**19 February 2015**

**A tourism perspective on the 2015 State Of the Nation Address**

1. **INTRODUCTION**

The 2015 State of the Nation Address (Address) focused mostly on a follow through mechanism to ensure that there is a radical transformation of our economy. This transformation seeks to ensure growth in our economy through a number of initiatives, such as the 30 per cent preferential procurement of appropriate categories of State procurement be given to the Small Medium and Micro Enterprises (SMMEs), Cooperatives and rural and township enterprises.[[1]](#footnote-1) SMMEs and the above mentioned segments of business are an integral part of any economy that seeks to foster inclusive growth, grow its Gross Domestic Product (GDP) and positively contribute towards the reduction of unemployment rate. It is also very important to highlight that the challenges affecting the growth of our economy have been identified and that this radical transformation is geared towards addressing these challenges as well, which in the main is Energy, Skills and Transportation and Logistics.[[2]](#footnote-2) However it is also important to note that amidst these challenges unemployment dropped from 25.4 per cent to 24.3 per cent in the last quarter as compared to the 3rd Quarter.[[3]](#footnote-3)

The Address also mentioned the Nine Point Plan (NPP), in the main, towards achieving this radical transformation and pegged the following areas.[[4]](#footnote-4)

1. Resolving the energy challenge.
2. Revitalising agriculture and the agro-processing value chain.
3. Advancing beneficiation or adding value to our mineral wealth.
4. More effective implementation of a higher impact Industrial Policy Action Plan.
5. Encouraging private sector investment.
6. Moderating workplace conflict.
7. Unlocking the potential of SMMEs, cooperatives, township and rural enterprises.
8. State reform and boosting the role of state owned companies, information and communications technology (ICT) infrastructure or broadband roll-out, water, sanitation and transport infrastructure, as well as
9. Operation Phakisa aimed growing the ocean economy and other sectors.

Tourism which, as of 2009, has been identified as one of the priority job creation drivers for the country is automatically a sector that requires radical economic transformation for it to be able to achieve the goals as stipulated in the National Development Plan (NDP) which is economic growth and job creation. Furthermore, the Industrial Action Plan 2 (IPAP2) also recognises tourism as one of those industries that can fast-track job creation. The mentioned frameworks recognise the tourism sector’s potential to create high value jobs, as well as jobs that are for the less skilled. In as much as the NPP will form the frontline approach towards achieving radical transformation, there were also other interventions that were specific to the tourism industry that will be discussed in the body of the analysis.

This paper will, therefore, focus on the issues raised in the Address that have both an indirect and direct impact to the tourism sector and will to a certain extent highlight the dynamics that exist within the sector and the extent to which the sector has contributed thus far towards achieving the mentioned areas of improvement.

**1.1 Economic Growth and Job Creation**

The direct tourism industry GDP contribution for 2013 was 3 per cent with a total GDP contribution of 9.5 per cent. Furthermore the industry directly supported 645 000 jobs in 2013 with both direct and indirect contribution totalling 1.4 million jobs, representing 10.1 per cent of total employment in the country.[[5]](#footnote-5) The National Tourism Sector Strategy (NTSS) as developed and adopted in consultation with the private sector in 2010 provides a blueprint for the tourism sector in pursuit of growth targets contained in the New Growth Path (NGP). The NTSS seeks to create 225 000 new jobs and contribute R499 billion rand towards the Gross Domestic Product (GDP) by 2020.[[6]](#footnote-6)

The Department through its programmes such as the Expanded Public Works Programme (EPWP) and its partnership with the Tourism Enterprise Programme has been able to create jobs, and develop to a certain extent a number of SMMEs, however as per information provided by TEP this partnership will soon reach its conclusion in 2016. This is worrying since the skills base of SMMEs in the industry is still under development. It will be beneficial for the industry if the Department could look into intensifying the skilling and the development of SMMEs post this partnership.

Energy is of paramount importance in the tourism sector, it is for this reason that the then National Department of Environment and Tourism developed a responsible tourism manual for South Africa in 2002.[[7]](#footnote-7) This manual has been implemented by a number of establishments within the tourism sector. This manual was also meant to assist Community Based Tourism Enterprises (CBTEs) with information on responsible tourism and the opportunities it presents for improving business performance.[[8]](#footnote-8) The umbrella organisation for the travel and tourism private sector, Tourism Business Council of South Africa, highlighted energy as one of the key issues facing the sector and the importance of facilitating responsible tourism, especially during this period of energy challenges. This was mentioned during its dialogue with Dr. Talib Rifai, (Secretary General of the United Nations World Tourism Organisation), Derek Hanekom (Minister National Department of Tourism) and Mr. David Scowsill (President and CEO of the World Travel and Tourism Council).[[9]](#footnote-9)

In the later part of 2014 the Tourism Industry expressed a serious concern with regards to the new immigration laws. The Industry highlighted the challenges that will be faced by tour operators and travellers when o South African tours and travellers travelling to South Africa respectively. The Industry further highlighted that many travellers were not comfortable with the new immigration laws and were choosing to cancel their trips to South Africa.(Tourism Business Council of South Africa, 2014) In a number of instances the Industry stated that China which has grown to be one of our core markets would be highly impacted by the new immigration laws as it only had two centres for Visa applications. These regulations were then set aside till June 2015, following the Address, the Tourism Business Council of South Africa (TBCSA) welcomed the utterances by the President which stated that the review of Visa regulations will be prioritised in order to strike a balance between national security and growth in tourism. This statement did not only move the tourism sector, it also prompted the international community in the form of the World Travel and Tourism Council to release a statement to that regard. The statement highlighted also the importance of governance structures in recognising impediments in the sector and acting decisively towards maximising the economic and social potential of the tourism sector.[[10]](#footnote-10)

This milestone has however reached a point of confusion post the clarification of the review process by the Minister of Home affairs. He pointed out during a briefing on the 17th of February 2015 that no concessions were planned except the existing ones of enforcing the regulations by the 1st of June 2015 and the process of looking into the expansion of process centres in countries like India and China.[[11]](#footnote-11) This is a major step for the industry as currently the international tourist arrivals contributes immensely to our GDP and also the fact that our domestic tourism is still struggling due to the fact that South Africans feel it is expensive to travel and there is little activation done to inculcate the culture of travel amongst south Africans.

The Address further touched on the importance of growing the Ocean Economy and other sectors. The ocean economy within the tourism sector has not been fully tapped into and previous attempts to tap into the Ocean Economy have been set aside. It is however, the right time for the Department to create a conducive environment for the growth of sea related tourism activities such as Cruise tourism, Whale Watching, Shark Cage diving etc. Cruise tourism is one of the rapidly growing holiday experiences within the South African coastline. Ocean and coastal cruise tourism is unique in the manner in which it provides a combination of transportation, accommodation, entertainment, retail and destination services. This niche product has been operational along our coastlines yet the country has not been able to rip the benefits from these cruises. It is thus important that policy makers fully engage towards ensuring that the economy benefits by tapping into that market.

In terms of transport, the tourism industry had consistently highlighted, during oversight visits, the need for a reliable and effective road infrastructure and as mentioned in the Address the road networks have vastly improved, however in rural areas and some tourism hotspots there is still a need to continue investing in the development of transport and road infrastructure. The President further highlighted that there are challenges with regards to transport and logistics, the tourism industry has raised a number of challenges with regards to that as well and these range from airlifting, tour operating licences, airport taxes and so forth.

**1.2 Infrastructure and Rural Development**

The EPWP Programme has been a major initiative by Government to build and maintain public infrastructure, while providing skills transfer, creating job opportunities for unemployed people, and generating useful outputs in areas that directly affect the tourism sector such as the environment, heritage, biodiversity and land care.[[12]](#footnote-12) Lastly, the success of this programme does not only create jobs but greatly assists in the transformation and development of the sector.

However, the EPWP has been faced with a number of challenges, including:[[13]](#footnote-13)

* Mismanagement of EPWP project funds;
* Lack of planning;
* Alleged theft of project materials;
* Awarding of multiple projects to one project implementer;
* Lack of leadership;
* Poor Human Resource Capacity in some municipalities;
* Lack of ownership and support by the municipality; and
* Lack of common purpose

A number of these projects have been concluded, others have been approved for the second phase of implementation, while others have been terminated, and lastly there are projects whose status is unknown.[[14]](#footnote-14) The main challenge observed in these projects (that to a certain extent can be seen as a catalyst to the many major issues that were further observed), is the poor communication between the three spheres of government. The model employed in dealing with EPWP projects, especially the process involving the appointment of implementers and operators of the different projects, is not clearly outlined.

Supporting product development in rural areas for tourist consumption will be a critical tool for tourism’s contribution towards rural development. In line with the abovementioned points, the role of the local sphere of government needs to be developed and clearly defined in order to positively contribute towards the National Tourism Sector Strategy. Thus, the Department needs to be in continuous dialogue with municipalities, especially in targeted areas; and contribute towards tourism product development in areas where there is a possibility of establishing feasible projects. Furthermore, the Address touched on the importance of rooting out corruption, it will be important for the Department and its entities to fully comply with legislations and policies, and where possible report and speedily resolve cases of corruption in all programmes of the Department.[[15]](#footnote-15)

**1.3 Transformation and SMME development**

Tourism is an untransformed industry, hence, the development of tourism products in rural areas becomes of paramount importance[[16]](#footnote-16). It is for this reason that the EPWP should be monitored very closely, and the same goes for the support of rural tourism enterprises and emerging tourism businesses. Another intervention would be the development of tourist guidebooks and manuals in order to assist tour guides with indigenous knowledge, thus enabling them to meet the requirements for the professional guides. In accordance with the reporting of the Department during the 2013/14 financial year to try and address the transformational challenges in the sector, the Department developed a Rural Tourism Strategy and spatial nodes that have the potential to stimulate growth and the rural tourism industry.[[17]](#footnote-17) Furthermore, the Department has developed and is at the implementation stages of the Domestic Tourism Growth Strategy and the Heritage and Culture Tourism Strategy. It is thus the role of the Department to continuously assess the impact of these strategies such that when a need for realignment arises, the Department is not caught back-footed.

The tourism Industry introduced minimum wages for the hospitality sector in July 2007 and has since been part of the yearly reviews, however, other scholars have argued that the current minimum wages are not well structured and that they should be structured for the different trades within the tourism industry.[[18]](#footnote-18) It is for this reason that the Industry and the Department needs to take the opportunity presented by the Department of Labour and make input during the public hearings on the Minimum Wages Bill.

The Tourism Support Programme (TSP) was introduced in the Department of Trade and Industry for the purpose of supporting the development of tourism enterprises that will stimulate job creation and increase the geographic spread of tourism investment. This Programme was established for the expansion or the establishment of tourism operations such as accommodation services, passenger transport services, tour operators, cultural services and recreational and entertainment services. This Programme was officially transferred to the National Department of Tourism (NDT) during the 2013/14 financial year. This programme is yet to be operational as the Department had invested time on developing a framework on how to utilise the funds effectively. It is very important to note that even during the existence of the TSP in the Department of Trade and Industry (DTI), there was no sufficient funding for new entrants into the sector and there was a public outcry on the lack of funding for innovative tourism business ideas. The proposed Tourism Incentive Programme (TIP) as presented (to whom) on the 4th of September seem to be on a different path when compared to the former programme, this under normal circumstances would not be a course for concern if there were a lot of funding schemes for the development of tourism enterprises. The Portfolio Committee on Tourism rejected the presentation and requested the Department to rework the framework for presentation to the committee in the future. The TIP needs to be well structured to assist the industry in meeting its 2020 objectives.

1. **ISSUES TO BE CONSIDERED BY THE FIFTH PARLIAMENT**
* Parliament needs to continuously agitate for intergovernmental relations with sister Departments and other spheres of Government.
* Parliament needs to find a way where possible to have joint meetings with committees such as Home Affairs, Transport, Environment, Small Business Development and any other committee which may have indirect consequences to the work of the Tourism Committee.
* Regulations for the new Act have not been drafted and Parliament should treat this as a priority in order to assist in the flow of programmes in the Department.
* Parliament must continue to closely monitor the EPWP projects, and also to advance questions in relation to the following: the time-frames of projects, which projects have been completed, what plans there are for future projects and whether these projects have been equipped for sustainability post-handover.
* Parliament also needs to raise questions related to the community tourism projects that have been implemented;
	+ Why certain projects have been abandoned and what are the measures that have been employed in recovering the investments in those projects?
	+ How many of these projects are being resuscitated? and
	+ What criteria is being used to avoid oversaturation of certain products in certain areas?
* Parliament must continue to engage the Department of Tourism on measures being employed to promote cultural tourism, and what the developments are, in attracting investors for infrastructure developments in the rural areas.
* Parliament needs to conduct extensive oversight over the implementation framework of the Tourism Incentive Programme
* Access to the tourism industry by historically disadvantaged individuals (HDIs) is still an important issue that needs to be addressed. Parliament thus needs to determine;
	+ What measures are being employed by the Department of Tourism to assist HDIs in accessing this sector,

* + What support programmes are employed to ensure the sustainability of such programmes.
* Transformation of the tourism industry is moving at a snail’s pace; hence Parliament should raise questions related to the funding of SMMEs in the tourism sector. The Department should be in a position to provide Parliament with details of future procedures on funding tourism SMMEs through the Tourism Incentives Program (TIP).
* Parliament and the Department need to have constant engagement with funding institutions to identify why there is a general preference by development funding institutions to fund urban infrastructure projects over rural projects and how to change the status quo.
* Parliament needs to understand and raise questions with the Department about the consolidation of the Further Education and Training (FET) College curriculum on tourism with considerable scaffolding of the offered curriculum.
* The major part of the Department’s work is meant to immensely contribute towards the creation of decent employment and inclusive economic growth, and the smooth functioning of an efficient and effective public service. This means that the Department must:
	+ Work on increasing tourism investment and foreign earnings,
	+ Focus more on the development of Small and Medium Enterprises (SMMEs),
	+ Contribute to the minimum wage bill hearings;
	+ Promote mentorship and support programmes; and
	+ Increase the scarce skill base as identified by the skills audit.

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