



**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

**Gauteng Infrastructure Investment Conference
Speech on: Attracting investors and tourists to South Africa**

28 July 2017

Greetings

Tourism is a significant and critical sector in our economy as it contributes positively to the trade balance through foreign exchange receipts, sustains 700 000 (seven hundred thousand) direct jobs and is performing stronger than the other 5 growth sectors.

Globally, we recorded our 7th year of sustained growth despite the economic slow down. In the past year South Africa recorded 13% growth in the international tourist arrivals. Africa as a whole received 8%. This presents Tourism as key in diversifying Africa's GDP income stream. With the world record of 1.2 billion tourists in 2016 Africa only enjoys a market share of 5%.

This sector deserves more support and recognition in our country because it provides more opportunities and has lower barriers to entry.

The sector is already contributing to our economy by supporting over 1.5 million jobs in total and bringing in about 9% to our Gross Domestic Product (GDP). Growth in tourism means that the prospects for growing and transforming our economy are significantly enhanced, not only for the tourism sector but for the entire value chain that is supported by tourism. This presents a greater opportunity for integration with other 9 point plan sectors such as agriculture, manufacturing and transport amongst others. We recognise this potential and are working with our partners to maximise the social and economic benefits of tourism beyond just the sector.

To build on this growth, we have revised our 2020 strategy. The new strategy that will go to cabinet for approval at the end of August aims to achieve over 200% growth in our direct contribution to the 2015 GDP figure of R118 billion to R302 Billion in 2026. The indirect contribution to GDP will be just under a trillion rands at R941 billion from the 2015 figure of R375 billion. We will also add 300,000 more jobs to bring direct employment to 1 million from the 2015 figure of 700,000. This will bring the indirect employment to tourism figures to about 2,26 million.

NATIONAL TOURISM SECTOR STRATEGY (NTSS)



3 of 4

TOURISM HUB / NODE



(Building from South Africa known as a safari and business events destination we added culture and heritage)

The value of travel and related services consumed by organs of state annually is estimated at about R10 billion. This presents a transformation lever through state procurement. Furthermore, government controls allocation of other opportunities such as licensing of tour operators, gaming operations (including casinos), duty free stores, car rental parking bays at strategic hubs, accommodation and retail facilities at state owned facilities that are concessioned to operators. These areas further present opportunity for accelerating radical economic transformation and we will work with partner departments to pursue this goal.

Tourism in South Africa is on the rise. The Department of Tourism is using its budget of R2.1 billion to ensure that, as tourism rises, the people of South Africa rise with it. We will deploy this modest budget to pursue the following strategic areas for tourism growth.

1. Marketing takes the largest component of this budget at 53% or R1.1 billion. 2. The remaining R1 billion is largely distributed amongst Tourism Incentives, Expand Public Works Programme (including skills development), Destination Development and Enterprise Development.

With SA Tourism's budget at 53%, it is our strategic intent to drive government imperatives through our entity. These include contribution to job creation and radical economic transformation. A targeted approach to positioning black enterprises in SA Tourism marketing efforts is a critical part of fulfilment of that mandate.

This R1.1 billion will be deployed towards increasing our global market share and growing the domestic tourism market in a manner that promotes inclusive growth. Our goal is to attract five million additional tourists to South Africa within the next five years. Simply put, the 5 in 5 strategy, brings four million additional international tourist arrivals and one million additional domestic holiday trips. The growth in the international market will be driven through establishment of a "Bidding Fund" to a tune of R90 million over the medium term period, strengthening our marketing and conversion mechanisms in traditional markets, expanding to new markets which include Asia; Iran; the Middle East; the African continent and its diaspora. R110 million is allocated for attracting more businesses and delegates to South Africa and R224 million for infrastructure investment.

It is our approach moving forward that all our strategic events should find their respective homes, which would allow the host city, provincial and industry partners to plan their investments with greater levels of certainty. There are Opportunities for partnerships and investments in this area.

Intra Africa Travel and Trade accounts for around 12% of Africa's total trade. This illustrates the deficiency we also have in the movement of people and goods across the continent but also presents an opportunity. Improvements in infrastructure linkages to improve connectivity and flow of people.....Rail,Road Air and Ocean also means discussions and resolutions around immigration regulations such as issuing of visas and the efficiency and care in that undertaking.

Following the establishment of the Inter Ministerial Committee (IMC) on Immigration Regulations, which was tasked with finding a balance between ease of travel facilitation for tourists and security needs; I am pleased to report that significant progress was made in implementing the Cabinet decisions. These include long-term multiple entry visas for frequent business travellers, use of Accredited Travel Companies to apply for their client's visas, visa waivers in some cases and expansion of the network of Visa Facilitation Centres (VFC). We are confident that outstanding matters would soon be concluded. It is only through continuous strategic and constructive dialogue between the public and private sectors that we will be able to achieve meaningful results. In the end South Africa must remain the winner.

Marine and Coastal Tourism

Our approach in the implementation of the Marine and Coastal Tourism seeks to promote the integration of associated industries such as agriculture, fisheries, creative arts, environmental management, small harbours development, cruise terminal development etc. We are also taking a nodal approach in all identified projects to tackle the entire value chain and product development. The plan will also seek to integrate coastal developments with existing inland experiences with the view to maximize participation opportunities. This plan, which has been developed with other relevant stakeholders, will soon be tabled before Cabinet for approval and implementation. It will form a

greater part of our destination development efforts. South Africa plays a strategic role as 1 of 7 founding members of the Indian Ocean RIM Association (IORA), this opens opportunities beyond our South African coastal marine and tourism and extends opportunities to 1/3 of the world's coastline.

Transformation

In pursuit of our transformation agenda, we will be implementing our transformation plan, which was developed under the guidance of the Tourism Broad Based Black Economic Empowerment Charter council. The plan includes but is not limited to:-

- Putting together a framework for maximizing empowerment of black people through concessions in state owned facilities;
- Partnerships to bring in existing black operators to serve as management companies for state owned facilities;
- Partnership with industry to scale up enterprise and supplier development;
- Effective use of state procurement levers in partnership with National Treasury to empower black suppliers of tourism products and services.
- Strengthening market access for black owned enterprises in terms of government driven marketing initiatives.
- Enhanced mechanisms for access to funding for new initiatives and expansion projects.
- Our ultimate goal is to participate in the black Industrialist programme

Access to funding for small and medium enterprises in the tourism space has been a challenge for some time. This restricts growth of small enterprises, expansions of their existing products and participation by communities as it is difficult to obtain operational finance. In recognition of this challenge and with the support of the National Treasury, we have entered into a partnership with the National Empowerment Fund (NEF) to establish a Transformation Fund. A combination of grant funding and debt financing will be used to drive sector transformation and unlock capital investment in tourism. The fund is currently capitalised to an amount of R120 million with the aim of building it to R360 million in the medium term. Every Rand from the Department is matched by 2 Rand from the NEF. The fund includes NEF equity, Debt and NDT grant funding. The grant funding will be capped at R5 million.

We will host a national conference on transformation in tourism in the third quarter of the 2017/18 financial year. It is intended to improve compliance and commitment to an inclusive tourism economy.

Domestic Tourism

Our domestic tourism strategy put equal emphasis on supporting strategic product development and enhancement with the aim of broadening the product base to accommodate the needs of our diverse domestic tourism market. This will also broaden our product offering for the international market. The initiative includes some of the over 700 state-owned products such as provincial and municipal resorts, some of which already attract international visitors but require refurbishment.

Our enterprise development programme will also facilitate the development of a new breed of tour operator for the domestic tourism market, which will work with SMME tourism products owners and services providers to take advantage of the growing diverse market needs.

We will also be creating travel schemes for social clubs and strengthening the role of events in growing domestic tourism. We will work with key national and provincial attractions such as parks, cultural and heritage sites to expose underprivileged South Africans the country's tourism offering. Through South African Tourism will also form strategic partnerships to enhance conversion based on our domestic tourism marketing drive.

Destination Development

We are developing a framework for precinct development, with emphasis on township and rural tourism. Initial efforts will be focused on Vilakazi Street in Soweto with a view to replicate the model in other viable townships across the country. A combination of Vilakazi street residents' entrepreneurship spirit and the uniqueness of this very special place, once a home to two Nobel

Peace Laureates and one of the kind in the world, has created a vibrant and globally sort after tourism attract. This amplifies the need for a targeted approach to precinct development.

Incentives

The department has made significant progress on the implementation of solar photovoltaic energy generating systems at strategic tourism attractions as part of greening our destination. This includes the completion of a solar power plant in Robben Island which is already supplying solar energy to the island as we speak. This project was made possible by close cooperation between the Department of Tourism, Department of Arts and Culture, Department of Public Works and the Robben Island museum. This is yet another example of the power of collaboration and the benefits of taking a whole-of-government approach to tourism development.

The Department has also collaborated with the Industrial Development Corporation to introduce a Green Tourism Incentive Programme. This programme will support qualifying tourism enterprises to retrofit their facilities with more energy efficient technologies. This will not only save costs for small and medium black owned enterprises and contribute to a greener destination, but the programme will also create employment and local content promotion through retro-fitment of products

WE DO TOURISM!

I thank you.

ISSUED BY THE DEPARTMENT OF TOURISM