



Introduction

- The tourism industry is a growing economic sector globally, and South Africa in particular.
- The latest United Nations World Tourism Organisation's Tourism Barometer indicates that international tourist arrivals grew by 6 percent in 2018, totalling 1.4 billion, above the 3.7 percent growth registered in the global economy – a number predicted for 2020
- In 1993, South Africa only received 3.4 million international visitors and tourism contributed 4.6 percent to Gross Domestic Product of the country.
- 25 years later, international arrivals stand at 10.3 million international arrivals, with 9 percent contribution to GDP, and 1.6 million people employed across the tourism value chain.
- Tourism is a sunrise sector – the New Gold of South Africa's economy.
- The sector has a wide value chain that stimulates economic activity in other sectors such as services sector, creative and cultural industries
- The tourism sector has been affected by a number of factors, including policy uncertainty and blockages that diminished tourism growth, investment and job creation.
- To achieve higher, more inclusive tourism growth and job creation, the Committee should strengthen its oversight capability and be bold in advancing structural reforms to achieve transformation of the sector.

Conceptualisation

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Definition

- Tourism comprises the activities of persons travelling to and staying in places outside their usual environment for not more than one consecutive year for leisure, business and other purposes not related to the exercise of an activity remunerated from within the place visited." UNWTO 2012
- Tourism may be defined as the sum of the phenomena and relationships arising from the interaction of tourists, business suppliers, host governments, and host communities in the process of attracting and hosting these tourists and other visitors (McIntosh, Goeldner & Ritchie, 1999).

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Why is tourism important?

- A vital source of income for many countries.
- Tourism generates income through:
 - the consumption of goods and services by tourists,
 - the taxes levied on businesses in the tourism industry &
 - the opportunity for employment in the service industries associated with tourism.
- An important factor to promote mutual understanding among people and expand social, economic, cultural and scientific cooperation.

Tourism is export sector.

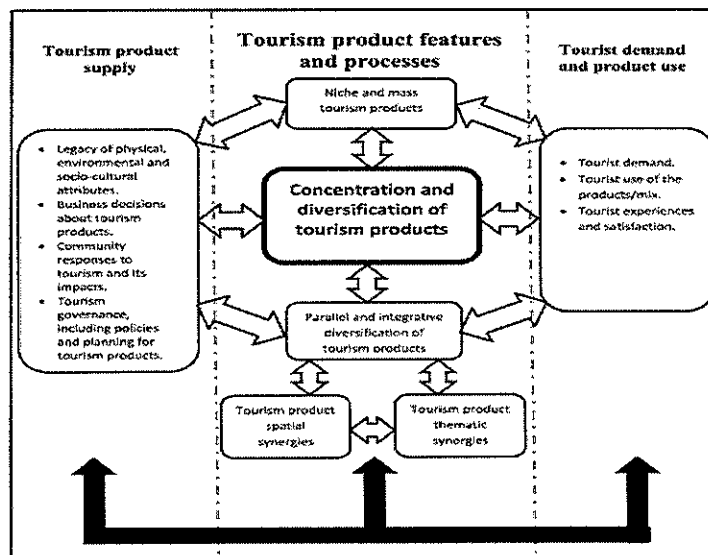
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Components of tourism

Attractions	Accessibility
<ul style="list-style-type: none"> • It is the most important element & object that attracts people to travel. • It includes cultural sites, archaeological sites, historical buildings & monuments or scenery like flora & fauna, beach, resorts, mountains, national parks. • It also includes events like trade fairs, exhibitions, sports events etc. • It is the preconditions of travel. It attracts the people & provides pleasure. • It attracts & attaches people to enjoy & be involved in tourism activities. • Two types of attractions – man made and natural: <ul style="list-style-type: none"> ◦ Natural Attraction: Attraction places made by nature. E.g. climate, natural beauty, landscape, mountains, water resources, flora & fauna, wildlife, beaches, safari, caves etc. ◦ Man-Made Attraction: Attraction developed by man. E.g. historical buildings, monuments, music, festivals, temples, churches, leisure parks, Disneyland, museums, discos, casinos etc. 	<ul style="list-style-type: none"> • It is an important key factor for the development of tourism. • An attraction may be wherever but without accessibility tourists can't reach that place. • It is the mode of transportation which helps the tourist to reach the destination. • Three types of transportation: <ul style="list-style-type: none"> ◦ Land: Transportation in land through roadways or railways. It is the cheapest means of transportation. ◦ Air: Transportation through airways to travel long distance. ◦ Water: Transportation through water. It made an important contribution to travel in the 19th century after the innovation of shipping technology.
Accommodation	Amenities
<ul style="list-style-type: none"> • It includes food & lodging facilities to the guest. • It should be comfortable and services & facilities should be provided. • Two types of accommodation: <ul style="list-style-type: none"> ◦ Serviced Accommodation: It refers to the services provided by the hotel, lodges etc. Different hotels are established to provide services of lodging & food to the guest. ◦ Self Catering or Supplementary Accommodation: It refers to the premises which offer accommodation but not the services of a hotel. It provides food & accommodation in return of cash per day. 	<ul style="list-style-type: none"> • Extra facilities & services required to the guest while traveling. • Facilities to complement the attraction. • Two types of amenities: <ul style="list-style-type: none"> ◦ Natural: Seashores, sea bath, fishing, rock climbing, trekking, sightseeing, river, sunrise etc. ◦ Man made: Dance, Music, Drama, Cinema, Swimming Pool, Fair & Festivals, and internet etc.

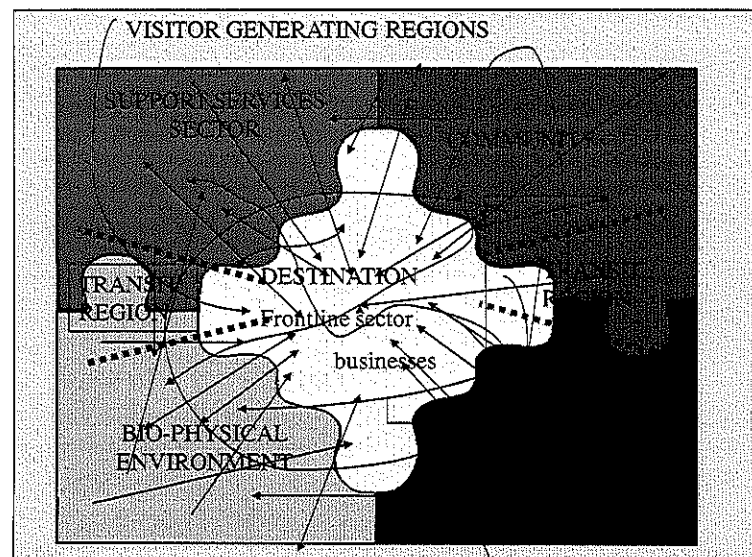
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Tourism supply and demand



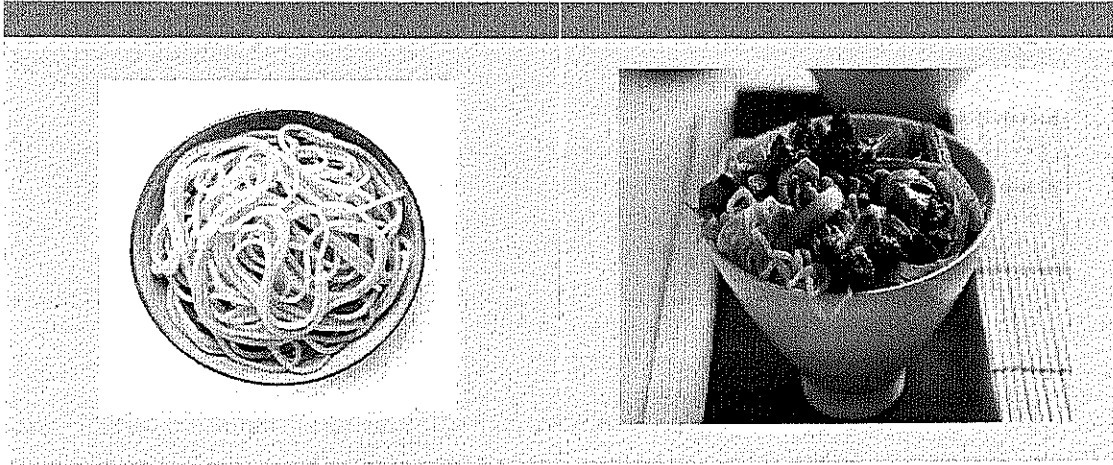
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Tourism as a system



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Destination competitiveness



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Tourism industry performance

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Tourism performance

INDICATOR	PERFORMANCE	
	2017	2018
Total contribution to GDP	R412.5bn - 8.9% of GDP	R425.5 bn – 8.6% of total GDP (-1.9% decrease)
Contribution to employment	Supported 1,530,500 jobs - 9.5% of total employment - (1 in every 22 working South Africans are employed in the tourism sector)	R1,499.7million – 9.2% of total employment
Tourism exports	Generated R126.7bn - 9.2% of total exports in 2017	R128.3bn – 8.7% of total exports

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Current year-to-date performance

- Statistics South Africa recently released the Tourism and Migrations figures between March 2018 and March 2019.
- Data indicates that South African tourist arrivals have shown no growth, with overseas tourists declining by 9,2 percent year-to-date from 260 515 to 236 647.
- A comparison of the top ten markets from March 2018 to March 2019 reveals that the number of tourists increased for six of the ten leading countries, namely, Brazil, China, The Netherlands, USA, India and Canada.
- There was a decrease for the other four, namely, Germany, Australia, UK and France.
- Members should note the discrepancy in numbers which need an urgent attention.

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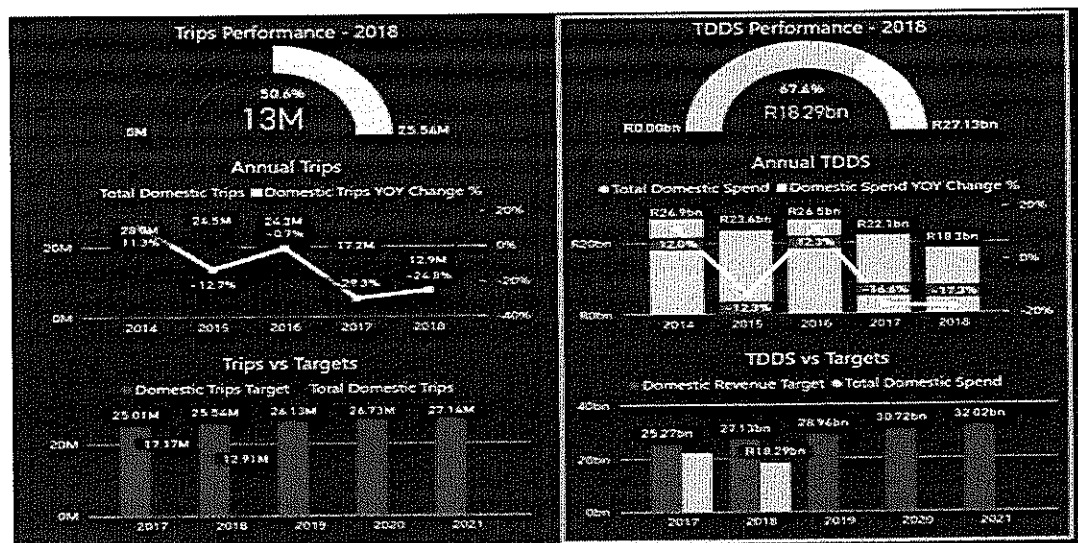
Top 10 South Africa's key source market year-to-date performance

Country/ Market	Year-to-date performance (March 2018 – March 2019)
UK	42 772 - down 4.9% percent
US	35 125 - up 0.9 percent
Germany	33 940 - down 14.1 percent
France	17 451 - down 9.6 percent
The Netherlands	10 364 - down 1.8 percent
Australia	8 099 - down 8.9 percent
China	7 679 - up 3.7 percent
Canada	7 148 - up 3.2 percent
India	7 043 - down 4 percent
Brazil	6 423 - up 0.5 percent

Source: Statistics South Africa Migration Report (March 2019)

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Domestic Performance - 2018



Source: 2018 SAT performance dashboard

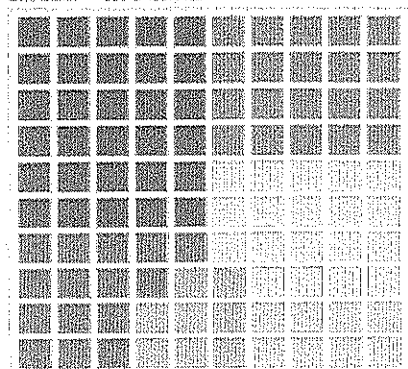
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Unpacking South Africa's tourism workforce

Where are tourism-related jobs concentrated?

Percentage breakdown of the 722 013 individuals working in the tourism sector by industry (2017)

One block = 7 036 employees



Road passenger transport	30%
Food and beverage serving	20%
Accommodation	19%
Retail trade of tourism products	15%
Travel agencies	4%
Air passenger transport	4%
Other tourism industries	8%

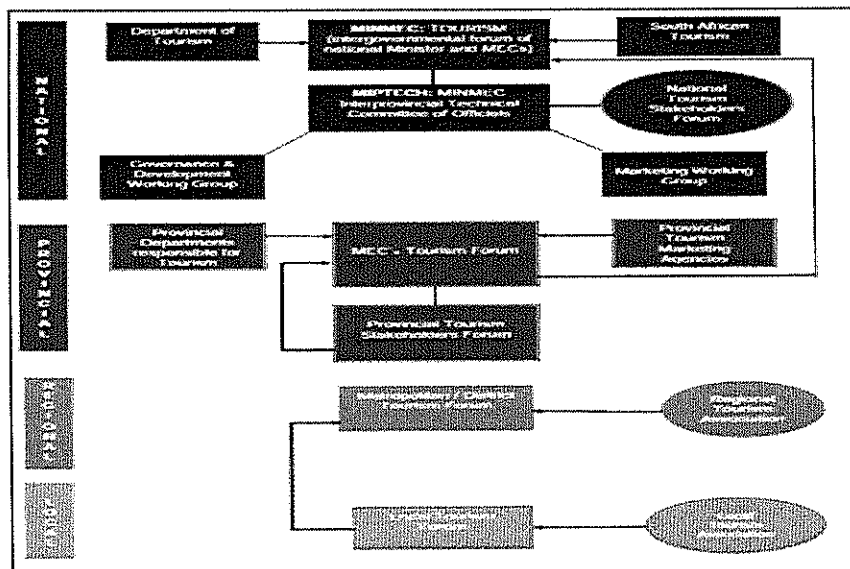
Individual figures may not add up to stated total due to rounding | Source: Tourism Satellite Account for South Africa, Sep 2015 and provisional 2012 and 2017 (Table 18c)

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Legislative and policy environment

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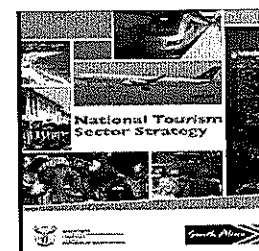
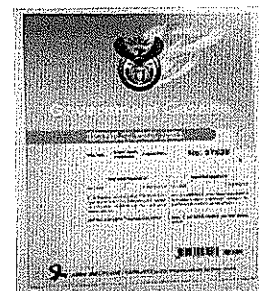
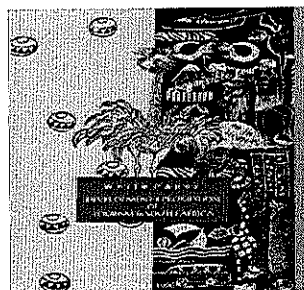
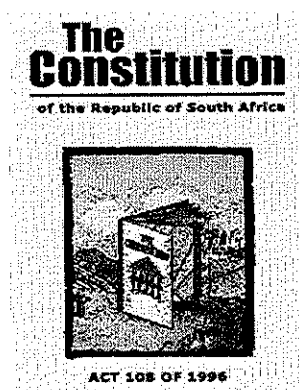
Structure of tourism governance in South Africa



Source: NDT - National Tourism sector Strategy 2017

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Major guiding legislative, policy and strategy documents



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The Constitution



- Part A of Schedule 4 of the Constitution of the Republic of South Africa (Act 108 of 1996) lists tourism as a functional area of concurrent national and provincial legislative competence.
- Part B of Schedule 4 of the Constitution lists local tourism as a local government competency.
- Tourism is therefore a concurrent function - all spheres of government are constitutionally bound to perform specific functions of tourism.

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The White Paper on the Development Promotion of Tourism in South Africa



- **The White Paper on the Development and Promotion of Tourism in South Africa (1996) provided the policy direction, framework and guidelines for tourism development in the country after the first democratic elections in 1994, and addresses the following issues:**
 - Tourism has been inadequately resourced and funded;
 - A myopic private sector;
 - Limited integration of local communities and previously neglected groups into tourism;
 - Inadequate tourism education, training and awareness;
 - Inadequate protection of the environment;
 - Poor service;

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White Paper Cont.

- Lack of infrastructure, particularly in rural areas;
- A ground transportation sector not geared to service tourists;
- Lack of inclusive, effective national, provincial and local structures for the development, management and promotion of the tourism sector; and
- Growing levels of crime and violence on visitors.

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Legislative mandate

- The Tourism Act, 2014 (Act No. 3 of 2014) enjoins the Minister of Tourism to perform specific tasks and is the core legislation governing tourism in South Africa.
- The Act seeks to:
 - promote practising of responsible tourism for the benefit of the Republic and for the enjoyment of all its residents and foreign visitors; provide for the effective domestic and international marketing of South Africa as a tourist destination;
 - promote quality tourism products and services;
 - promote growth and development of the tourism sector; and
 - enhance cooperation and coordination between all spheres of government in developing and managing tourism.
- The Act has been in existence for 5 years and the 5th Parliament had already identified challenges in some of the prescripts with regard to implementation and legislative gaps, e.g. sharing economy, quality assurance, and tour guides.
- These necessitate a legislative amendment to ensure that the objects of the Act are fully actualised.
- On the 15th April 2019 the Minister of Tourism gazetted the Tourism Amendment Bill for public comments for a period of 60 days ending 15 June 2019.

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The National Development Plan (NDP)



- The National Development Plan (NDP) is the blueprint of government and it recognises tourism as one of the main drivers of employment and economic growth which can contribute towards creating an additional 11 million jobs by 2030.
- The NDP envisions tourism to be a major source of revenue and employment for the country through the investment in infrastructure, product and service development.
- It envisions rising employment, productivity and incomes as a way to ensure a long-term solution to achieve a reduction in inequality, an improvement in living standards ensuring a dignified existence for all South Africans.
- Hence the establishment of a standalone National Department of Tourism (NDT) in 2009 (from the Erstwhile Department of Environmental Affairs and Tourism (DEAT) and continued existence of the NDT in the reconfigured fifth administration.

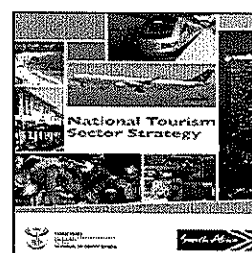
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The National Tourism Sector Strategy (NTSS) 2016 -2026

Overarching Goal and Five Strategic Pillars

Inclusive
and
Quality
Growth
of the
South
African
Tourism
Economy

- Effective Marketing
- Facilitating Ease of Access
- The Visitor Experience
- Destination Management
- Broad-Based Benefits



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NTSS 2016 -2026 targets

Indicators/Measure of Performance	2015 Baseline	2020 Target	2026 Targets (Est.)
Direct contribution to National GDP	R118 billion	R175 billion	R302 billion
Total contribution to National GDP	R375 billion	R548 billion	R941 billion
Number of direct jobs supported by the sector	702 824	802 526	1 million
Number of total jobs supported by the sector	1 551 200	1 766 970	2.2 million
Increase tourism export earnings	R115 billion	R182 billion	R359 billion
Increase in capital investment	R64 billion	R89 billion	R148 billion
Other indicators : Growth in international tourist arrivals, domestic trips and spend in all categories			
Source: WTTC: November 2016			

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NTSS 2016 – 2026 Targets Cont..

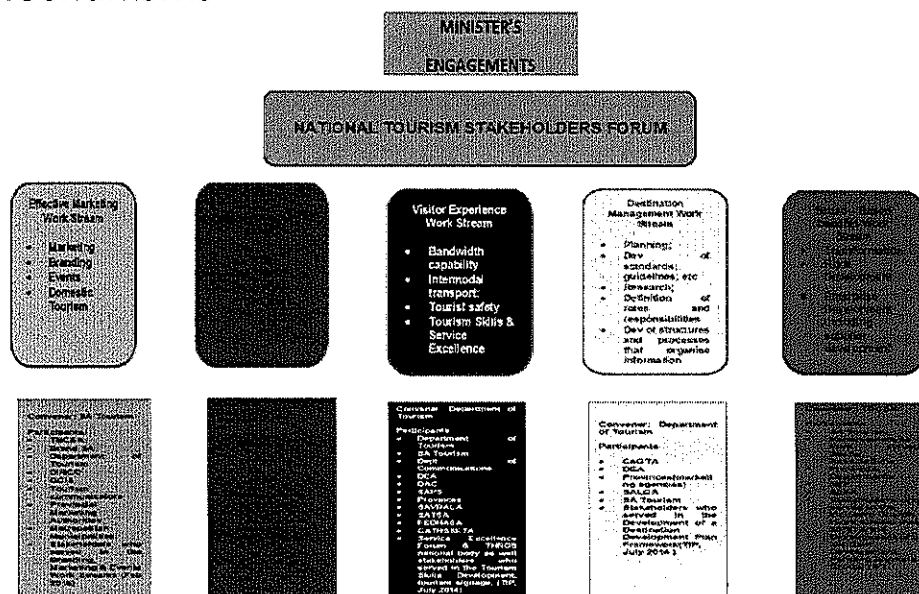
Indicator	Year											
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Direct Contribution to GDP	118 638	128 519	138 354	149 157	161 356	175 489	189 984	207 384	227 816	250 648	275 018	302 243
Total Contribution to GDP	375 302	403 161	433 439	467 154	503 81	548 499	592 45	644 409	702 723	778 988	857 876	941 222
Direct Employment	702 824	729 551	743 067	754 356	774 748	802 526	826 006	853 385	889 131	924 92	961 271	1 001 06
Total Employment	1 554 2	1 557 08	1 606 82	1 628 38	1 687 57	1 766 97	1 826 1	1 891 68	1 977 61	2 069 02	2 145 68	2 260 38
Tourism Exports	114 957	125 931	137 665	148 806	163 334	182 185	201 31	224 929	252 916	285 522	320 178	358 791
Capital Investment	63 661	69 047	72 940	78 308	83 578	89 456	95 308	101 812	111 204	121 591	135 159	148 681

Adapted from WTTC, November 2015



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NTSS implementation, monitoring and reporting mechanisms



Examples of other sector strategies

- The National Tourism Service Excellence Strategy (2010)
- Domestic Growth Strategy (2012 -2020)
- Rural Tourism Strategy (2012)
- National Heritage and Cultural Tourism strategy (2013)
- The Tourism Sector Human Resources Development Strategy (2017 - 2027)

Achievements during the 5th Parliament (May 2014 – March 2019)

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- **Funding for domestic tourism** - The Committee identified a challenge of the lack of travel amongst South Africans and a decline in domestic tourism trips.
 - The Committee requested the National Treasury to fund the development of domestic tourism.
 - In response, the National Treasury appropriated an additional ring-fenced budget for South African Tourism totalling R100 million and R105 million for 2015/16 and 2016/17 respectively. This allocation was meant for the improvement of domestic marketing programmes.
- **Restructuring of the National Department of Tourism** - The Committee recognised that the National Department of Tourism was structured in a manner that did not advance destination development and transformation.
 - There was also duplication between the programmes offered by the Department and its Entity, South African Tourism.
 - The Committee recommended that the Departmental Programmes be restructured, and duplication eliminated.
 - The Department conducted a restructuring process in the 2016/17 financial year and thus addressed all the concerns raised by the Committee.
 - The four new Programmes, namely, Programme 1: Administration (Corporate Management); Programme 2: Tourism Research, Policy and Internal Relations; Programme 3: Destination Development; and Programme 4: Tourism Sector Support Services have restructured the Department for relevance.

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- **Restructuring of South African Tourism** - The Committee recognised that SA Tourism did not effectively deliver on its mandate, particularly on international arrivals and domestic holiday trips.

- There was also a relationship breakdown between the Entity and the private sector.
- A displeasure on these issues was unequivocally communicated to the Entity, and a need for restructuring was highlighted.
- In response, SA Tourism embarked on an internal restructuring exercise named Project iGnite in the 2017/2018 financial year.
- This will help the Entity to optimise its financial resources and human capital to better deliver on their 5-in-5 strategy, which aims to add five million more tourists, comprising of 1 million domestic and 4 million international tourism trips to the current base within five years

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- **Revision of the National Tourism Sector Strategy** - The Committee identified some policy gaps, especially with regard to the sharing economy and current international developments in the National Tourism Sector Strategy (NTSS).

- The Committee recommended that the NTSS should be revised. The NTSS was revised and published by the Department in December 2017.

- **Establishment of the Tourism Transformation Fund** - Recognising that there is a slow pace of transformation in the tourism sector, the Committee recommended the establishment of the Tourism Development Fund in 2016.

- In the 2016/17 financial year the Department responded by establishing a Tourism Transformation Fund (TTF).
- The TTF is capitalised with R120 million divided into R40 million over the period of three years. The TTF is implemented in partnership with the National Empowerment Fund (NEF).

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- **Commercialisation of the Government Owned Tourism Facilities** - In a drive to expedite transformation, the Committee called for the commercialisation of the government owned tourism properties.
 - These are the properties owned by either provinces or municipalities.
 - The aim was to refurbish and hand over these properties to emerging tourism enterprises to operate and manage on behalf of government.
 - This was meant to increase ownership and participation of the previously disadvantaged communities in the mainstream tourism value chain. The Department responded in the 2017/18 financial year by conceptualising an intervention that addresses this proposal.
- **Review of the Immigration Regulations** - In the wake of the Immigration Regulations introduced by the Department of Home Affairs in 2014, the Committee was determined to ensure that the government either withdraws this policy or amends it significantly.
 - The Committee was of the view that the Regulations sought to establish a balance between economic/ tourism development imperatives, the combating of child trafficking and the recognised need to protect national security.
 - However, the requirements to carry unabridged certificates by parents travelling with minors had unintended negative consequences for South Africa's efforts to grow tourism.
 - The relentless calls by the Committee and other stakeholders culminated in the announcement of the Visa reforms during the course of the 2018/19 financial year.

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- **Improved implementation of the Working for Tourism Programme** - The Committee oversight work identified major challenges with the implementation of the infrastructure projects implemented through the Expanded Public Works Programme called Social Responsibility Implementation (SRI) projects.
 - Amongst others, the Committee identified implementation challenges relating to project conceptualisation, project management, value for money, poor workmanship, accountability, efficacy, effectiveness and operational challenges.
 - In response, the Department commissioned the Government Technical Advisory Centre (GTAC) to assist in the evaluation of SRI projects, both planned and active, to ensure their viability.
 - A new programme implementation, namely, Working for Tourism, has substituted the SRI model with a new operational model whereby operations are outsourced to experienced operators.

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- **Development of the Tourism Sector Human Resources Development Strategy** - The Committee identified that the skills training programmes within the tourism sector were fragmented and that there was a challenge with tourism graduates who did not match the skills requirements of the sector employers.

- The previous tourism skills development strategy had been developed in 2008 and did not achieve much.
- The skills development remained fragmented in the tourism sector; the Culture, Arts, Tourism, Hospitality and Sports Sector Education and Training Authority (CATHSSETA) became dysfunctional; and the sector has been fast moving, creating a huge skills gap.
- The Committee called for the development of a comprehensive tourism skills development strategy. In response, the Department commissioned the Human Sciences Research Council to conduct a skills audit, which culminated in the development of a National Tourism Human Resources Development Strategy in 2017.

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Key focus areas for 6th Parliament

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Department of Tourism: Budget & Expenditure Trends (2014/15 – 2019/20)

Year	Voted Allocation (R'million)	% change from previous year (nominal)	* Voted Allocation adjusted for inflation (R'million)	** % change from previous year (adjusted for inflation)	Adjusted Allocation (R'million)	Expenditure (R'million)	Expenditure as a percentage of Adjusted Allocation (%)
2014/15	1 662 100,0		1 662 100,00		1 583 260,0	1 557 594,0	98,4%
2015/16	1 800 233,0	8,3%	1 711 248,10	3,0%	1 794 178,0	1 777 394,0	99,1%
2016/17	2 009 516,0	11,6%	1 796 976,77	5,0%	2 009 516,0	1 919 646,0	95,5%
2017/18	2 140 156,0	6,5%	1 824 403,68	1,5%	2 140 156,0	2 133 976,0	99,7%
2018/19	2 261 817,0	5,7%	1 827 597,32	0,2%	2 261 817,0	2 234 900,0	98,8%
2019/20	2 404 300,0	6,3%	1 846 698,36	1,0%			
* Real change in Rand value							
** Real change in percentage terms							

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Department of Tourism: Performance Information (2014/15 – 2018/19)

Year	No. of targets set	No. of targets achieved	% Targets achieved	% Budget Spent	Audit opinion
2014/15	63	53	84%	98.4%	Unqualified opinion with compliance findings
2015/16	50	42	84%	99.1%	Clean audit
2016/17	64	55	85.8%	95.5%	Clean audit
2017/18	26	23	88.4%	99.7%	Unqualified opinion with findings
2018/19	27				

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- **Tourism Amendment Bill** - Several legislative and regulatory gaps in the tourism sector were identified in the 5th Parliament, and the Committee called for the amendment of the current Tourism Act (Act No. 4 of 2014). However, the Department was not able to introduce the Tourism Amendment Bill to Parliament. The Department published the Bill on the 15th April 2019 in Government Gazette No. 42404.
- **TOMSA Levy / Proposed tourism revenue collection** - The industry is under-collecting on the Tourism Marketing Levy (TOMSA). The Committee has interacted with SA Tourism and the industry to increase the TOMSA collection, but in vain.
 - The Committee has made recommendations that the National Treasury should advise Parliament on the feasibility of a Tourism Tax that could be introduced in South Africa, and whether such a tax would have a substantial impact on the increase of budget appropriated to the Tourism Vote.

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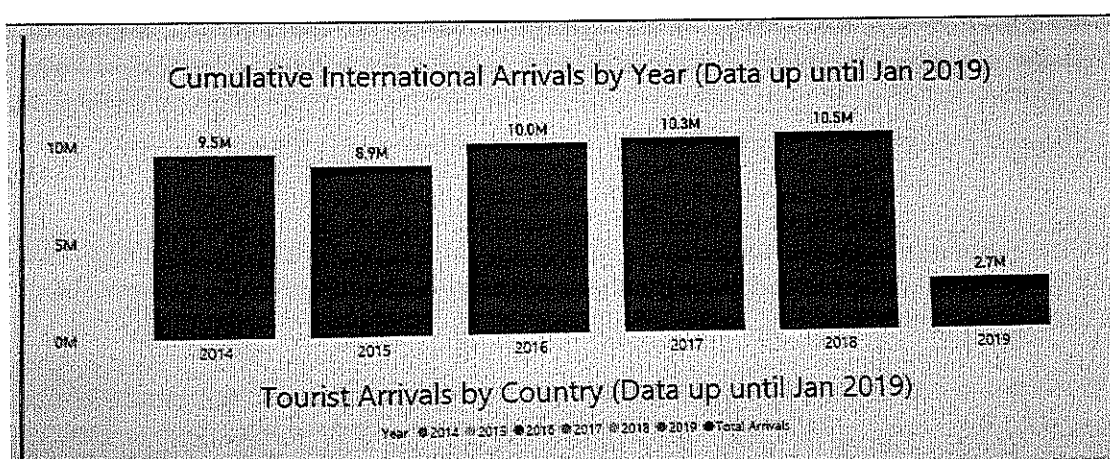
- **Funding for tourism** - The Tourism Vote remains underfunded by the National Treasury. This is despite the sector being identified as one of the economic pillars of the country. The Committee called for the increased budget of the Tourism Vote, but in vain. The Committee has called for the Department and South African Tourism to conduct a proper Econometric Study that will determine the real budget requirements for tourism in South Africa. This work should be undertaken to establish the exact financial resources to support the sector. This will yield accurately computed financial information that could be used to lobby for more budget from the National Treasury.
- **Transformation** - The pace of transformation in the tourism sector is dreadfully slow and more work still needs to be done to entrench transformation in the sector. The Tourism B-BBEE Charter Council commissioned the State of Transformation Report in 2017. The findings of the study shows that the sector falls short in all the elements of the scorecard.

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- **Immigration Regulations and Visa regime** – the Department of Home Affairs has issued Visa reforms to facilitate ease of travel into and out of South Africa. Electronic visas were also planned for piloting in New Zealand by April 2019. The Committee should follow up on this.
- **Airlift** - At a national level, it is expensive to fly within South Africa as some airports are only served by one airliner and scheduled flights are erratic.
 - The 6th Parliament Committee should consider working closely with the Department of Transport, the Airports Company South Africa (ACSA), provinces, and other stakeholders to unlock the airlift for South Africa. At a regional/ Africa level, The Yamoussoukro Declaration has not been ratified by all African states which continues to make travelling within Africa expensive.
 - Best practices exist where some cities, such as Cape Town and Durban, have developed airlift strategies that could be used as benchmark on how to integrate public and private sector partnerships in unlocking airlift.

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Impact of policy uncertainty on tourism arrivals



Source: SA Tourism dashboard

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- **Effects of the Fourth Industrial Revolution on Tourism** – the country has been undertaken by technological developments. These threaten destination tourism jobs, tourist guides, travel agents, marketers, etc. The effects are already experienced through the:
 - traditional blue chip leisure companies experiencing severe competition that cannot be regularised and properly regulated, which includes home stays and apartments;
 - sharp growth in web-based bookings, which has given rise to new tech savvy talent that replaced traditional tourism jobs;
 - self-booking online platforms and social media such Facebook, Pinterest, Trip Advisor, YouTube and Twitter provide real time marketing, etc.
- **Tourism infrastructure and safety** – The country still struggles with issues such as road infrastructure, signage, maintenance of heritage sites, grime and crime in tourism destinations, and safety for tourists. These affect the brand image and more work needs to be done in these areas.

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- **Complexities of tourism as a concurrent function** - Tourism is listed in Part A of Schedule 4 of the Constitution of the Republic of South Africa (Act 108 of 1996) as a functional area of concurrent national and provincial legislative competence, whilst Part B of Schedule 4 lists local tourism as a local government competency. The various spheres of government fail to coordinate their tourism activities.
- **Geographic spread** - tourism remains concentrated in the major cities and towns. More work still needs to be done to promote geographic spread.

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- **Affordability** - South Africans continue to struggle with affordability in travelling within their own country. The tough economic times cause citizens to forego tourism in trying to fulfil their basic needs. Affordability of tourism should be studied to understand its dynamics and how citizens could be assisted to afford domestic tourism.
- **Conversion of Visiting Friends and relatives (VFR) and business tourists** - The domestic market in South Africa is dominated by the Visiting Friends and Relatives (VFR) segment. This potential market is not converted into leisure tourists. More work must be done to study and understand VFR and drive their conversion into leisure tourists.
- **Rural and township** - little progress has been made to bring rural and township communities into the tourism mainstream economy.

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- **Marine and Coastal Tourism** - the Department developed the Marine and Coastal Tourism Implementation Plan as part of South Africa's Operation Phakisa: Oceans Economy. The implementation of this plan should be closely monitored.
- **Working for Tourism projects** - The Government Technical Advisory Centre (GTAC) has been requested to review the Expanded Public Works Programme (EPWP) projects implemented as the Working for Tourism (WFT) to ensure proper implementation of these projects in an effective and efficient manner.
- **Tourism institutional arrangements** - Some provinces and municipalities do not have proper institutional arrangements which serve as tourism coordination structures at a provincial and local level.

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- **Performance Audits** – it was observed that there is no value for money in some of the Working for Tourism projects. The Auditor-General has been engaged on the matter, but advised the Committee to formally request that a performance audit be done.
- **Reports developed by the Department** - The Department produces a number of reports on a quarterly basis as part of the Annual Performance Plan Implementation. The Committee should insist that these reports be attached as annexures in all quarterly reporting hearings.
- **Tourism and climate change** - Climate has an influence on how destinations will maintain their environmental credibility and sustainability in future. The government should be encouraged to develop a Tourism Climate Change Strategy for South Africa to plan and deal with the future consequences of climate change in the sector.

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- **Annual status report** – there was a general poor follow up on recommendations made to the Department and the Entity on annual basis. The Committee is urged to follow up on matters raised through holding an annual performance assessment session that will culminate in an Annual Status Report.
- **Follow up on oversight visits** – the Committee is encouraged to conduct follow up visits to provinces and projects to ascertain whether recommendations were implemented.
- **Tourism as an intersectoral industry** - the 6th Parliament should deal with tourism as an intersectoral industry that requires participation of all relevant stakeholders, including the private and public sector institutions. Collaboration should be enforced at Cabinet level, amongst parliamentary committees through joint oversight work, and through the three spheres of government.

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Responses by the Minister of Finance to the 2018 Budget Review and Recommendations Report

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Development of a tourism funding model for local government

Recommendation	Response
<ul style="list-style-type: none"> The Committee recommends that the Minister of Finance, through the National Treasury develops a tourism funding model for local government through determining a percentage of the budget that could be ring-fenced for tourism in the Division of Revenue allocations, in order to advance destination enhancement, market access, product development, and linkages to the Local Economic Development budget. 	<ul style="list-style-type: none"> Government recognises the importance of tourism and the role municipalities play in facilitating its growth. Within the local government fiscal framework, most economic functions are funded from local government's own revenues. These revenues are raised primarily from the sale of services and property rates and account for 70 per cent of all municipal revenues. These are an appropriate source of funding for economic functions, as increased economic activity – including increased tourism traffic – will result in higher property values and sales of services, thereby helping to fund the cost of these functions. The opportunities for tourism promotion and the type of investment needed are likely to vary widely across South Africa's 257 municipalities, making it difficult to prescribe a one-size-fits-all approach to how much municipalities should spend in this area. Many activities that are essential to enhancing tourism also overlap with other functions, such as improving public transport, upgrading parks and ensuring the reliability of basic services. These are core municipal activities that can also improve the tourism potential of an area. Municipal councils are appropriately placed to decide on suitable tourism promotion projects in their areas.

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Capitalising the Tourism Transformation Fund

Recommendation	Response
<ul style="list-style-type: none"> The Minister of Finance through the National Treasury should capitalise the Tourism Transformation Fund with the budget commensurate to the transformation imperatives of the tourism sector which still resembles the apartheid patterns of ownership, management and control. 	<ul style="list-style-type: none"> The National Treasury acknowledges the importance of tourism and the need for the development and transformation of the sector. However, due to the constrained fiscal outlook, the scope to provide additional funding is limited. Departments, public entities and constitutional institutions are required to reprioritise funds within their existing baselines to fund any emerging priorities. Should the fiscal outlook improve, future recommendations for additional funding may be considered.

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Feasibility of introducing a Tourism Tax

Recommendation	Response
<ul style="list-style-type: none"> The Minister of Finance should advise Parliament on the feasibility of introducing a Tourism Tax that could be introduced in South Africa, and whether such a tax would have a substantial impact on the increase of budget appropriated to the Tourism Vote. 	<ul style="list-style-type: none"> The South African tourism levy charges the consumer a 1 per cent levy for the use of specific tourism services. The funds collected are primarily used by South African Tourism to promote the country as a preferred travel and tourism destination. Any consideration to introduce other taxes will need thorough evidence-based research.

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Key challenges and proposed solutions

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Legislative and policy environment

Challenge

- There have been many changes in the technological and international trends in tourism.
- The country is lagging behind on some developments, such as the sharing economy, and has not kept abreast of these trends.

Solution

- The proposed Tourism Amendment Bill is meant to address some of these challenges.
- The 6th Parliament should prioritise processing the Bill.
- Strengthen the legislative and regulatory frameworks for the tourism sector.
- Ensure that the Tourism Amendment Bill covers all the challenges in the sector.

54

Regression in the Auditor-General's findings

Challenge

- Throughout the tenure of the 5th Parliament, the tourism portfolio performed well with both the National Department of Tourism and SA Tourism receiving unqualified audits and clean audits. However, in the last auditing period of 2017/18, the portfolio regressed with both organisations receiving unqualified audit opinions with findings.

Solution

- The performance of both the Department and SA Tourism should be closely monitored to ensure they return to clean audit findings.
- The Committee should engage the Auditor-General to conduct performance audits for the selected Working for Tourism infrastructure and skills training programmes.

55

Funding for Tourism

Challenge

- The National Treasury did not promise any additional funding based on the 2018 Budget Review and recommendations Report.
- The sector has to maximise the appropriated budget and maximise collaborations.

Solution

- The 6th Parliament should engage the Tourism Business Council of South Africa on possible collaborations between the private sector and the public sector, including possibilities of a compulsory TOMSA Levy.
- Engage other Portfolio Committees, government departments, and other spheres of government to argue the case for tourism and lobby for support on the matters pertaining to tourism growth.

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Destination accessibility

Challenge	Solution
<ul style="list-style-type: none"> • The Department of Home Affairs introduced Immigration Regulations in 2014. • Amongst others, the Regulations required that all people travelling with minors carry unabridged birth certificates and proof of consent from the other parent. • Cost of flying in South Africa remains expensive. • Some smaller towns are inaccessible or are serviced by one expensive and erratic airline. 	<ul style="list-style-type: none"> • The Committee should make follow ups on: <ul style="list-style-type: none"> • The implementation of New visa related reforms effected by the government. • e-Visa piloting in New Zealand in 2019. • Engage The Board of Airline Representatives of South Africa (BARSA) to ascertain the possibility of providing flights to most of the sub-destinations in South Africa.

57

Decline in international arrivals and domestic trips

Challenge	Solution
<ul style="list-style-type: none"> • There has been a decline in the international arrivals and the country is growing below the international and continental rates. • There is also a decline in the domestic trips. • This is happening despite the 5-in-5 strategy that is meant to bring additional 5 million visitors comprising 4 million international arrivals and 1 million domestic trips. • The decline has negative consequences of slow tourism growth, which also reduces the contribution of the sector to the Gross Domestic Product, and thus the low employment rate. 	<ul style="list-style-type: none"> • The 6th parliament should closely monitor the marketing activities by the Entity. • Follow up on the 2018 Budget Review and Recommendations Report, particularly the financial related recommendations made to the Ministers of Finance and Tourism, to address the underfunding of the sector.

58

Quality Assurance

Challenge

- Quality assurance in the destination is declining.
- The voluntary grading system has not worked.
- Illegal usage of grading plaques is rampant.

Solution

- When considering the Tourism Amendment Bill, the Committee should advance a policy shift from a voluntary to, free but compulsory grading system, to ensure quality assurance in the destination

59

Value for money

Challenge

- There is no value for money in some of the projects implemented by the Department.
- SA Tourism does not yield expected results in their marketing endeavours.

Solution

- The Committee should engage the Auditor-General to conduct performance audits on the selected Working for Tourism infrastructure and skills training programmes.
- Engage SA Tourism to develop focussed programmes that promote South Africa abroad as a value for money tourist destination of excellence, and profile domestic destinations to improve geographic spread.

60

Culture of travel amongst South Africans

Challenge

- South Africans are not travelling within their own country.
- Travelling is expensive for the locals.
- Designated groups are somehow not fully participating in tourism.

Solution

- The 6th Parliament should engage the Department to strengthen the social tourism for senior citizens, underprivileged young people, disadvantaged families and persons with disabilities to inculcate redress of the imbalances of the past and enable as many people as possible to travel within South Africa, while addressing transformation and seasonality.

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Delays in the implementation of projects

Challenge

- The Department is struggling with implementing projects in its APP on time. The delays are due to several reasons, including poor forward planning, inclusion of projects without finalising the agreements with third parties, etc.

Solution

- The 6th Parliament should monitor the implementation of the APP accordingly.

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Joint Marketing Agreements

Challenge	Solution
<ul style="list-style-type: none"> The Auditor-General has raised concerns about how SA Tourism identifies and concludes Joint Marketing Agreements (JMAs) with third parties, and monitors implementation thereof. The Committee has raised the same matter with the Entity. 	<ul style="list-style-type: none"> SA Tourism has put a moratorium on signing new JMAs and this matter should be closely monitored by the 6th Parliament.

63

Domestic marketing campaigns

Challenge	Solution
<ul style="list-style-type: none"> SA Tourism is commissioning a number of Shot' Left domestic marketing campaigns which have not yielded maximum conversion. 	<ul style="list-style-type: none"> The 6th Parliament should ensure that the domestic marketing campaigns are improved.

64

Senior staff resignations at SA Tourism

Challenge

- SA Tourism experienced resignations of two Chief Marketing Officers during the tenure of the 5th Parliament. The Chief Executive Officer was also put on suspension immediately after the dissolution of the 5th parliament.

Solution

- Engage the Board of SA Tourism on the resignations of senior staff members and ensure that the critical positions that drive the strategy and mandate of the Entity are always filled.

65

Negative perceptions about the country

Challenge

- Some governments have issued travel advisories for South Africa, warning travellers to exercise caution due to what they described as high levels of crime.

Solution

- In response, safety monitors are being rolled out in certain high-traffic tourist zones in South Africa, such as walking and hiking trails and inner-city precincts.
- Ensure that PR work is intensified to mitigate impacts of incidents against tourists and negative reporting thereof.

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China and India strategies

Challenge

- The Chinese market is growing throughout the world and will become a driving force for outbound tourism soon.
- The number of potential Chinese outbound tourists could reach 200 million by 2020.
- There were over 23 million outbound tourist departures from India in 2017 and the UNWTO expects this to more than double to 50 million in 2020.
- SA Tourism has an ad hoc approach in dealing with these markets whilst other countries have developed targeted strategies.

Solution

- Ensure that comprehensive China and India Tourism Strategies are developed by the Entity.

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Supply side constraints

Challenge

- Insufficient accommodation options are being reported in high-demand areas such as Cape Town and the Kruger National Park.
- This lack of supply, coupled with significant accommodation price hikes of up to 40 percent, is proving to be a deterrent to travel.

Solution

- Conduct oversight on the sector-wide demand and supply issues, including destination competitiveness interventions.
- South African Tourism is engaging with the industry in this regard, and the TGCSA is increasing its efforts to increase the number of affordable one- and two-star establishments, particularly for the domestic traveller.
- Engage stakeholders and the Department to strengthen the social tourism programme for senior citizens, underprivileged young people, disadvantaged families and persons with disabilities to inculcate redress of the imbalances of the past and enable as many people as possible to travel within South Africa, while addressing transformation and seasonality.

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Effects of wildlife interactions

Challenge

- The Safari niche market has been marred by the growing phenomena of wild animal interactions and canned hunting that have damaged the country's brand as a champion of wildlife conservation.

Solution

- Engage the PC on Environment, Forestry and Fisheries on the policy shift regarding captive breeding and PC on Agriculture, Land Reform and Rural Development on animal interactions.
- Engage relevant stakeholders, such as the Southern Africa Tourism Services Association (SATSA) to facilitate the development of a proactive campaign to address the effects of animal interactions on the tourism industry.

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Language barrier for tourist guides

Challenge

- The lack of quality foreign-language tour guides in South Africa is a deterrent to travellers, making the professionalisation of the practice a priority.

Solution

- Ensure that the Department intensifies the language training programmes for relevant markets to maximise arrivals.

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Niche tourism

Challenge

- The country is not leveraging opportunities for tourism niches abound in various sub-destinations.
- For example, film permits are proving cumbersome to obtain, despite the high return on investment and employment opportunities that film productions provide, but talks are underway with the National Film and Video Foundation to remedy this challenge.
- Opportunities exist in heritage and culture, creative and cultural industries, festivals and events, wildlife and safari experiences, adventure tourism, township tourism, medical tourism, etc.

Solution

- Ensure that the Department identifies and packages niche tourism opportunities for investment and advancing transformation.
- Ensure that the Department engages relevant stakeholders to unlock film tourism in South Africa.

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The 4th Industrial Revolution

Challenge

- The 4th Industrial Revolution induced by technological development is set to upset the traditional jobs in the tourism industry. The loss of jobs is germane in the new technological advancements in the booking systems, including impacts on the work of tourist guides and travel agents.

Solution

- The 6th Parliament should conduct oversight on the impacts of the 4th Industrial Revolution on the tourism sector and engage the Department and other stakeholders on appropriate interventions.
- Ensure that the government works with the private sector to devise ways to deal with potential job losses in the tourism sector. The government should also engage the institutions of higher learning to provide skills that keep up with market and industry trends.

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Transformation

Challenge

- The tourism sector remains untransformed.

Solution

- The Committee must continue working with the Department, the Tourism B-BBEE Charter Council, and other stakeholders to promote transformation.
- The Committee must conduct oversight on market segmentation and investment portfolio of South African Tourism with an aim of developing new markets for the country and introducing new players in the sector.

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Committee Operational Challenges

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Approval of oversight work by the House Chairperson

Challenge	Solution
<ul style="list-style-type: none"> • The Committee could not optimally conduct its oversight work due to the House Chairperson not approving applications. • Affected work include: <ul style="list-style-type: none"> • Attending Africa's Tourism Indaba. • Attending Meetings Africa • Attending Lilizela Awards • Attending Tourism Month Activities 	<ul style="list-style-type: none"> • The Chairperson should engage the House Chairperson on the importance of conducting oversight on the events funded through the Tourism Vote. • In instances where Members of the Committee cannot attend, support staff should be sent to gather information on behalf of the Committee.

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Approval of International Trips

Challenge	Solution
<ul style="list-style-type: none"> • South African Tourism is operating offices abroad but the Committee was not allowed to conduct oversight on those offices. • The tourism industry is growing at an alarming rate and the Committee was not allowed to conduct benchmarking international study tours to improve its oversight work over the Department and SA Tourism. 	<ul style="list-style-type: none"> • The Chairperson should engage the House Chairperson early in the 6th Parliament Term for approval of study tour/s to enable the Committee to conduct its oversight work on SA Tourism Offices abroad and for benchmarking exercise.

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Effective oversight work

Challenge

- Weaknesses in the oversight work of the Committee.

Solution

- Develop a tracking mechanism to follow up on the decisions of the Committee.
- Preparation for meetings by Members, including reading research and content briefs.
- Asking pointed questions in holding the Executive to account.
- Dedication of support staff and Members in the oversight work.

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Thank you

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