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

Speech delivered by the Deputy Minister of Tourism, Tokozile Xasa, at the 12th Edition Design Mission Africa

23 November 2015

Programme Director, distinguished guests, ladies and gentleman

I am very honoured to be part of this event today. An event that will help shape and position the continent and draw tourists to its beautiful shores, not only for leisure but for investment opportunities.

South Africa is the economic powerhouse of Africa and forms part of the BRICS group of countries with Brazil, Russia, India and China. It has a favourable demographic profile and its rapidly expanding middle class has growing spending power.

Africa is a continent with amazing tourism offerings and huge growth potential. Our continent's vibrant cities, rich cultural diversity and splendid natural beauty provide the backdrop for what I believe will be a decade of significant growth in travel and tourism. Strategically located at the southern tip of the African continent, South Africa is a key investment destination, both for the market opportunities that lie within its borders and as partner to access the opportunities on the rest of our continent. Many South African companies and other multinational corporations use their footprint in South Africa as a springboard to access markets elsewhere in Africa.

The fast growing middle class urban population, fast growing cities and demographic shifts are creating numerous demands amongst the end consumers of the residential, commercial and hospitality projects in Africa. This has necessitated that professionals within the building industry bring forth landmark structures of the future in the continent and develop versatile yet interactive procurement practices.

According to the UNWTO's Tourism Towards 2030, the number of international tourist arrivals worldwide is expected to increase by an average of 3.3% a year over the period 2010 to 2030. At the projected rate of growth, international tourist arrivals worldwide are expected to reach 1.4 billion by 2020 and 1.8 billion by the year 2030. Africa is expected to more than double their number of arrivals in this period, from 50 million to 134 million respectively.

The contribution of the tourism sector to economic growth in Africa is echoed by the World Travel and Tourism Council (WTTC) which indicated that the total contribution of Travel & Tourism to Gross Domestic Product (GDP) in Africa was USD196.8bn (8.1% of GDP) in 2014, and is forecast to rise by 3.5% in 2015, and to rise by 4.9% pa to USD330.1bn (7.9% of GDP) in 2025. According to the WTTC the total contribution of Travel & Tourism to GDP in South Africa was ZAR357.0bn (9.4% of GDP) in 2014, and is forecast to rise by 3.4% in 2015, and to rise by 4.3% pa to ZAR561.4bn (10.4% of GDP) in 2025.

According to Ernest and Young's (EY) 2015 Africa Attractiveness Survey, Geopolitical tensions and weak economic growth led to a 3.1% decline in Greenfield Foreign Direct Investment (FDI) projects worldwide in 2014. Foreign Direct Investment (FDI) projects in Africa fell 8.4%, but remained well above pre-2008 levels. However, capital investment into the continent surged to US$128b, up 136%. Furthermore, FDI created 188,400 new African jobs, a 68% increase. The Survey also highlighted the fact that Southern Africa attracts about one-third of FDI projects in Africa. In 2014, its inbound FDI projects fell 11.4% even though capital inflows more than doubled to US$33.6b. The capital inflows were largely due to a massive energy sector deal, but there was a marked fall in FDI projects announced in South Africa which is the regions anchor economy.

EY further indicates that two trends are defining Africa's future growth path which include rising urbanization and a growing consumer class. In line with these trends, FDI data reveals strong inflows into real estate, hospitality and construction (RHC) in 2014. Investment in the RHC sector is gaining traction. Growing urban populations travel more and require hotels and restaurants to serve to cater for this and also serve an increase in business travellers and tourists. International hotel chains are also striving to meet burgeoning demand in Africa, where supply of hotels in all categories is often inadequate

EY believes that, tourism, spurred by foreign direct investment, has evolved into a key economic driver for many destinations, promoting income growth and job creation in local economies. The hospitality and tourism sectors have emerged as key value drivers and differentiators in a competitive economy, including in emerging economies, where growth has shifted away from goods and products toward services, with tourism and hospitality accounting for a significant portion.

The 2015, EY Global Hospitality insights report indicates that even amid geopolitical instability, the emergence of new health concerns and stagnant economic growth in certain regions, the global hospitality industry thrives in a cycle of accelerating growth, and optimism prevails in most markets. The report further states that some of the following trends will impact on this sector in future. These include the emergence of new accommodation platforms such as shared accommodation, the rise of the millennial generation that are more cost conscious and experience focussed and advances in technology that allows tourist to better prepare for trips through internet research and online bookings. All of these developments will impact on future investments in the tourism sector.

Over the years, we have invested heavily in developing a diversified range of tourism products and offerings. This supply-side innovation supports our carefully balanced approach focused on leisure, business and events tourism. On the supply side, we have also invested in building the skills base in the tourism industry, nurturing a culture of service excellence. On the demand side, we have diversified our source markets to hedge against external economic shocks and regional instabilities. Together, this innovation on the supply side and expansion on the demand side renders the country and tourism sector attractive for local and international investors alike.

Besides solid growth in tourism demand and revenue, investors also tell us that the modern communications, banking, financial and other public infrastructure position South Africa as a very attractive investment destination. In support of tourism, there was massive new investment in public infrastructure in the run up to the 2010 World Cup, including world class airports and high speed rail. The private sector also invested heavily in expanding its offerings. The latter led to a temporary over-supply in the accommodation sub-cluster just after the World Cup in 2010. However, occupancy has now recovered to healthier levels. 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 and an increase of 8.4% in average room rates. On the transport side, the car rental industry similarly experienced an increase of over 14% in rental days during the first five months of the new inbound season.

Investors can expect a sector that is built on partnership between government and industry. From government side, tourism is one of six core economic pillars in our New Growth Path strategy. The National Development Plan, which captures our collective vision for 2030, also recognises the critical contribution of tourism to growing the economy and creating new opportunities.

Investors can also expect the kind of public-private partnership approach that recognises that tourism is a creative industry that should not be suffocated through government regulation. That said, when we partner with industry, we also look to them to help us transform our economy. For us, tourism growth and social inclusion go hand in hand.

There is an ongoing debate globally on the indicators or metrics for the carrying capacity of destinations. We are far from over-development in our sector. However, it is also important to understand our positioning: we are not a cheap, mass tourism destination. We are a value-for-money destination and hence we are not chasing mass tourism like parts of Southern Europe. We must always maintain the sense of place and the authenticity of our offering. That is why we carefully manage the footprint of tourism in conservation areas, sensitive eco-systems and local communities.

Given that South Africa is a long-haul destination and that getting here involves a larger carbon footprint than it does for travellers to many other destinations, South Africa has to be seen as an environmentally-conscious and responsible destination. In 1996, we were the first country in the world to include responsible tourism as a key pillar of our national tourism policy. Many South African businesses have also been instrumental in leading South Africa's responsible tourism charge.

Numerous international corporates have invested in this industry and in South Africa's growing popularity as a destination: the Legacy Hotel Group, the Hilton Hotel Group, IFA Hotels and Resorts, LeisureCorp, Carlson Redizor, the InterContinental Hotel Group, the Stella Group and Arabella Holdings have all invested in South Africa since the advent of democracy 20 years ago.

Last year, Marriott International acquired the 116 hotels in the Protea portfolio. This investment in over 10 000 rooms spread across 79 hotels in South Africa and 37 elsewhere on our continent sends a strong signal that both Africa and foreign investors are ready to do business together.

An area that is currently attracting much interest and where there is room for investment is Africa's airline industry. There are meaningful opportunities to grow intra-regional African travel and to launch lower cost carriers to capitalise on the increasing travel propensity of the emerging and rapidly urbanising middles class on our continent.

It is therefore important to note the potential growth of hotel development within the continent that will meet the demand of tourists, and it is therefore recommended that the construction sector supports this development.

I thank you