Address by the Minister of Tourism, Derek Hanekom, at the SATSA Annual Conference at Spier

8 August 2014

I have now been in this exciting new position as Minister of Tourism for 10 weeks. I must say that I really appreciate the warm and friendly manner in which you have all welcomed me to this portfolio. Thank you Francois and David for the kind introduction - and for the wonderful food and hospitality at your opening function last night.

I truly hope that, once I’ve been in office for 10 months, you will still receive me so warmly and kindly – and continue inviting me to these beautiful surrounds of the Boland.

I will cover three broad themes this morning.

· Firstly, the performance of the South African tourism sector in a global context;
· Secondly, the reasons for tourism growth being a priority to government; and
· Thirdly, I will refer to a few policy issues and new innovations.

Let me turn to the first theme: Our performance in a global context.

The United Nations World Tourism Organisation expects global growth in international tourist arrivals to consolidate at around 4% to 4.5% this year. According to the International Air Transport Association, year-to-date air traffic growth is registering at approximately 6% growth over 2013 levels. In comparing this growth with the 3.4% global economic growth forecast by the IMF for 2014 it is clear that growth in the tourism economy is outpacing growth in the wider economy.

While growth in tourism demand from emerging markets continues to be strong, the outbound growth from some of our traditional markets is also now showing more promising signs of recovery.

This more balanced growth outlook from both emerging and traditional markets underscores that, as a destination, we should continue to carefully manage our risks by balancing our focus on domestic, regional African and long-haul overseas source markets; and by investing in a portfolio of both mature and emerging markets. This carefully crafted market segmentation finds expression in SA Tourism’s fifth portfolio review (you should be able to see it on the screen), which determines where we will be investing over the next three years.

While the growth forecasts are positive, we must remain realistic about potential wild cards: fickle outbound growth from some regions, potential airlift disruptions due to the spread of epidemics as well as volatile and rising jet fuel prices come to mind. Furthermore, domestic tourism flows could be moderated by high fuel prices and sluggish growth in disposable income. If we add to this: the more value conscious post-recession consumer; shortening booking cycles and the trend towards the so-called “staycations” and shorter trips, and intensifying rivalry between destinations to attract the lucrative millennial traveller segment – we do have our work cut out for us.
And then there are the disruptive business models emerging in the so-called sharing economy. For example, a few months ago, Airbnb, which was founded only in August 2008, announced that it was in advanced talks to raise capital that would value the company at roughly $10 billion. By the end of this year, they expect to overtake Hilton and InterContinental as the world's largest quasi-hotelier. There are also many other new entrants in this sharing economy. Uber is the current buzz. And Blablacar.com and Zipcar, which was recently acquired by Avis for $500 million.

For some of you this new trend of peer-to-peer sharing will bring new threats, and you will have to adapt; and others will be on the cutting edge of these new innovations.

With these cautionary notes, which all underline the importance of innovation in the industry, one thing is undeniable: the tourism sector in South Africa is in good shape! During the last 10 years, while global tourism expanded only 4.5% per year on average, the compound annual growth in our foreign arrivals was 9.3%.

Recently, Price Waterhouse Coopers reported that revenue from all accommodation categories combined rose 14% in 2013, on the back of solid growth in international arrivals, recovering occupancy rates and an increase of 8.4% in average room rates. This is reflected in the financials of some of you in this room today. Clifford Ross is here this morning: City Lodge’s interim results show an increase of 9% in revenue and 14% in headline earnings for 2013.

On the transport side the car rental industry experienced an increase of over 14% in rental days during the first five months of the new inbound season.

But before I am charged with a one-sided analysis, let me immediately qualify this. I know that the strong performance at the top of the pyramid is not necessarily filtering through the whole value chain. Having had sight of the latest TBCSA Tourism Business Index, I know that some of you, including those recording these impressive results, are feeling the pressure of, amongst other things, and rising input costs.

Nevertheless, if we take a step back from the immediate pressures, we do have a healthy, growing and resilient industry. Of course there are challenges, many of which are not directly within the mandate of the Tourism Ministry. These include:

- inconsistencies in land transport regulation between different provinces;
  - backlogs in road infrastructure maintenance;
  - airlift pricing and the lack of competition on some routes;
  - visa regulations and travel facilitation;
  - tourism safety issues - such as those in Hazyview recently brought to my attention, and rhino poaching - which you will be discussing during the next session.

Despite not being the direct responsibility of the Department of Tourism, as government we do take these concerns seriously.

This takes me to my second theme: Why is tourism growth a priority?

Our shared vision as a country is outlined in the National Development Plan. We are convinced that tourism can contribute a great deal in addressing the triple challenges of persistent poverty, unemployment and inequality.

If we add up the direct and indirect impacts, tourism generated 9.5% of South Africa’s gross domestic product in 2013 and accounts for more than 1.4 million direct and indirect jobs in the country.
Since 1990, the tourism sector’s contribution to GDP has expanded 200% in real terms – a massive achievement when compared to the 74% expansion of the total economy over the same period. What further gives value to this sector is that the experiences offered are not at risk of running out, and in many instances even assist us in our conservation efforts. More than any other, it is a green economy sector and an export sector, in the sense that tourism generates valuable foreign currency.

Looking forward, the UNWTO expects international tourist arrivals to grow from the current 1.1 billion to roughly 1.8 billion per year by 2030. In other words, we will see an increase of roughly 60% in international tourist arrivals world-wide over the next 15 years. There is no reason why we, with all we have to offer, cannot do even better than this.

For us to capture a significant share of this growing market though, we have to carefully consider which building blocks we need to start putting in place.

For one, we all understand that the tourism sector is a quintessential example of an industry that depends on public-private partnership. Furthermore, we fully understand that tourism is a creative industry that should not be suffocated through excessive government regulation. (In this respect, I would like to recognise the initiative by SATSA and the Department of Tourism to create a self-regulating regime for adventure tourism.) Government should play a largely facilitative role and create framework conditions to build our destination’s competitiveness. This can be done in various ways, for example by assuring quality of tourism assets and accommodation; investing in skills development and training, and in destination branding and marketing.

However, without working in close partnership with you, we cannot even dream of fulfilling the brand promise on the supply side or fully understanding the needs on the demand side. Together, we need to do everything possible to sell our country as a brilliant value-for-money destination.

Our regional African and domestic markets will remain key building blocks as we move forward.

Travel on our continent is becoming ever more accessible to the rapidly growing middle class. Sub-Saharan Africa is one of the fastest economic regions in the world - the consumer market is expected to be worth $1.1 trillion by the end of this decade. Last year, African air arrivals to South Africa grew by 12%. To respond to this potential, we are expanding our marketing presence in Africa: four additional offices on the continent will be opened over the next few years.

Domestic tourism growth is no less important. Much more can be done to address the affordability and access barriers that prevent many South Africans from experiencing tourism in their own country. Some of these plans are outlined in the National Tourism Sector Strategy. And here, allow me to acknowledge our partnership with many of you in the roll-out of the Sho’t Left campaign, including Mango Airlines, STA Travel and Thompsons.

The priority accorded to domestic tourism is closely linked to the imperative of shared growth. We would certainly not want tourism to be perceived as an elitist activity in our country. We must find more creative way to extend the benefits of this sector into poorer communities and create sustainable livelihood opportunities through tourism. Tourism has the potential to be a major catalyst for rural development, the growth of SMMEs and the development of new skills. We have many good examples of tourism product owners facilitating connections between their guests and local communities and their cultures, which not only positively contribute to the overall visitor experience, but achieves a deeper bonding and connection with our country. Many of these visitors become frequent return visitors.

Let me now turn to a few immediate challenges that confront us, namely transformation, responsible tourism, enhancing the offering and tourist statistics.
Transformation goes to the heart of shared growth. I am aware that some of you are eager to hear more about the envisaged changes to the B-BBEE codes. Last week, the national department started deliberations with TBCSA on the draft Tourism B-BBEE codes of good practice. These codes support our efforts to address the inherited skewed ownership of enterprises, facilitate greater management transformation and skills development, and stimulate supplier development. Later today, our Deputy Director-General, Victor Tharage, will further explain our current thinking, and we look forward to also hearing your views.

**Secondly, responsible tourism.** 'Greening' of infrastructure and supply chains is fast becoming a licence to operate. For example, we know that the TUI Group, one of the largest outbound operators from Europe, already has an explicit aim of cooperating with partners and suppliers that are committed to becoming greener and fairer. To be pro-active, we have developed the National Minimum Standards for Responsible Tourism. Yet, I believe we have not yet succeeded in mainstreaming responsible tourism in the business environment and consumer behaviour. There is a proliferation of offsetting programmes, eco-labels, certification schemes, etc. Despite the admirable goals of many of them, this creates confusion amongst consumers. Over the next few months, we will be applying our minds on how we can differentiate between what is genuine and what is fake; and how responsible tourism practices can be rewarded.

**Thirdly, enhancing what we offer tourists.** Cognisant that we continuously have to sharpen our competitive edge, I recently invited a broad range of stakeholders – many of whom are here today - to a consultative workshop. We agreed to explore a number of new initiatives.

The first initiative is aimed at incentivising the retrofitting of tourism attractions and accommodation for energy and water efficiency as well as universal accessibility. I know some of you have already invested heavily in retrofitting and efficiency measures. City Lodge has reported that their energy saving initiatives reduced electricity costs per room by 10%. And you will all be aware of what Hotel Verde has achieved. Sector-wide retrofitting could create new and green jobs for years to come, and lower operational costs while doing what is best for the environment.

The second initiative is aimed at improving the visitor’s experience at our ports of entry, for example through branded and staffed information centres. The Department is already piloting Visitor Information Centres in six provinces and at OR Tambo airport. Significant scale-up, further standardisation of branding and much improved information provision is currently being planned.

The third initiative relates to more attractive and expanded tourism signage. Overhauling tourism signage to reflect our brand identity is way overdue.

Development of these new initiatives will go hand in hand with the finalisation of the new tourism incentive programme, the expansion and improvement of how we apply our Expanded Public Works Programme funds, and the mobilisation of new and better coordinated funding from other development agencies through the establishment of a National Tourism Development Funding Forum.

**Finally, tourism statistics and evidence-based decision-making.** Our decisions on where we open offices and how we spend our marketing budget should always be based on reliable data. Although data collection can never be a perfect science, please be assured that our Director General, Kingsley Makubela, with the support of the CEO of SA Tourism, Thulani Nzima, are engaging with the Statistician General to fine-tune the system for collecting and processing data. When we take stock of our performance as a sector, we need to do so without being fixated only on arrivals. I am therefore encouraged by the on-going work between the department, SA Tourism and industry to develop a Dashboard of Tourism Indicators that will better reflect the health of the industry and serve as a tool for planning.
With these few words, I wish you all the best for your proceedings over the next two days.

Thank you.

Natasha Rockman  
Cell: +27 (0) 76 429 2264

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