



**MINISTRY OF TOURISM
REPUBLIC OF SOUTH AFRICA**

Private Bag X424, Pretoria, 0001, South Africa. Tel. (+27 12) 444 6780, Fax (+27 12) 444 7027
Private Bag X9154, Cape Town, 8000, South Africa. Tel. (+27 21) 469 5800, Fax: (+27 21) 465 3216

Remarks by the Minister of Tourism, Minister Mmamoloko Kubayi-Ngubane, at the SMME Sustainability Summit, Sandton

30 July 2019

Programme director

Mr Siyabonga Magadla – Convener SMME Sustainability Summit

Ms Josie Singaram, Local Government SETA

Mr Sifiso Mtsweni: National Youth Development Agency (NYDA)

Distinguished guests

Ladies and gentlemen

I would like to commend the The SMME Foundation, LSM Communications, NMT Capital and the Local Government Seta for bringing all of you together in this 2nd Annual SMME Sustainability Summit to share ideas on how to maintain the sustainability of your businesses.

Without doubt, to get our country on a growth trajectory requires a concerted effort by all sectors of society. To this end, the role played by small and medium enterprises in this effort cannot be overemphasised.

Today, the economy as a whole must contend with the reality of a rapidly changing business environment brought about by technological changes and advancements. Like other sectors of the economy, SMMEs are also affected by the developments on the technological plain.

This means that the business sector will need to reorganise enterprises under a difficult environment that has largely been impeded by stunted socio-economic transformation.

Admittedly, 25 years after democracy, we have achieved little by way of economic transformation. Accordingly, an untransformed economy is one of the biggest barriers to entry for SMMEs. The distribution of income remains skewed in favour of the few; which means that our modest economic benefits are still accruing to a small section of the population.

This poses a serious threat not only for our economic stability but to the stability of the democratic state. The levels of unemployment, poverty and inequality are too high, and to address these challenges requires that we transform the economy into a more inclusive and growing one.

Together with Minister Mantashe, I co-chair the economic cluster. Central to the discussions in the economic cluster is the attempt to answer the question: “What is it that all of us, as a country, need to do get the economy to work for everybody?”

This is not a simple question to answer. However, there is no doubt that we need to increase value-adding economic activity in our country so that we can create wealth and the jobs we need.

We live in a world in which a commodity produced in a far-away country has the potential to destroy a business in South Africa and in turn kill our jobs. It is therefore unavoidable that in responding to the question that I have posed, we must be mindful of the fact that we live in a world that is globalised and globalising. The efficiency of the productive activity in such a world is not measured in comparison to

others within the confines of one country. Rather, such an activity must be measured against global standards of efficient production for it to be competitive and sustainable.

Just last week, I was invited to the launch of THD24, an online platform for streaming films and television shows created by our very own Tbo Touch. This is an exciting initiative which needs our support. He has entered a market that is very competitive. As much as he needs to worry about local television broadcasters such as SABC, ETV and Multichoice, his fiercest competitor is Netflix, an American company. The sustainability of his initiative in the long run will also be determined by how well the initiative performs against Netflix. This is why it is important that as we discuss the sustainability of SMMEs, we also consider the important issue of the impact of globalisation on SMMEs.

The launch I referred to also speaks to how much new technologies have transformed the way business is conducted. This has also radically changed the form in which consumers demand products and the way they consume these products. Linear television is no longer the only way in which people consume broadcast content. Digital platforms, which are also referred to as over-the-top services, such as Showmax, Netflix, THD24 and many others, provide on-demand content which customers are only too happy to access at their own convenience.

Many years ago, we would all have to rush to watch a film or television programme at a set time, because if we missed it, it would have been close to impossible ever to watch again. But thanks to technological innovation, missing a television or radio programme is no longer a problem as one can simply access it online at one's convenience.

It is also important to mention that new technologies and innovation pose other challenges which also need discussion and careful consideration in today's business environment. Together with former British Prime Minister Theresa May and others, I sit on the World Economic Forum's Global Council for Artificial Intelligence, a global body that is chaired by Kai Fu Lee, an artificial intelligence expert and the author of the book titled "AI superpowers: China, Silicon Valley and the Global order".

This council discusses policies that should govern the responsible global usage of new technologies such as those propelled by artificial intelligence. One of the projects we are currently working on is the assessment of industries that will be the most affected by automation that will be brought about by the introduction of artificial intelligence.

Locally, Standard Bank and Multichoice recently announced that a huge contingent of their work force will be laid off because their areas of work will now be performed by automated technologies. MacDonald's outlets are currently piloting self-service portals which, in the medium term, means that many of MacDonald's current workers are going to lose their jobs.

Front desk jobs in the tourism industry are also being automated. I make these observations to underscore the point that the changing nature of the production of goods and delivery of services is something that cannot but form part of your discussions over the next two days.

One is also cognisant that securing finance for SMMEs remains a huge challenge, especially working capital. As a result, the delay in payment for services rendered especially by government renders is a threat to the very survival of small businesses.

It is therefore important that, as government, we provide you with support and we also prioritise the issue timely payment. It is for this reason, among others, that the Department of Tourism introduced the Market Access Support Programme which aims to reduce the cost burden of participating in selected international trade platforms for small tourism enterprises by improving access to buyers in new and growth markets; thereby unlocking demand growth and allowing market penetration.

As part of its efforts to support sector transformation, the Department has partnered with the National Empowerment Fund (NEF) to establish the Tourism Transformation Fund, a dedicated capital investment funding mechanism to encourage capital investment by majority black-owned investors.

The Fund aims to stimulate accelerated sector transformation and more inclusive growth. It is expected to give rise to a new generation of black-owned youth, women and community-based tourism enterprises that will take the tourism sector to new heights. The Tourism Transformation Fund offers a combination of debt finance and grant funding for new and expanding tourism development projects with majority black shareholding.

In addition to this fund, we also have the Hidden Gems programme. This is partnership between the Department and SA Tourism to allow SMMEs to exhibit at local trade shows, Meetings Africa, WTM Africa and Africa's Travel Show (INDABA). It comprises the following:

- **Hidden Gems Zone pavilion** - which is a dedicated pavilion with individual exhibition space for fifteen (15) enterprises at Meetings Africa 2019 and one hundred and thirty-five (135) enterprises at Travel Indaba 2019. Exhibitors are grouped according to provinces and the experiences that they offer.
- **Hosted local buyer programme** - this includes 150 carefully selected local buyers for the purpose of channelling business to smaller enterprises on the Hidden Gems Zone pavilion and on provincial stands. The contracts with local hosted buyers require them to have at least 10 mandatory meetings for the duration of the show with small and emerging exhibitors and to participate actively in key networking functions.
- **Dedicated networking event** – this event is hosted for enterprises and local buyers to create an opportunity for selected enterprises to sell their products to the local buyers at the event.
- **Extensive media exposure**- by leveraging our relationship with more than 700 media members at the Indaba we provide media coverage for small and emerging tourism enterprises. In addition, a booklet with SMME's profile is also distributed to all media and to local and international buyers at the Indaba.

As government, we are operating within a constrained fiscal environment and we are mindful that these initiatives do not go far in getting us where we want to be. In this regard, we challenge the private sector to come on board and partner with us so that we can get more and more young entrepreneurs actively and sustainably to participate in the mainstream economy.

I believe that our country is endowed with so much talent and by working together we can grow the economy.

I thank you.