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BRIEF: CURRENT ISSUES IN THE TOURISM SECTOR

1. PURPOSE OF THE MEETING

Tourism represents a major source of export revenues for many countries and an important part of their Gross Domestic Product (GDP). The sector supports millions of direct and indirect jobs all over the world, particularly for women and young people. In 2020-21, the COVID-19 pandemic caused unprecedented disruption to tourism, resulting in a massive drop in international travel following a global lockdown and plunge in demand amid widespread travel restrictions put in place to contain the spread of the coronavirus. Tourism was the most affected sector by the pandemic, with businesses, employment and livelihoods around the world severely impacted by the crisis.¹

This brief provides an overview of current trends in the tourism sector. It is in preparation for the meeting to be held by the Portfolio Committee on Tourism (hereafter 'Committee') with the Tourism Business Council South Africa (TBCSA). TBCSA will be briefing the Committee about the current state of affairs in the country's tourism sector. TBCSA is the umbrella organisation representing the unified voice of business in the hospitality, travel, and tourism sector.

2. TBCSA²

The TBCSA was established in February 1996 by leading tourism businesses and associations to form a unified platform to engage with the South African government around the development of the sector. It is a not-for-profit, member-centric organisation mandated with the task of:

- Lobbying the public sector on behalf of its members;
- Facilitating key industry programmes aimed at driving growth and development in the sector; and
- Monitoring and influencing macro-economic developments which impact on the sector.

The work of the organisation and its strategy is guided by the following priority areas:

- Providing organised business in the sector with a route to Government;
- Focusing on legislative issues and policies impacting on the travel and tourism sector;
- Managing and growing TOMSA;
- Member engagement and Communication;
- Influencing the marketing of destination South Africa; and
- Research – commissioning, collating and communicating.

The organisation serves to unite and influence the diverse travel and tourism sector to contribute to a competitive, responsible, and inclusive tourism economy.

¹ UNWTO (2021).

² TBCSA (2022).



3. UNITED NATIONS WORLD TOURISM ORGANISATION (UNWTO)

The outbreak of the COVID-19 pandemic resulted in various travel bans, country lockdowns, job losses, business closures and the complete closure of the events sector. International tourist arrivals (overnight visitors) plunged by 73% in 2020 due to a global lockdown, widespread travel restrictions and a massive drop in demand. About 1 billion fewer international arrivals were recorded that year, compared to 2019.³

By regions, Asia and the Pacific saw the largest drop with an 84% decrease in arrivals, about 300 million less than in 2019. Arrivals in both Europe and the Americas declined by 68%, representing about 510 and 150 million fewer international tourists respectively. In the Middle East and Africa, arrivals fell by 73% and 74% respectively. The collapse in international travel resulted in a loss of USD 1.1 trillion in export revenues from tourism, a 63% decline in real terms compared to the pre-crisis year 2019. The drop represents 42% of the total decline in international trade recorded in 2020. This is more than 11 times the loss recorded during the 2009 global economic and financial crisis (in US dollars).⁴

Preliminary estimates by the UNWTO indicate that global tourism experienced a 4% upturn in tourists travelling in 2021, compared with the year 2020 (415 million vs 400 million tourists). This was mainly due to an uptick in domestic travel. International tourist arrivals (overnight visitors) were, however, still 72% below the pre-pandemic year of 2019. The UNWTO World Tourism Barometer indicates that rising rates of vaccination, combined with easing of travel restrictions due to increased cross-border coordination and protocols, have all helped release pent-up demand.⁵

International tourism rebounded moderately during the second half of 2021, with international arrivals down 62% in both the third and fourth quarters compared to pre-pandemic levels. In December 2021, international arrivals were 65% below 2019 levels. The pace of recovery remains slow and uneven across world regions due to varying degrees of mobility restrictions, vaccination rates and traveller confidence. Europe and the Americas recorded the strongest results in 2021 compared with 2020 – up 19% and 17% respectively but still both 63% below pre-pandemic levels. Africa saw a 12% increase in arrivals in 2021 compared with 2020, though this is still 74% below 2019.⁶

The economic contribution of tourism globally in 2021, measured in tourism direct gross domestic product, is estimated at US\$1.9 trillion, above the US\$1.6 trillion recorded in 2020, but still well below the pre-pandemic US\$3.5 trillion. According to the UNWTO, the full impact of the Omicron variant and surge in COVID-19 cases is yet to be seen. A rapid and more widespread vaccination roll-out, followed by a major lifting of travel restrictions, and more coordination and clearer information on travel protocols, are key for the effective recovery of international tourism.⁷

³ UNWTO (2021).

⁴ Ibid.

⁵ UNWTO Barometer, January (2022).

⁶ Ibid.

⁷ Ibid.



4. WORLD TRAVEL AND TOURISM COUNCIL (WTTC)⁸

“One of the biggest threats to recovery is the psychology of the traveller; do they feel comfortable travelling or not?”
(Gunther Bright, GM: American Express)

The impact of COVID-19 has led to global financial losses of almost US\$4.5 trillion and a loss of more than 62 million jobs. Domestic visitor spending decreased by 45%, while international visitor spending fell by an unprecedented 69.4%. The road to recovery will be a long and winding one, given the likelihood that COVID-19 will become endemic. Experts, including the World Health Organization (WHO), predict that the pandemic will not end with the virus disappearing, but rather that the virus will persist, albeit with decreased potency over time. In this context, the travel and tourism sector may need to contend with shifts in international travel restrictions which could last for several years.

The sector’s recovery will be heavily influenced by vaccine rollouts and virus management strategies. To date, these have varied globally. There remains a highly uneven rollout of vaccines, and this large variation will influence how quickly travel rebounds. The share of people fully vaccinated against COVID-19 ranges from less than 1% in Tanzania to 78% in the United Arab Emirates (UAE). Countries such as China, Canada, and the United Kingdom (UK) have passed the 60% mark, and the United States (US) is around 50%, but others such as India are lagging well behind this at 12% (as of September 2021). As vaccination rates increase, countries will likely continue to open borders and allow quarantine-free travel to vaccinated travellers—but as new variants emerge, travel policies may change with travel restrictions potentially being reintroduced despite industry efforts to restore international mobility. There may be high variability in the degree to which governments adopt different strategies, including travel restrictions, to contain COVID-19. Vaccine rollouts may affect outbound and inbound travel as vaccination rates will likely determine country-level decisions, but the individual choice will also be a factor as travellers may not want to visit countries with low vaccination rates. Travel recovery could also be influenced by the share of adults who choose not to get vaccinated. However, vaccine hesitancy is declining.

Business travel has been slower to recover than the leisure travel segment. Corporate policies continue to influence business travel demand and vary across regions according to organisational needs and national restrictions in both departure and destination locations. The sector experienced rapid changes in operations as the pandemic hastened the move to digital, with businesses adjusting their operating models and expanding their technology for service operations. With the increasing digitisation of the business world, hybrid events have become a new paradigm for business and technology-supported formats now enhance in-person activities. Simultaneously, the sector is facing a talent risk and a considerable labour-shortage crisis resulting from travel and tourism businesses laying off millions of workers globally - many of whom have since reskilled or pivoted careers and thus are not available for rehire.

The travel and tourism sector as a whole faces a bumpy road to recovery. The market remains fragmented, with a high share of small and medium-sized businesses. This means the risk of business closures will persist and smaller enterprises may need long-term support. Although lockdowns and restrictions have begun easing in certain parts of the world, it is expected that the

⁸ WTTC, October (2021).



effects of COVID-19 will persist, as the World Health Organization (WHO) predicts that COVID-19 will likely become endemic. This means that the sector may have to adapt and adjust to continuing ebbs and flows of endemic COVID-19.

5. SOUTH AFRICA – GENERAL OBSERVATIONS

- The number of international tourists visiting South Africa dropped by almost 80% in 2020, as the world entered hard lockdown to contain the spread of COVID-19. The following year was even worse, with international travellers dropping by a further 50%, as new COVID-19 variants and waves of infections led to further travel restrictions.
- According to Statistics South Africa, just under 330,000 international tourists came to South Africa between January and November in 2021.⁹ Before the pandemic, roughly 2.4 million tourists arrived during the same period.
- South Africa welcomed more tourists from the United States in 2021, with American visitors being far more common than those from the United Kingdom and Germany.
- Before the global COVID-19 pandemic, European visitors accounted for roughly 60% of international tourists entering South Africa annually. Tourists from North America – the US and Canada combined – accounted for just 17%.
- Visitors from the United Kingdom accounted for 30% of all international tourists in South Africa before the COVID-19 pandemic. But travel restrictions, including the controversial red list¹⁰, dropped the number of incoming UK tourists by around 90%.
- Being on the UK's red list meant that travellers from South Africa needed to endure a ten-day quarantine in a state-managed hotel at their own cost of £2,285 (around R47,000).
- South Africa was removed from the UK's red list in early October. However, the discovery of the Omicron¹¹ variant at the end of November saw South Africa relegated back to the UK's red list.¹²
- The number of tourists from Germany, which has traditionally been South Africa's second-highest source market for overseas tourists, outnumbered UK visitors in 2021. But due to its harsh travel restrictions imposed for much of the year, the number of German tourists arriving in South Africa dropped by around 85% compared to pre-pandemic levels.

⁹ StatsSA, Tourism and Migration November (2021).

¹⁰ An estimated R1 billion in bookings from the UK were lost to SA businesses in the tourism and hospitality sector within the first 48 hours of being placed on the so-called "red list". (FEDHASA)

¹¹ When the variant was identified, the UK and several other countries - including Israel, Germany, Italy, Austria, Mauritius, the Netherlands, the US and Canada - imposed strict travel regulations that heavily impacted South Africa.

¹² Daniel (2022).



- Like the UK and Germany, the US re-imposed its ban on South Africa following the discovery of the Omicron variant, but this has since been rescinded. This saw the US becoming South Africa's primary source market for tourists in 2021, with almost 72,000 Americans having arrived by December.
- South Africa has remained on COVID-19 alert level 1 since 1 October 2021, and on 30 December 2021 government further removed all curfew and alcohol restrictions.
- South Africa's vaccination rates are currently, as of 11 March 2022, at a total of 32.5 million vaccines administered and 17.5 million (29.5%) people fully vaccinated.
- The government is in the process of amending its travel requirements for PCR tests. More and more countries have removed the requirement of a PCR test for fully vaccinated travellers.
- More countries have also lifted travel bans for South Africa. The French government has recently moved the country to its 'Green' country list. According to the new regulation, vaccinated passengers do not require a negative PCR/antigen test to enter. Passengers are merely required to present proof of vaccination.¹³
- The domestic market also saw an improvement in numbers during the December period.
- According to Stats SA, the total income for the tourist accommodation industry increased by 46,6% in December 2021 compared with December 2020.¹⁴ These numbers were mostly driven by domestic travellers.
- Income from accommodation increased by 18,4% year-on-year in December 2021, the result of an 11,5% increase in the number of stay unit nights sold and a 6,3% increase in the average income per stay unit night sold.
- In December 2021, positive contributors to the 18,4% year-on-year increase in income from accommodation were: hotels (45,1% and contributing 20,2 percentage points); guest-houses and guest-farms (45,7% and contributing 2,3 percentage points).
- An example is the City Lodge Hotel Group (CLHG), which recently announced its interim results from July to December 2021.¹⁵
- The Group saw an increase in revenue from R215.6 million (Dec 2020) to R436.0 million (Dec 2021); average group occupancies increased from 17% (Dec 2020) to 30% (Dec 2021), and average occupancies also increased from 29% (Dec 2020) to 36% (Dec 2021) in South Africa.

¹³ Bizcommunity (2022).

¹⁴ StatsSA (2022).

¹⁵ Bizcommunity (2022).



- According to the CLHG CEO, Andrew Wildegger, the gradual easing of restrictions, the accelerated roll-out of vaccinations across all adult groups including young adults, and the removal of South Africa from international 'no-fly' and 'red lists', boosted business and leisure travel confidence. This has seen the hotel group re-open, with effect from February 2022, all 56 of its hotels in the country.

6. 2022 OUTLOOK¹⁶

- The recent rise in infections and the new Omicron variant could again disrupt the recovery and confidence through early 2022 as some countries reintroduce travel bans and restrictions for certain markets.
- The travel and tourism sector is seeking recovery in an economic environment faced by oil price hikes, a rise in inflation and the potential increase in interest rates, as well as high debt levels and continued disruption in international supply chains.
- The vaccination roll-out remains uneven among countries, presenting its own challenges for traveller confidence.
- The health crisis continues to be the main reason for consumers not travelling while saving money has also become a critical consideration.
- More travellers are planning to vacation within their home countries. Domestic travel has been identified as more cost-effective than long-haul travel.
- Globally, growth in domestic travel during 2021 was driven by large pent-up demand and a preference for shorter trips and destinations closer to home, often in rural and coastal settings, as well as the restrictions still in place for international travel.¹⁷
- Thus, domestic tourism, travel close to home, open-air activities, nature-based products and rural tourism have been identified as major travel trends in 2022.
- As a long-haul destination South Africa has to contend with trying to change consumer minds. South Africa has a small window of opportunity to position itself as a favourable destination as other long-haul competitor destinations remain closed.¹⁸
- Delivering ease of travel for inbound international visitors and returning South Africans is key. This includes the removal of the requirement for PCR tests for fully vaccinated passengers travelling to or visiting South Africa.¹⁹
- Travellers continue to look for packages that can be modified or reimbursed. Travel insurance continues to be top of mind.
- Adherence to strict sanitary protocols at destinations and their facilities continues to be a concern for travellers.
- According to TBCSA, 2022 is off to an optimistic start with the sector's December 2021 trading reaching 64% of December 2019 levels.²⁰
- However, TBCSA has urged business and the government to reinstate their corporate travel programmes. South Africa's travel sector relies largely on corporate and government travel for its survival.

¹⁶ UNWTO (2022).

¹⁷ UNWTO (2021).

¹⁸ TBCSA (2022).

¹⁹ Ibid.

²⁰ Ibid.



- The Russia-Ukraine conflict is a significant concern for the travel and tourism sector in 2022. Concerns include safety considerations by travellers and increases in the price of crude oil and its impact on travelling costs. According to the International Air Transport Association (IATA), higher jet fuel prices will pressure airlines' operating costs and may lead to higher fares on some travel routes. In addition, some airlines face the challenge of rerouting flights to avoid the Russian airspace which is also expected to drive up ticket prices and air cargo rates.²¹

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²¹ <https://www.thenationalnews.com/business/2022/03/13/fuel-price-spike-and-russia-ukraine-crisis-risk-airlines-recovery-iata-says/>



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ANNEXURE A: South Africa Adjusted Alert Level 1 - curfew lifted²²

- South Africa will remain at Adjusted Alert Level 1. Curfew will be lifted and there will be no restriction on the hours of movement of people.
 - All COVID-19 health and safety protocols must be followed, including observance of guidelines for social distancing, sanitation, hygiene and use of appropriate personal protective equipment, like face masks.
 - Gatherings are permitted however only a maximum of 1000 people indoors and no more than 2000 people outdoors will be allowed. Where a venue does not permit these numbers with appropriate social distancing, only 50% of the capacity of the venue will be permitted.
 - Alcohol establishments that have licences to operate beyond 23h00 will revert back to full licence conditions.
 - Non-essential establishments such as restaurants, taverns, bars and fitness centers that operate beyond 23h00 may revert to usual business hours.
 - All international travellers arriving in South Africa must produce a negative PCR test, to be presented on arrival and not older than 72 hours from the date of departure from the country of origin. Masks must be worn for the duration of travel.
 - A person entering the Republic must be subjected to screening on arrival at the point of entry, including the completion of a traveller health questionnaire.
 - A person who, during screening, is found to have had exposure to COVID-19 or is presenting with any signs and symptoms of COVID-19, must be subjected to a medical examination which may include testing and isolation.
 - A person who is not in possession of a valid negative COVID-19 PCR test will be subject to antigen testing at the point of entry and may be subject to quarantine at an approved facility at his or her own cost.
 - Any returning South African citizens and residents will be subject to entry regulations and protocols and may be required to enter quarantine.
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²² Flight Centre, 3 January (2022).