



tourism

Department:
Tourism
REPUBLIC OF SOUTH AFRICA

Address to the media by LN Sisulu, MP, Minister of Tourism on the occasion of debate on the Tourism Budget Vote in the National Assembly, Cape town

19 May 2022

Deputy Minister of Tourism, Mr Fish Mahlalela;
Interim Chairperson of the Board of SA Tourism;
Director General and senior management of the Department;
Acting CE of SA Tourism and Executive Management of SAT
Members of the media and ladies and gentlemen.

Now more than ever there is greater hope of global tourism recovery since Covid-19 was declared a global pandemic. Confidence in our country as a tourism destination is lifting as various partners and airlines resume operations in South Africa. Throughout this period, South Africans have shown their resilience and solid commitment to the tourism sector and indeed supported domestic tourism through these very trying times.

Global tourism is rebounding despite lingering Covid restrictions and the effects of the conflict in Ukraine, but tourist arrival numbers are not back to pre-pandemic levels. The pace of recovery slow and uneven across world regions and this is due to varying degrees of mobility restrictions, vaccination rates and traveller confidence.

International tourist arrivals were up 4% in 2021. The outlook for 2022 is better prospects, although opinion is split on whether rebound will take place in 2022 or 2023. The UN World Trade Organisation (UNWTO) expectation is that international arrivals will return to 2019 levels only in 2024 or later.

South Africa is among those African destinations that experienced the biggest declines in arrivals in 2021: 78% down vs 2019, while countries in East Africa were not as deeply affected: Kenya 55% down | Tanzania 39% | Ethiopia 26% (UNWTO).

According to ACSA, air travel to and from South Africa has reached its highest levels of activity since Covid-19 pandemic – almost 2.3 million through OR Tambo, Cape Town, Durban in March – up 70% from previous year.

Recovery is being bolstered by international arrivals. Cape Town International Airport's total passenger activity had increased to 66% of levels last seen in the first quarter of 2019. January and February this year saw strong growth in arrivals from UK, Netherlands, Australia, Germany, Switzerland - 549% up in 2022 vs 2021 from our top 10 source markets (Stats SA).

International airlines can't keep up with the demand for travel to and from South Africa, resulting in stubbornly high airfares made even worse by soaring fuel prices.

We present this budget vote on the back of numerous seismic social, economic and humanitarian crises. But we have to note that our people have responded with hope, strength, and the determination to prevail. It is these demonstrable qualities we celebrate with this budget vote, and which we will give support and real meaning.

First was the Covid-19 pandemic, the impact was immediate and restrictions on movement devastated the global tourism sector and hampered recovery efforts in 2021/2022.

Second has been the dramatic floods in Kwa-Zulu Natal which have greatly affected the health, welfare and livelihoods in sectors such as tourism. An estimated 40,723 people have been affected. Tourism has always been one of the most lucrative activities, contributing billions to the local economy in job creation and small business development. But since the onset of the pandemic, the July unrest in 2021 and the devastating April floods, the sector has suffered losses estimated to be in billions.

These events force us to dedicate resources to support the recovery of our economy, and especially the tourism sector. Importantly, they challenge us to answer the question: how do we build an inclusive and resilient tourism sector and economy which, as it grows, will ensure the participation of women and young people in a meaningful way.

The floods in Kwa-Zulu Natal have also announced the sobering reality that climate change is here. The unpredictable and dramatic weather conditions will affect our sector especially, and we should be intentional in our planning and budgeting in a way that demonstrates our awareness of the changes in our world, and a sensitivity to the conditions and vulnerability of our people. We cannot be reactionary. Our people rely on their government to put in place measures to support and safeguard their lives and livelihoods from both predictable and unpredictable crisis. The budget we present today makes a bold statement in this regard. It is a statement of hope, determination, and the will to prevail.

WHAT WE HAVE DONE: Stabilising the sector and strategising for recovery

Last week we announced that during our attendance at the Arabian Travel Market, SA Tourism signed a Memorandum of Understanding (MOU) with Emirates Airlines to grow the tourism market in South Africa. Air travel is a key pillar for South Africa's tourism recovery and we expect this will boost visitor arrivals. It will promote tourism and inbound traffic to South Africa from key markets across the Emirates network. The Middle East is a critical market for South Africa so this collaboration will be very instrumental in ensuring ease of access to and from South Africa for travellers from this region and will assist us in elevating our trade efforts. A similar effort is underway with Qatar Airways.

This follows successful efforts we have undertaken, in the spirit of our people who have risen to the challenge of every obstacle. We invested in ensuring that as the world re-opens, Destination South Africa remains top of mind in our key markets and beyond through:

- Launching the Global Advocacy Programme to ensure that consumers, trade partners and the global media are informed about Destination South Africa;
- We hosted Meetings Africa under the theme "Advancing the African Agenda Together";
 - Meetings Africa, now in its 16th year – we had to skip last year's one as we were in lockdown - was created in response to the global meeting industry's growing recognition of Africa as a sought-after premier Business Events destination;
 - We had 13 countries exhibiting from the African Continent and just under 200 buyers, representing 40 countries.
 - 54 of our youth participated in a programme designed to build future leaders and contribute to the transformation of our industry.
 - We had 24 of South Africa's leading entrepreneurs and SMMEs in the sector and a Sustainability Village that showcased the work of some of our best crafters.
- We championed the removal of "red listing" of South Africa through diplomatic efforts. Furthermore, through structured engagement with the Sector, tourism has been able to make a case for its readiness to operate safely and this has yielded good results;
- We launched the Global Brand Film inviting everyone to "Live Again",
- Various campaigns focused on the domestic market to encourage South Africans to enjoy the beauty and heritage our home has to offer.
- South Africa secured a seat at the UNWTO Executive Council which is the highest decision making body between the United Nations General Assembly and successfully lobbied the UNWTO to back African states and call on the world to reopen their borders;
- Sponsored a framework for the establishment of the Africa Tourism Unit for the African Union Commission in an effort to strengthen regional integration;
- Regional collaboration and synchronization of policy - signed MOU with Kenya;
- Held bilateral engagements with key Investors in the UAE and Gulf Cooperation Council Region who have shown interest to invest in tourism-mega projects;

- Supportive interventions led by the Ministry and SA Tourism to reconnect Destination South Africa through air service development working through multi-stakeholder public and private sector structures;
- We have launched a new global campaign titled **Live Again**, where we are encouraging everyone to come as they are and leave as they'll never be again after experiencing the magic that is Destination SA.

The turnaround in the performance of the sector, although from a low-base, is apparent for all to see. Most sector performance indicators we are measuring showed an upturn in the year 2021. **Travel by South Africans has increased by 173%, while foreign visitors grew by 254%. This is according to statistics from Stats SA comparing February 2022 to the same period last year. The recovery is under way.**

It is this glimmer of hope that strengthens our resolve to do even more, to plant more seeds that will see tourism growth beyond the 2019 levels.

A DIRECTED EFFORT TO TRANSFORMATION AND INCLUSION

The covid-19 crisis has given us time for pause and reflection. Indeed, we have taken the opportunity to engage with stakeholders and draw lessons on how we build a resilient and inclusive sector.

One of the key insights which have emerged is that financial institutions, including development finance institutions, do not well understand the tourism sector, and our funding instruments are not appropriate, especially in terms of supporting black people, women and youth. This is a situation we intend to attend to. It is unconscionable that as much as 60% of funds set aside in our financing institutions go unspent when our young people have strong business propositions to participate in and grow the tourism sector.

Recovery is focused on inclusivity and transformation

Our **enterprise development programme** is a key strategic intervention to provide developmental support to tourism enterprises and develop a pipeline of emerging operators in the sector. A key component that will be rolled out in this financial year is the incubation programme. We will implement four incubators and make sure that we see tangible outcomes.

We have thousands of SMMEs throughout our townships, rural areas and small dorps offering authentic creative experiences throughout our tourism value chain. These SMMEs are crucial for our goal of inclusive sustainable tourism and help spread the benefits of tourism to communities outside the traditional tourism "hotspots".

We will dedicate funds to develop and maintain state-owned and community-based tourism assets in the next three years. This will help in protecting tourism assets and core infrastructure as well as supporting inclusive economic participation through diverse community-owned products.

We will also continue to implement the **Tourism Incentive Programme** to stimulate the growth, development and transformation of the South African tourism sector. In line with our mission to employ strategic partnerships we will continue to collaborate with other government departments and entities in the roll out of the incentive programme. In this regard, formal partnerships through memoranda of agreement are already in place with entities such as the National Empowerment Fund (NEF), the Industrial Development Corporation (IDC), the Tourism Grading Council of South Africa (TGCSA) and the Small Enterprise Finance Agency (SEFA). However, following from input from beneficiaries and stakeholders, we will be engaging with these entities to make sure that the funding instruments, qualification requirements and other modalities speak to the needs of the tourism sector and the previously included.

We are working to have the legal matters delaying the implementation of the **Tourism Equity Fund (TEF)** resolved. The TEF is intended to fast-track transformation within the tourism sector. The facility provides combination of debt finance and grant to facilitate equity acquisition and new project development in the tourism sector by black entrepreneurs. We will continue to work with interested parties to resolve this matter. We have no doubt that the sector shares our eagerness to see this matter resolved considering the number of applications received after the fund was launched. A clear indicator that the facility has very high demand.

There must a strong and demonstrable focus on women and women owned and operated enterprises.

To support women owned enterprises, the Tourism Equity Fund will be fundamentally feminist. This is to say, work will be done to radically push the role and ownership of women enterprises in the sector.

The Tourism Equity Fund will offer capital investment in the form of grant funding to black owned tourism enterprises. An amount of R360 million over the medium term is allocated to the fund to support an estimated 31 tourism enterprises. Twenty of these, or 65%, will be women enterprises.

Part of our effort will include a strong focus on developing the viability of women owned businesses. This is to say, we are not looking for viable businesses in a world we know doesn't recognize the work of women as even remotely viable. Our work must be to drive the recognition of women businesses as viable.

Responsible tourism for sustainable tourism

In 1996, South Africa was the first country to include Responsible Tourism in its national tourism policy, the 1996 White Paper on the Development and Promotion of Tourism in South Africa. The Department also developed and approved a **Tourism and Climate Change Response Programme and Action Plan** in 2012. This programme addresses both climate change mitigation and adaptation measures within the tourism sector. As part of the **Tourism Adaptation Project** developed in 2012, the Department in partnership with the Department of Forestry, Fisheries and the Environment and the GIZ has conducted Risk and Vulnerability Assessments of thirty-two tourism (32) attractions across the country. The Three-year Tourism Adaptation Implementation Plan (TAP) includes the following six priority areas of focus: Education & training, Ecosystems, biodiversity and conservation, Infrastructure, Working conditions and tourism comfort, the Tourism value chain; and Tourism and local community relationship.

The Department recently adopted a **Tourism Climate Change Communication Strategy (TCCCS)**. The TCCCS was designed to guide communication-related aspects of awareness, education and training for climate change mitigation and adaptation within the tourism sector to a diverse national audience in a clear, concise, and effective manner. In order to give effect to the TCCCS, the Department will seek to implement an awareness campaign on Climate Change in the Tourism Sector. The TCCCS provides the systematic guidance on how tourism can strategically and effectively communicate climate change issues and increase climate resilience.

We will also implement the Green Tourism Incentive Programme, which provides financial support to encourage and assist privately-owned tourism enterprises to adopt responsible tourism practices through installing solutions for the sustainable management and usage of electricity and water resources.

Addressing Tourism Safety

As we monitor consumer sentiment through Brand Strength Index and cognizant of the persistent, negative perceptions about safety, we will implement the National Tourism Safety Strategy with an intent to foster public private sector partnership to address issues of tourism safety in a more coordinated manner, in order to provide an enhanced visitor experience.

We will monitor the implementation of the Norms and Standards for Safe Operation in the Tourism Sector across the value chain to enable safe travel and rebuild consumer confidence.

Recent floods in KZN and other parts of the country

The tourism sector was not left unscathed by the recent devastating floods experienced in parts of the country. The initial estimates of the damage to tourism infrastructure in major attractions were around R100 million which are largely owned by the public sector.

The Department will be supporting the provinces in restoring damaged Tourism infrastructure, to the extent that the current budget allows. To this end, the Department will engage with National Treasury regarding possible options for support. What has been encouraging is the indication that most private businesses are indicating that in the main, they require government to speed up the rebuilding of enabling public infrastructure as their facilities are adequately insured. The Department will use its framework agreement with the Development Bank of Southern Africa (DBSA) to undertake more detailed technical assessments of the work that needs to be done, as well as costing.

In doing our own assessments during the stakeholder engagements which we hosted together with the KZN MEC for Economic Development, Tourism and Environmental Affairs, the sector emphatically indicated to us that even though the sector has been hard hit by the floods, tourism supply remains intact and the province is able to host major events, and did so very successfully as everyone who attended the Africa's Travel Indaba from 2-5 May 2022 will attest.

Board of South African Tourism

The term of office of the current Board of South African Tourism which commenced on 01 June 2018 is coming to an end on 31 May 2022. I am finalising nominations for the upcoming Board to take to Cabinet for approval. I would like to take this opportunity to express my profound gratitude to the outgoing Board members steered by the Interim Chairperson, Advocate Mojankunyane Gumbi for having led the sector in marketing South Africa domestically and internationally in pursuit of delivering the SA Tourism mandate.

Capital Investment in Travel and Tourism

The capital investment in travel and tourism is expected to have attracted R54.4 billion in 2020, totalling 7% of total investment in South Africa. This is a loss of 33.7% compared to the R82.1 billion contributed in 2019 (8.7% of total investment in South Africa).

There have been notable tourism investment and developments in the last three (3) years. New hotels that have opened include a new Intercontinental Hotel and Radisson Red in Rosebank, and a Hotel Sky in Sandton. Newly opened establishments in Cape Town include the Rockefeller, Home Suites, the Royal Boutique, Kloof Str Hotel, the Old Bank Hotel and Hotel Sky. Rooms at the Sky (Cape Town) start at just more than R1000, across from and within walking distance of the International Convention Centre.

Conclusion

We have faced steep developmental challenges over the past three decades of the democratic government. The crisis I have recounted have exacerbated these challenges. Today, 7,9 million South Africans are out of work, a further 3,8 million South Africans have given up looking for work. This means that in total, nearly 12 million South Africans are out of work – with the larger burden borne by women. What is more distressing is that 73,5% of people under the age of 35 are unemployed. In other words, seven in ten young people are out of work.

Tourism retains its rich potential to create jobs as SA's second-highest GDP earner. Pre-Covid, 1.5m direct and indirect jobs). the sector is a significant employer of women (70%) and youth (60%). By nature of its geographic distribution and low barriers to entry, tourism also generates economic activity, SME opportunities and employment for low- and semi-skilled workers in rural and remote areas with the greatest need.

Tourism has a deep and wide value chain, which offers many SME opportunities, from vehicle manufacturing for the car-rental industry to textile manufacturers producing the linen that accommodation providers and restaurants buy. For every direct job created in the tourism sector, one additional job is created on an indirect or induced basis, making its linkages stronger than in the agriculture and education sectors.

Three million young people have given up looking for work. They have lost hope! Our spending should thus speak strongly to this crisis in a way that gives hope, especially to young people, that their government and their leaders not only care, but are responsive. Our budget is directed at exactly this cause.

I thank you