Gray	Meeting on the 30th March 2015
Rhino Africa	David Ryan	Workshop on the 18th March 2015
Robben Island Museum	Nomonde Ndlangisa	Meeting on the 6th March 2015
Rovos Rail	Ed Mitchell	Workshop on the 12th March 2015
Royal African Discoveries	Johan Groenewald	Workshop on the 12th March 2015
SA Chefs Association	Graham Donet	On line survey 1st March 2015 - 1st April 2015
SA Express Airways	Inati Ntshanga	On line survey 1st March 2015 - 1st April 2015
SA Tourism research	Bashni Muthaya	Telecon 5 March 2015. A number of follow up emails thereafter
SA Tourism Board	Zweli Mntambo	Meeting on the 23rd March 2015

SA Tourism Board	Zweli Mntambo, Ayanda Ntsaluba, Graham Wood	Written comments on draft final report, June 2015
SA Tourism ExCo	Thulani Nzima, Sthembiso Dlamini, Thembi Kunene, Margie Whitehouse, Sthembiso Dlamini & Tom Bouwer	Meetings on 25th February and 23rd March 2015
SAA	Sean Bradly	On line survey 1st March 2015 - 1st April 2015
SAACI	Zelda Coetzee & Adriaan Liebetrau	On line survey 1st March 2015 - 1st April 2015
SABI	Jacques Smit	Workshop on the 12th March 2015
SABOA	Eric Cornelius	On line survey 1st March 2015 - 1st April 2015
SAN Parks	Glenn Phillips	On line survey 1st March 2015 - 1st April 2015 and telecon
SAN Parks	Fundisile Mketeni	Telecon
SAN Parks	Dries de Wet	email correspondence on April 30
SANBI	Lihle Dhlamini	Telecon
SATSA	David Frost	Meeting on the 24th February 2015, Workshop on the 12th & 18th March 2015, Online survey
SAVRALA	Marc Corcoran & Sandile Ntsoane	On line survey 1st March 2015 - 1st April 2015
SAYTC	Gavin Eyre	On line survey 1st March 2015 - 1st April 2015
Singita	Caroline Burke	Workshop on the 18th March 2015
Siyabona Africa	Hans Gerrizen	On line survey 1st March 2015 - 1st April 2015
South African Tourism Country Managers	Managers representing 7 country offices	Meeting on the 12th May 2015
Southern Africa 360	Collin Thaver	Workshop on the 18th March 2015
Spirit of Africa	Kiera Powers	Workshop on the 18th March 2015
Stellenbosch Tourism	Anne-Marie Ferns	Workshop on the 18th March 2015
Stormsriver Adventures	Ashley Wentworth	On line survey 1st March 2015 - 1st April 2015
Sun International	Garth Collins	On line survey 1st March 2015 - 1st April 2015
Table Mountain Cableway	Sabine Lehmann	Meeting on the 6th March 2015
Tamrich Tours	Rob Hetem	Workshop on the 12th March 2015
The Reed	Carol Weaving	Workshop on the 12th March 2015
Thebe Tourism Group	Jerry Mabena	On line survey 1st March 2015 - 1st April 2015
Thompsons Africa	Linda Pampallis	Workshop on the 18th March 2015 & On line survey
TISA, the dti	Stefanus Botes	Email correspondence on the 30th April 2015
Tourism Enterprise Partnership (TEP)	Saliffou Siddo	On line survey 1st March 2015 - 1st April 2015

Tourism KZN	Ndabo Khoza	Meeting on the 12th May 2015
Tourvest	Martin Wiest & Tommy Edmond	Workshop on the 12th March 2015, Online survey
Tsogo Sun	Elke Menz & Marcel Vonaulock	Workshop on the 18th March 2015, On line survey
VOASA	Melanie Hatjigrounnakis	On line survey 1st March 2015 - 1st April 2015
Wesgro	Judy Lain	Meeting on the 6th March 2015, Written Submission
WETU	Andrew Ardington	Workshop on the 18th March 2015
White Shark Projects	Charmaine Beukes	Workshop on the 18th March 2015
Wilderness Safaris	Colin Bell & Sue Van Winsen	Phone/Skype on the 5th March 2015, Workshop on the 12th March 2015

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Annexure D: Chinese Tourism case study

The data and analysis that follows is largely drawn from a recent SA Tourism report on China updated for the Expert Panel and Minister Hanekom. That 68 page SA Tourism presentation on China will be made available as a separate deliverable. The key points are summarised below. It is worth noting that data is slightly outdated, with 2012 as the main reference year. Other sources we have utilised for our purposes are referenced as footnotes.

1. General socio-economic overview

1.1 *Size and structure of the Chinese economy*

After two decades of economic growth, China has become the largest economy in the world (as of October 2014)[5]. This is despite the fact that the growth of the Chinese economy is predicted to slow down to around 7% this year[6] . Similar to some other developing economies, China is facing a shift in its economic structure, and private consumption will replace investment as the main driver of GDP growth. According to the projections of McKinsey Insights China, the service sector will occupy 46% of the GDP by 2015, and 53% by 2030.

Chinese GDP per capita was around USD 6, 091 in 2012, less than that of Brazil, Russia and South Africa. The annualised growth rate for China – both as experienced and predicted - is far higher than the other BRICS nations, at around 8,4% per annum.

Figure 50: Annualised GDP growth rates, 2006 – 2015 (estimated)
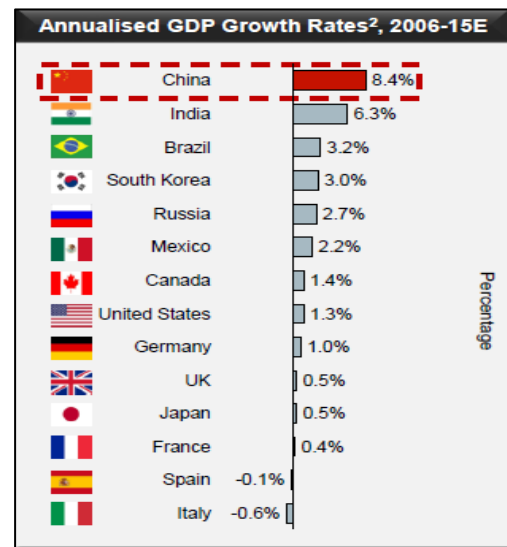
Source: SA Tourism China Presentation, 2015

1.2 *Trade and investment trends: South Africa and China*

The bilateral trade between China and South Africa has increased and provided multiple opportunities for companies to expand and open branches in each other's country.

By 2012, China's direct investment in South Africa had reached USD 4.23 billion while South Africa's foreign direct investment in China was USD 640 million. Export trade was also significant.

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[5] http://www.dailymail.co.uk/news/article-2785905/China-overtakes-U-S-world-s-largest-economy-IMF-says-economy-worth-17-6trillion-America-falls-second-place-time-1872.html

[6] ibid

Figure 51: Exports from China to RSA, and from RSA to China, 2012 in USD.

Source: SA Tourism China Presentation, 2015

1.3   *Population and wealth distribution trends*

The population of China was 1,35 billion in 2012 and estimated at 1,4 billion in 2015[7], nearly half of whom live in rural areas. Between 2000 and 2012, the population of urban residents rose by 13.5% when compared to 2000.

Regional inequality of social development is significantly high in China. The uneven distribution of wealth is evident from the large gap in the urban and rural annual household incomes in China. USD $3,500 was the average annual household income in 2012 but households in the top 5% income bracket make up for about 23% of the total Chinese household income while the lowest 5% income households contribute just 0.1% to the total income. The Chinese government plans to implement efforts such as raising the minimum wages to 40% of the average salary in 2015 to support poorer families.

Coastal cities such as Beijing, Shanghai, Guangzhou and Shenzhen have high population density, regional GDP and disposable income. Due to the rise in income and growing

[7] http://www.worldometers.info/world-population/china-population/

Chinese economy, average per capita consumption expenditure of urban households increased from CNY 4,998 in 2000 to CNY 15,161 in 2011. Consumer expenditure is likely to increase further. Nevertheless China still had the lowest consumption to GDP ratio in 2012 at 35%, as compared to USA (70%) and India (60%).

1.4 *Technology*

The online industry is firmly controlled by technology conglomerates such as Baidu, Tencent and Alibaba. As popular social media websites such as Facebook, Youtube and Twitter are banned in China, local websites such as Weibo and Yoku offer similar services. China had approximately 564 million internet users in December 2012 with the internet penetration rate as high as 42.1%. In March 2012, China crossed the 1 billion mobile subscriptions mark, becoming the first country in the world to do so.

Figure 52: Major Chinese Technology Conglomerates

Source: SA Tourism China Presentation, 2015

2.   Travel and Tourism: key trends and factors

2.1   *Structure of the industry*

The Chinese retail market is highly fragmented with over 23,000 agents in 2012. High entry barriers such as the requirement of a special license, and acquisitions by the top players, has seen consolidation of the industry with the share of national level players such as Chinese International Travel Services (CITS), Alibaba, Shanghai Chunqiu increasing. CITS has maintained its market position as being the top retail player in the Chinese market for organising outbound trips.

2.2 Researching and booking trips

Travel agents are preferred over tour operators when booking an international trip. A majority of Chinese travellers prefer going for package holidays than travelling independently. Chinese travellers make maximum bookings online for flights and hotels when travelling abroad. The number of foreign travel agencies has recently increased significantly due to ease in regulations.

A higher internet penetration rate makes online portals the most frequently used means for seeking travel-related information in China. Though local travel agents are not a key source of information, they are used since they help to speed-up the visa application process and eliminate language barriers. A majority of Chinese travellers use professional travel websites such as Ctrip and eLong for booking hotels and airlines when they are travelling to an international destination.

Figure 53: Travel booking channels and online travel booking websites
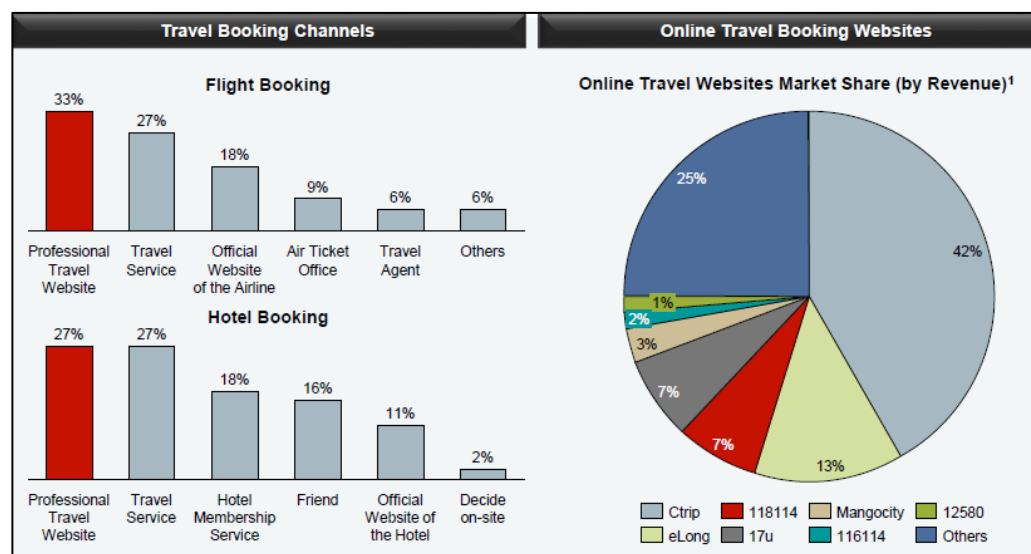
Source: SA Tourism China Presentation, 2015

According to the Digital Influence Index, social media is considered to be more influential than travel agents, newspaper or TV in China. More than 80% of the Chinese travellers gather information before travelling, online channels being the major source of information.

Chinese travellers believe that it is critical for a company to have a properly functioning website in Chinese since most of them access the company website before using online forums and social media sites.

2.3 Outbound travel trends

The tourists and their expenditure

Urban residents are the main participants of domestic and outbound tourism, accounting for more than 70% of the market, with significantly higher expenditure and frequency. The population aged 25-65 is the backbone of

the tourism industry, out of which people aged 45-64 account for more than half of overall travellers. As China's population ages, the tour-loving population is expected to expand further and reinforce domestic and outbound travel.

Almost one-fourth of the outbound travellers have income less than USD $11,350, with overall average income being USD$17,800. Travel sales grew by 7% annually from 2006–2012 to USD $35 Billion. Package bookings, flight and accommodation form a major part of the retail sales, accounting for 90% of the sales.

Domestic versus Outbound travel

Much travel is domestic – at 98% of all trips – or about 2,5 billion trips in 2012. Of the domestic trips, 1,7 billion were leisure, 772 million for business.

Outbound travel of the Chinese has increased in the past few years due to a surge in its economic growth, increased focus on long haul and family travel, decreased travel regulations and an increase in travellers from Tier 2 cities. Outbound trips numbered some 48 million in 2012, up from 42 million in 2011, a growth rate of 14%.

Figure 54: Outbound vs. domestic travel
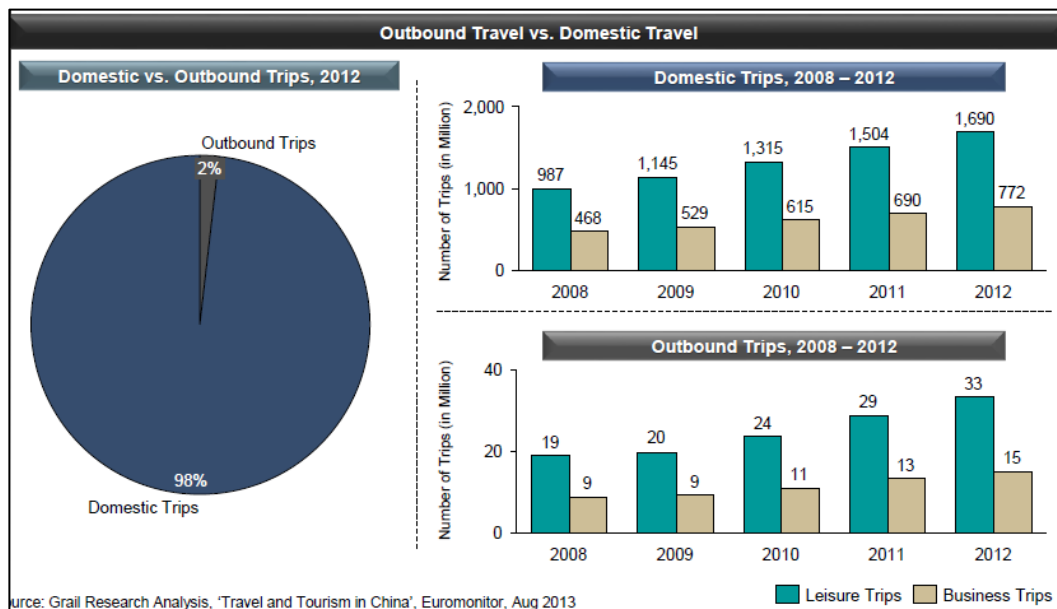
Source: SA Tourism China Presentation, 2015

The recent UNWTO data quoted in Section 1 of this report indicates that this growth rate slowed somewhat in 2014, to about 10%. There appears to be a lack of correlation between the data used by SA Tourism and that of UNWTO: UNWTO refers to 109 million outbound trips from China in 2014. This would be more than 100% growth from 2012 numbers reported by SA Tourism (as derived from Grail Research and Euromonitor).

Purpose of Travel

According to the data in Figure 54, above, of the 48 million outbound trips in 2012, 15 million or 31% were for business. Travel to attend Business events, also known as Meetings, Incentives, Conferences and Exhibitions travel, is a large share of overall business tourism and travel from China at 84% of total. At present, South Korea and Singapore are the top business travel destinations for the Chinese.

SA Tourism's business tourism strategy segmentation identifies strong potential for South Africa to target incentives' travel from Asia but meetings, conferences and exhibitions originating from Asian markets, including China, are not yet viewed as attractive opportunities.

Outbound travel destinations

The main outbound travel destinations from China are Hong Kong, Macau and Taiwan – all of which Chinese mainlanders would view as part of their larger territory. The South East Asian countries of Singapore, Thailand and Malaysia are also popular destinations in the region. Further afield it is the traditional European destinations of England, France and Germany that are leading long haul countries. Australia and the United States are major emerging long haul destinations for the Chinese outbound market.

Regulating the outbound market

The Approved Destination Status (ADS) is a bilateral agreement between China and other countries granting overseas group travel undertaken by a qualified international travel agency. The ADS visa is independent to the regular individual tourism visa or business travel visa and can only be applied for through designated travel agencies. The designated agencies for ADS visa are

responsible for the safety of the tourists in their ADS visa travel group, including illegal residence and other violations. The ADS visa only allows group travel (mostly with fixed route), and has certain merits:

- With qualified travel agency as the warrantor, the process is swifter and less complicated'.
- Most ADS visas require similar materials from travellers so the applicants don't have to check the specific requirement of every country through local embassies.
- By 2009, 116 countries had received the ADS, covering all popular destinations and in 2012 the number of approved nations are 140, including South Africa.

Travel preferences

The deep-rooted gift-giving culture and high domestic tariff raised on luxury brands has resulted in increased spending on shopping while travelling. In 2012, Chinese travellers spent an estimated USD $3.2 billion in Europe, mainly on fashion, cosmetics, perfume and leather products.

Length of trip and seasonality of travel

Length of travel is determined by the distance of the destination from China: the further the destination, the longer the trip. Close destinations, with short trips of 1 to 3 days, are preferred. The length of stay is also longer for wealthy travellers with their average trip length of 5 to 8 days.

There are three major holidays in China – The Chinese New Year (Lunar New Year) in February, Labour Day in May and the National Day in October and these are the times that Chinese tourists travel. The Chinese New Year and National Day are both 7-day holidays, commonly known as The Golden Weeks.

3. Travel to South Africa

3.1 Awareness of South Africa

South Africa received the Approved Destination Status (ADS) in 2003 but Chinese consumers are not very familiar with South Africa as a tourist destination (only 16% of total considered themselves very familiar with the destination in a survey in February 2013). Most Chinese consumers were however able to identify South Africa when listed along with other tourist destinations. It appears that the 2010 FIFA World Cup helped publicise South Africa as a tourist destination.

Figure 55: Chinese awareness and familiarity with South Africa, 2011 -2013
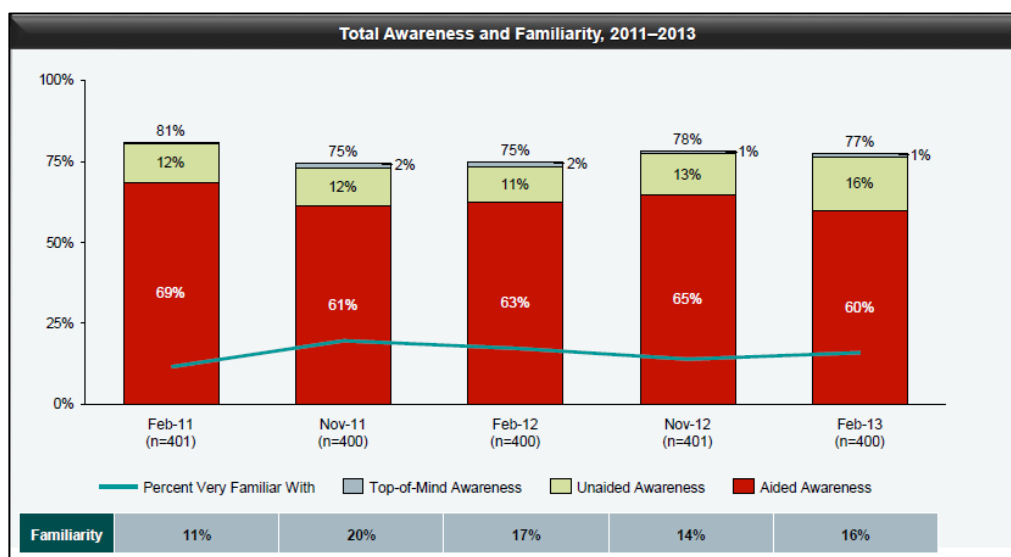
Source: SA Tourism China Presentation, 2015

3.2   Arrivals and Tourist data

Around 2–5% of Chinese travellers have visited South Africa. South Africa gets visited by Chinese who have usually already visited more conventional long haul destinations such as the US, the UK and Australia. Travel to South Africa is often combined with travel to other African countries such as Zimbabwe and Kenya.

Chinese arrivals to South Africa increased at an annual rate of 20% between 1998 and 2004 then decreased at about 3% per annum between 2005 and 2008. After this they increased again and according to SA Tourism, there

were 143 000 trips from China to South Africa in 2012 representing a compound annual growth rate of 44% between 2008 and 2012. (In 2011, the South African government simplified the visa norms for the Chinese nationals who wanted to visit South Africa and this is understood to have significantly boosted the number of trips made by the Chinese to South Africa in 2012). Presumably the legacy of awareness of South Africa after the 2010 FIFA World Cup also played a role.

Figure 56, below, shows the actual numbers of Chinese arrivals in South Africa between 2008 and 2012, and forecast arrivals for 2013 to 2017.

Figure 56: Actual and forecast Chinese arrivals in South Africa, 2012
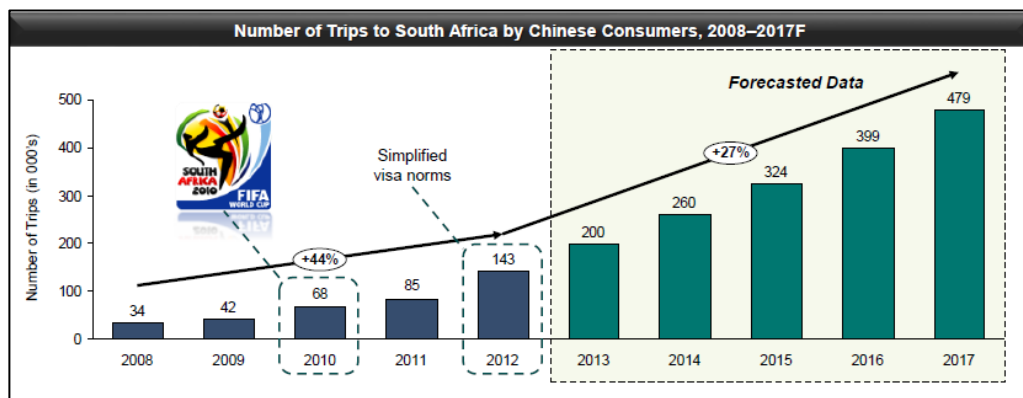
Source: SA Tourism China Presentation, 2015

Despite the ambitious forecasts, the number of Chinese tourists visiting South Africa actually dropped in 2013 to 108 219. 2014 saw a further significant drop – this time of 25% - in the number of Chinese tourists visiting South Africa to around 83 024. So in reality the performance of South Africa in terms of Chinese tourists has been nowhere near what was forecast. The reasons for this significant decline are not yet known although the large declines in 2014 seem to have been mainly experienced in the last quarter of that year.

3.3   Satisfaction with travel, top experiences and brand associations

According to the data captured in the Departure survey, most Chinese travellers to South Africa are satisfied with their trip to South Africa and a high proportion of these travellers would like to visit again. They would be

motivated to visit again if more tourism services are offered. The most attractive features of the travel to South Africa are the hospitality, friendly people and beautiful scenery.

In terms of perceptions of the destination, Chinese tourists indicated that they would like to travel to South Africa in a group and be accompanied by a Chinese tour guide partly due to the language barrier. In the opinion of Chinese travellers, South Africa is a destination that offers natural attractions such as oceans, beaches and mountains, exotic food and safari. Most of them mentioned Cape of Good Hope as one of the destinations that they would like to visit

Barriers to visiting South Africa include not much information being available on the country; linked to this is that the marketing of South Africa in China is still seen

as relatively limited. Visa and connectivity issues are also barriers, as is the perceptions of less offerings and facilities than competitors, particularly luxury (4 to 5 star) hotels. Limited Chinese tour guides are also a perceived barrier.

### 3.4   Travel characteristics and patterns in South Africa

Credit Cards are the most used mode of payment by the consumers. Gauteng, Western Cape and North West are the major provinces visited by the Chinese travellers when they visit South Africa. Chinese travellers typically visit South Africa in the months of December, January and July. The average trip of a Chinese consumer to South Africa is 3-5 days and around three-fourths of them visited South Africa for the first time.

Travel agents are used by 80% of Chinese travellers to South Africa; direct purchase with an airline accounts for a further 15%.

Diverse culture and scenery are the most important reasons to visit South Africa. A majority of Chinese consumers enjoy shopping and the nightlife on their leisure trip to South Africa.

Chinese consumers do worry about their safety and the political scenario in South Africa. 2013 research into reasons for not visiting South Africa indicated that 'concerns for my personal safety' was identified as a reason by 50% of respondents. Even in the absence of any bad experience, security is a slight concern for them.

**Figure 57: Reasons for visiting/ not visiting SA in 2013**
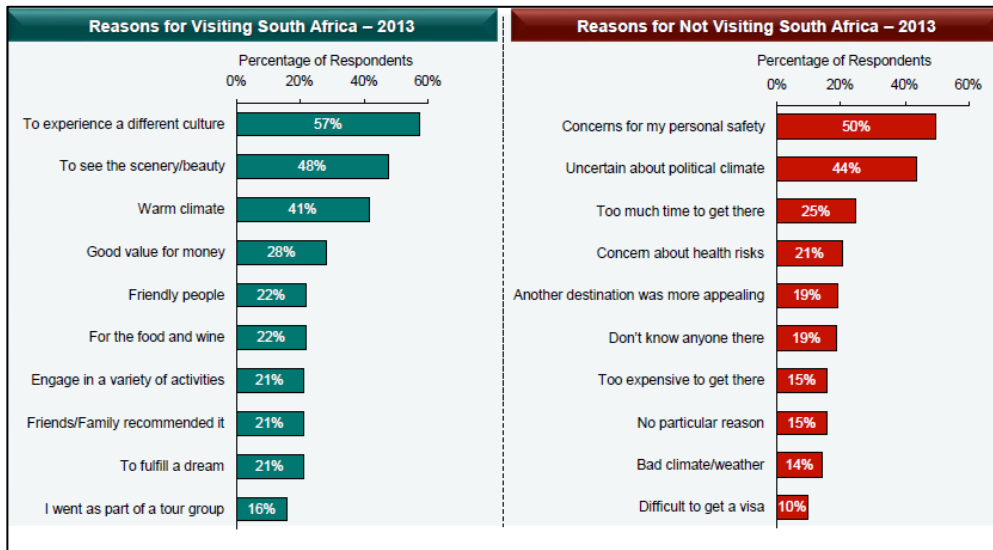
Source: SA Tourism China Presentation, 2015

Chinese consumers typically visit South Africa for a holiday or a business trip. Of note here is that while most outbound business trips for the Chinese are to attend in business tourism events, most business trips to South Africa

comprise of business travel (not part of a meeting, conference, incentive of exhibition). This is shown in Figure 58, which follows.

Figure 58: Why Chinese tourists visit South Africa: purpose of visit
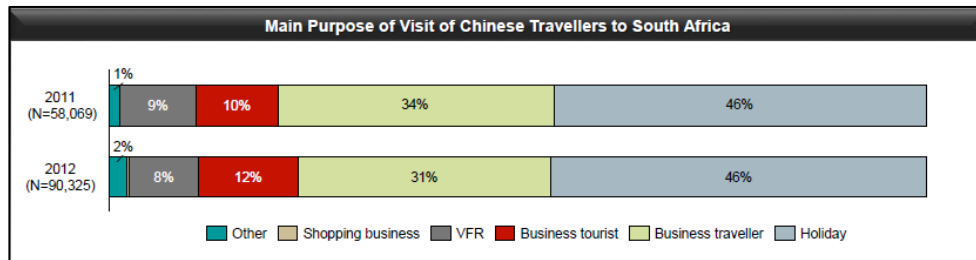
Source: SA Tourism China Presentation, 2015

Chinese tourists to South Africa like to travel either with a tour group or alone. Colleagues or associates are also popular travel partners.

4. Benchmarking other NTOs activities in China

International destinations such as the US, Australia and South Korea have enrolled in many new tourism programmes to attract wealthy Chinese travellers. These countries have also eased their visa norms to lure Chinese travellers. The tourism boards of other countries are marketing themselves extensively by partnering with the Chinese agencies and providing customised services/packages to the travellers. Ways in which they are going about this include:

<u>More Marketing</u>: Tourism boards such as those in Australia and Turkey have invested heavily in marketing their countries, including TV and video advertising. They have also coordinated with Chinese travel agencies to help increase their popularity, particularly at the time of special occasions.

<u>Partnership with the "Right" Agencies"</u>: The US, Australia and Germany choose qualified partner by conducting "excellent expert tests". The right agencies help them to gain popularity by advertising their products.

<u>Customised Products/Services</u>: Majority of countries such as Australia have designed packages catering to the specific needs of the Chinese travellers. They receive regular feedback from the travellers and agencies to make improvements in their package.

<u>Ease of Regulations</u>: Japan, Australia, New Zealand, US and EU have loosened their regulation on Chinese guides. Also, countries such as Australia and Turkey have started online Visa application to avoid inconvenience and ease the process.

<u>Souvenirs/Gifts</u>: Majority of the countries provide souvenirs/gifts to Chinese travellers to make them feel that they are highly valued. For instance, Taiwan sends local tea to Chinese customers, and European countries provide luxury items such as shopping bags.

5. SA Tourism marketing strategy in China

SA Tourism's most recently published data on the segments they are targeting in China, from 2010, is shown in Figure 59, below. The total size of the targeted market is 12, 9 million Chinese. These potential tourists have a high income, travel internationally, are between the ages of 15 and 60, and reside in the Coastal cities of Beijing, Shanghai, Guangzhou and Shenzhen.
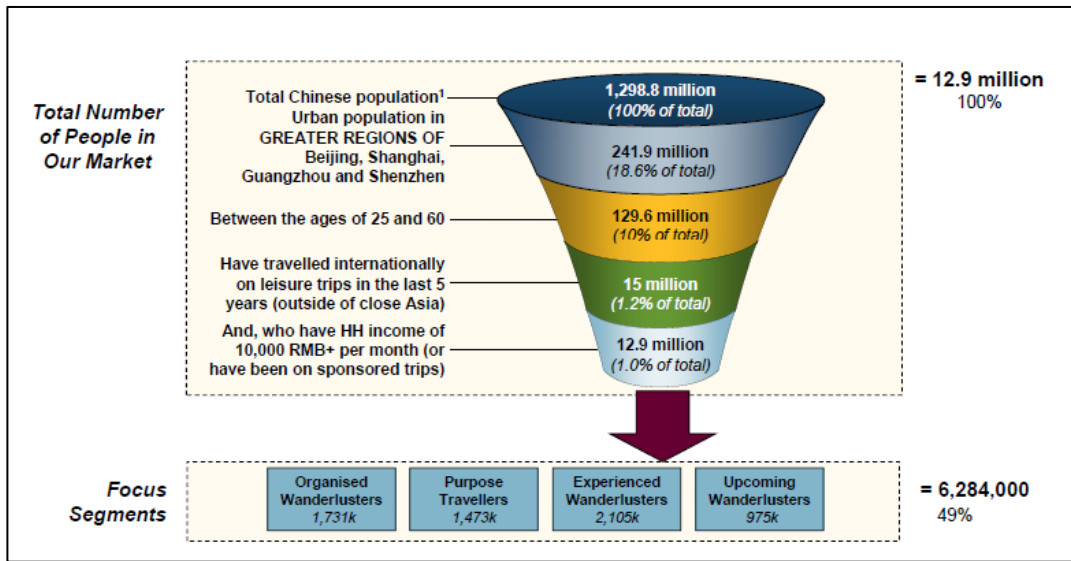
Source: SA Tourism Growth Strategy, 2010

This target market is then classified into SA Tourism's four focus segments of Organised Wanderlusters, Experienced Wanderlusters, Upcoming Wanderlusters and Purpose Travellers.

The list below specifies the main 2015 activities listed in the Joint Marketing Agreement programme for the SA Tourism China office as provided to the Expert panel. These provide a sense of the detail of the actual current marketing initiatives undertaken in China by SA Tourism:

1. With Beijing Global Tour International Travel Service Co, ltd: Business to Business advertisement; product introduction and marketing events; online travel trade platform – online advertisements; traditional travel service – advertisements.

2. Shanghai Ctrip Commerce Co ltd: advertisement campaign, Weibo posting, e-newsletter and Wechat precise marketing.

3. Utour: Advertisements, travel month, broadcast, tourism experience promotion (influencers to travel to South Africa).

4. GZL International Travel service: newspaper advertisements.

5. Beijing CAISSA International Travel Service Co. ltd: radio broadcasts, newspaper coverage, online marketing, brochures, roadshows, internet and social media.

Annexure E: King III Summary and Excerpts

Key aspects of the Report

The philosophy of the Report revolves around leadership, sustainability and corporate citizenship. To facilitate an understanding of the thought process, debate and changes in the Report, the following key aspects are highlighted:

1. Good governance is essentially about effective *leadership*. Leaders should rise to the challenges of modern governance. Such leadership is characterised by the ethical values of responsibility, accountability, fairness and transparency and based on moral duties that find expression in the concept of Ubuntu. Responsible leaders direct company strategies and operations with a view to achieving sustainable economic, social and environmental performance.

2. *Sustainability* is the primary moral and economic imperative of the 21st century. It is one of the most important sources of both opportunities and risks for businesses. Nature, society, and business are interconnected in complex ways that should be understood by decision-makers. Most importantly, current incremental changes towards sustainability are not sufficient – we need a fundamental shift in the way companies and directors act and organise themselves.

3. The concept of *corporate citizenship* which flows from the fact that the company is a person and should operate in a sustainable manner. Sustainability considerations are rooted in the South African Constitution which is the basic social contract that South Africans have entered into. The Constitution imposes responsibilities upon individuals and juristic persons for the realisation of the most fundamental rights.

New issues in the report
Information technology governance
Information systems were used as enablers to business, but have now become pervasive in the sense that they are built into the strategy of the business. The pervasiveness of IT in business today mandates the governance of IT as a corporate imperative.

In most companies, IT has become an integral part of the business and is fundamental to support, sustain and grow the business. Not only is IT an operational enabler for a company, it is an important strategic asset to create opportunities and to gain competitive advantage. Companies have made, and continue to make a significant

investment in IT. Virtually all components, aspects and processes of a company include some form of automation. This has resulted in companies relying enormously on IT systems. Further, the emergence and evolution of the internet, ecommerce, on-line trading and electronic communication have also enabled companies to conduct business electronically and perform transactions instantly. These developments bring about significant risks and should be well governed and controlled.

To address this by legislation alone is not the answer. International guidelines have been developed through organisations such as ITGI and ISACA (COBIT and Val IT), the ISO authorities (e.g.: ISO 38500) and various other organisations such as OCEG. These may be used as a framework or audit for the adequacy of the company's information governance for instance, but it is not possible to have 'one size fits all'. However, companies should keep abreast of the rapidly expanding regulatory requirements pertaining to information.

THE CODE

Ethical Leadership and Corporate Citizenship
Governance element: Responsible Leadership and Ethical Foundation
Principles:
1.1 The board should provide effective leadership based on an ethical foundation.
1.2. The board should ensure that the company is and is seen to be a responsible corporate citizen.
1.3. The board should ensure that the company's ethics are managed effectively.

Boards and Directors
Governance Element: Role and Function of the Board
Principles
2.1. The board should act as the focal point for and custodian of corporate governance.
2.2. The board should appreciate that strategy, risk, performance and sustainability are inseparable.
2.3. The board should provide effective leadership based on an ethical foundation.
2.4. The board should ensure that the company is and is seen to be a responsible corporate citizen.
2.5. The board should ensure that the company's ethics are managed effectively.

2.6. The board should ensure that the company has an effective and independent audit committee.

2.7. The board should be responsible for the governance of risk.

2.8. The board should be responsible for information technology (IT) governance.

2.9. The board should ensure that the company complies with applicable laws and considers adherence to non-binding rules, codes and standards.

2.10. The board should ensure that there is an effective risk-based internal audit.

2.11. The board should appreciate that stakeholders' perceptions affect the company's reputation.

2.12. The board should ensure the integrity of the company's integrated report.

2.13. The board should report on the effectiveness of the company's system of internal controls.

2.14. The board and its directors should act in the best interests of the company.

2.15. The board should consider business rescue proceedings or other turnaround mechanisms as soon as the company is financially distressed as defined in the Act.

2.16. The board should elect a chairman of the board who is an independent non-executive director. The CEO of the company should not also fulfil the role of chairman of the board.

2.17. The board should appoint the chief executive officer and establish a framework for the delegation of authority.

Governance Element: Composition of the Board

2.18. The board should comprise a balance of power, with a majority of non-executive directors. The majority of non-executive directors should be independent.

Governance Element: Board Appointment Process

2.19 Directors should be appointed through a formal process.

Governance Element: Director Development

2.20. The induction of and ongoing training and development of directors should be conducted through formal processes.

Governance Element: Company Secretary

2.21 The board should be assisted by a competent, suitably qualified and experienced company secretary.

Governance element: Performance Assessment

2.22 The evaluation of the board, its committees and the individual directors should be performed every year.

Governance element: Board Committees

2.23. The board should delegate certain functions to well-structured committees but without abdicating its own responsibilities.

Governance element: Group Boards

2.24. A governance framework should be agreed between the group and its subsidiary boards.

Governance Element: Remuneration of Directors and Senior Executives:

2.25. Companies should remunerate directors and executives fairly and responsibly.

2.26. Companies should disclose the remuneration of each individual director and certain senior executives.

2.27. Shareholders should approve the company's remuneration policy.

Audit Committees

3.1. The board should ensure that the company has an effective and independent audit committee.

Governance Element: Membership and resources of the audit committee

3.2. Audit committee members should be suitably skilled and experienced independent non-executive directors.

3.3. The audit committee should be chaired by an independent non-executive director.

Governance element: Responsibilities of the Audit Committee

3.4. The audit committee should oversee integrated reporting.

3.5. The audit committee should ensure that a combined assurance model is applied to provide a coordinated approach to all assurance activities.

Governance element: Internal Assurance Providers:

3.6. The audit committee should satisfy itself of the expertise, resources and experience of the company's finance function.

3.7. The audit committee should be responsible for overseeing of internal audit.

3.8. The audit committee should be an integral component of the risk management process.

Governance element: External Assurance Providers

3.9. The audit committee is responsible for recommending the appointment of the external auditor and overseeing the external audit process.

Governance element: Reporting
3.10. The audit committee should report to the board and shareholders on how it has discharged its duties.

4. The Governance of Risk
Governance element: The Board's responsibility for risk management
4.1. The board should be responsible for the governance of risk.
4.2. The board should determine the levels of risk tolerance.
4.3. The risk committee or audit committee should assist the board in carrying out its risk responsibilities.

Governance element: Management's responsibility for risk management
4.4. The board should delegate to management the responsibility to design, implement and monitor the risk management plan.

Governance element: risk assessment
4.5. The board should ensure that risk assessments are performed on a continual basis.
4.6. The board should ensure that frameworks and methodologies are implemented to increase the probability of anticipating unpredictable risks.

Governance element: risk response
4.7. The board should ensure that management considers and implements appropriate risk responses.

Governance element: Risk monitoring
4.8. The board should ensure continual risk monitoring by management.

Governance element: Risk assurance
4.9. The board should receive assurance regarding the effectiveness of the risk management process.

5. The Governance of information technology
5.1. The board should be responsible for information technology (IT) governance.
5.2. IT should be aligned with the performance and sustainability objectives of the company.
5.3. The board should delegate to management the responsibility for the implementation of an IT governance framework.
5.4. The board should monitor and evaluate significant IT investments and expenditure.
5.4.1. The board should oversee the value delivery of IT and monitor the return on investment from significant IT projects.

5.4.2. The board should ensure that intellectual property contained in information systems is protected.
5.4.3. The board should obtain independent assurance on the IT governance and controls supporting outsourced IT services.
5.5. IT should form an integral part of the company's risk management.
5.6. The board should ensure that information assets are managed effectively.
5.7. A risk committee and audit committee should assist the board in carrying out its IT responsibilities.

6. Compliance with laws, rules, codes and standards
6.1. The board should ensure that the company complies with applicable laws and considers adherence to nonbinding rules, codes and standards.
6.2. The board and each individual director should have a working understanding of the effect of the applicable laws, rules, codes and standards on the company and its business.
6.2.1. The induction and ongoing training programmes of directors should incorporate an overview of and any changes to applicable laws, rules, codes and standards.
6.2.2. Directors should sufficiently familiarise themselves with the general content of applicable laws, rules, codes and standards to discharge their legal duties.
6.3. Compliance risk should form an integral part of the company's risk management process.
6.4. The board should delegate to management the implementation of an effective compliance framework and processes.

7. Internal Audit
Governance element: the need for and role of internal audit
7.1. The board should ensure that there is an effective risk based internal audit.

Governance element: Internal Audit's approach and plan
7.2. Internal audit should follow a risk based approach to its plan.
7.3. Internal audit should provide a written assessment of the effectiveness of the company's system of internal controls and risk management.
7.4. The audit committee should be responsible for overseeing internal audit.

Governance element: Internal Audit's status in the company
7.5. Internal audit should be strategically positioned to achieve its objectives.

8. Governing stakeholder relationships

8.1. The board should appreciate that stakeholders' perceptions affect a company's reputation.

8.2. The board should delegate to management to proactively deal with stakeholder relationships.

8.3. The board should strive to achieve the appropriate balance between its various stakeholder groupings, in the best interests of the company.

8.4. Companies should ensure the equitable treatment of shareholders.

8.5. Transparent and effective communication with stakeholders is essential for building and maintaining their trust and confidence.

Governance element: Dispute resolution

8.6. The board should ensure that disputes are resolved as effectively, efficiently and expeditiously as possible.

9. Integrated reporting and disclosure

Governance element: transparency and accountability

9.1. The board should ensure the integrity of the company's integrated report.

9.2. Sustainability reporting and disclosure should be integrated with the company's financial reporting.

9.3. Sustainability reporting and disclosure should be independently assured.