**REPORT OF THE SELECT COMMITTEE ON TRADE AND INDUSTRY, ECONOMIC DEVELOPMENT, SMALL BUSINESS DEVELOPMENT, TOURISM, EMPLOYMENT AND LABOUR ON VOTE 38: TOURISM, DATED 18 MAY 2022**

1. **Background**

The Select Committee on *Trade and Industry, Economic Development, Small Business Development, Tourism, Employment and Labour*, having considered Budget Vote 38: Tourism, together with the *Departmental Annual Performance Plan, 2022-2023/24,* tabled by the Minister of Tourism, in terms of the *Public Finance Management Act of 1999 (PFMA)*, as well as the Money Bills Amendment Procedure and Related Matters Act, 2009, reports as follows:

**1.1 Committee Process**

The Select Committee on *Trade and Industry, Economic Development, Small Business Development, Tourism and Employment and Labour* (the Select Committee), having considered the request of the *National Council of Provinces* to analyse and report on *the Strategic Plans, Annual Performance Plans and budget allocations of the Department of Tourism* (the Department), tabled by the *Minister of Tourism* (the Minister), and in terms of the *Public Finance Management Act of 1999* (PFMA), as well as the *Money Bills Amendment Procedure and Related Matters Act, 2009*, reports as follows:

1. **Introduction**

On 4 May 2022, the Committee received a briefing from the Department of Tourism in relation to the 2022/23 Budget Vote and the Annual Performance Plan and Strategic Plan for the 2022/23 financial year. The tourism industry is recognised as a vital contributor to the South African economy. It could play a critical role in the economic, cultural and social life of any country. It is a critical asset.

The World Travel and Tourism Council (WTTC) reported that in 2019, South Africa’s tourism industry created 1,5 million jobs, and contributed R425,8 billion to the Gross Domestic Product (GDP). The advent of the Covid-19 pandemic eroded the industry economic base contribution. The future of tourism remains promising, but still uncertain, emphasised the Department. The departmental budget and spending plans were presented under the current economic and health crisis. Covid-19 pandemic has hit hardest the tourism industry.

The tourism industry has suffered the most as a result of restrictions imposed by various governments in the whole world, mainly restricted travelling, and thus affected global and domestic mobility. It was further noted the July unrest (KwaZulu-Natal and Gauteng) had an impact to the tourism industry. Recently, South Africa has experienced devastating floods that affected KwaZulu-Natal, and some parts in the North West and Eastern Cape, which had an impact on the tourism industry.

In terms of constitutional requirements, the tourism industry remains a concurrent functional area that cuts across the three spheres of government (national, provincial and local). The Department further oversees the functional operation of South Africa Tourism, which consumes the bulk of the departmental budget. The 2022 Estimates of National Expenditure articulates that the Tourism Act (2014) mandates South African Tourism to market South Africa internationally and domestically as a preferred tourism and business events destination and monitor and evaluate the performance of the tourism sector. Tourism is largely driven by the private sector, hence partnership initiatives to bolster tourism growth and transformation remains critical to spur inclusive economic growth. It is important that collaborative efforts in terms of resource allocation and distribution should reach all provinces and regions, and partnerships with the private sector should be enhanced.

Largely most of the strategic priorities outlined in the TSRP such as Implement norms and standards for safe operation across the tourism value chain to enable safe travel and rebuild traveller confidence; Stimulate domestic demand through targeted initiatives and campaigns; Strengthening the supply-side through resource mobilisation and investment facilitation. Including strategic priorities namely; Support for the protection of core tourism infrastructure and assets; Execute a global marketing programme to reignite international demand; Tourism regional integration; and Review the tourism policy to provide enhanced support for sector growth and development, would need inter sector and intra sector collaboration and coordination. Safety in the industry remains a challenge. It was reported that the Department has sealed collaborative initiatives with the South African Police Service to strengthen and enhance safety measures in the tourism industry.

The Department submitted that the Spending *Plans* presented by the Department attempts to place the tourism industry on the growth path. Further, it was indicated that the *Tourism Sector Recovery Plan* (TSRP) has been developed to shape the pace and sustainable growth of the tourism industry. The Department reported that the TSRP has been aligned to the *Economic Reconstruction and Recovery Plan* (ERRP), and the *National Development Plan* (NDP). It was highlighted that the spending plans have been aligned to the ERRP, NDP, Re-Imagined Industry Strategy, National Tourism Sector Strategy (NTSS) and the Tourism Recovery Plan.

1. **Governance and Spending**

The *Tourism Act, 2014 (Act No.3 of 2014),* empowers to promote the growth and development of the tourism sector; promote quality tourism products and services; provide for the effective

domestic and international marketing of South Africa as a tourist destination. Further, to enhance cooperation and coordination between all spheres of government in developing and managing tourism; and promote responsible tourism for the benefit of South Africa and for the enjoyment of all its residents and foreign visitors. The Department highlighted that the *Spending Plans and the Budget* have been aligned to the TSRP, ERRP, the NDP including the Re-Imagined Industry Strategy, and the NTSS.

Other sector departments that promote travelling facilitation include the ministries of *Home Affairs and Transport*. The *Ministry of Environmental Affairs* is a key partner in the promotion and development of the implementation of development programmes focusing on sustainable tourism. While the ministries of *Sport, Arts and Culture* support and promote sport and cultural tourism. Thus, the *Ministry of Tourism* should improve and enhance collaborative initiatives with the ministries of *Environment Affairs, Sport, Arts and Culture, Home Affairs* including *Transport* to promote inclusive and sustainable tourism.

Taking into consideration that international tourism market would in the short to medium term offer less contribution in bolstering tourism growth. Domestic tourism has been identified as major market that would boost tourism from short to medium term to boost and sustain many tourism destinations and businesses. Hence tourism development measures should be directed in supporting domestic tourism taking into account current economic and financial pressures that have an effect to household personable disposable income. Economic transformative initiative should continue to be maintained and scaled-up.

Over the medium term, the Department is expecting to deliver its vision, which seeks to place it as a “Leading sustainable tourism development for inclusive economic growth in South Africa” through functional policy programmes namely: *Tourism Research, Policy and International Relations; Destination Development, and Tourism Sector Support Services*. Programme provide the overall support across the three core functional policy programmes.

Over the medium term, the Department is anticipated to spend approximately R7,6 billion, transfer and subsidies as a spending item constitute the largest spending (R4,8 billion). The core policy programmes namely: *Tourism Research, Policy and International Relations* is anticipated to spend R4,3 billion, whilst *Destination Development and Tourism Sector Support Services* are expected to approximately spend R1,2 billion and R1 billion respectively, over the medium term. Administration is anticipated to spend closely to R990 million, over the medium term.

**Table 1: 2022 Medium Term Spending**



**Source: 2022/23 Estimates of National Expenditure, National Treasury**

Over the medium term, committed to use public procurement as an instrument to drive economic and social development policy priorities. To this end, the Department has set aside spending settlements directed to support women owned businesses. Over the medium term, 40 percent in relation to spending on goods and services would be directed to women owned enterprises. Further, 30 per cent spending on goods and services would be directed to SMMEs. Further, the Department maintain a commitment to meet the 30 days payments of invoices to service providers, which include small enterprises.

*Programme 2: Tourism Research, Policy and International Relations* enhances the strategic policy environment, monitor the tourism sector’s performance and enable stakeholder relations. The Programme has four sub-programmes; namely, *Research and Knowledge Management, Policy Planning and Strategy; South African Tourism and International Relations and Cooperation*. Over the medium term, South Africa Tourism is anticipated to spend close to R4 billion. Tourism Act (2014) mandates South African Tourism to market South Africa internationally and domestically as a preferred tourism and business events destination and monitor and evaluate the performance of the tourism sector. As part of the TSRP, South Africa Tourism is expected to increasing international and domestic demand for tourism within South Africa; diversifying and ensuring the supply of quality tourism products and services; leveraging data and technology to enhance operational and marketing efficiencies; and optimising the tourism portfolio by focusing on partnerships and collaboration in the tourism value chain. Over the medium term, the number of international business events hosted in South Africa is expected to increase from 8 in 2021/22 to 39 in 2024/25 at a projected cost of R289.3 million.

The South Africa Tourism has further committed to bolster the standard of tourism establishments. Over the medium term, it is anticipated that the number of establishments fully graded would increase from 4 707 in 2021/22 to 5 625 in 2024/25 at a projected cost of R161.1 million, over the medium term.

The following are the key service deliverables aligned to the strategic priorities under *Tourism Research, Policy and International Relations:*

* Conducting evaluation of the Resource Efficiency project;
* Monitoring of capacity building Programme undertaken;
* Finalisation and publishing of *2020/21 State of Tourism Report*;
* Development of TSRP Implementation Reports;
* Development of a report on state and availability of key tourism statistics and resources at Provincial level;
* Implementation of the *Information and Knowledge System Tourism Skills and Employment Portal Tourism*: Implement Data Analytics System: prioritised Sentiments Analysis;
* Review of the *Tourism Policy White Paper on the Development Promotion of Tourism in South Africa*;
* Development of Reports on governance and performance of South Africa Tourism developed for oversight purposes;
* Advancement of South Africa’s tourism interests at regional, continental and global level through participation in six multilateral fora UNWTO, G 20 BRICS, SADC, IORA and AU;
* Implement outreach programmes to the diplomatic community;
* Hosting of Sharing of Best Practices Workshop 2023 targeted at African countries with whom SA signed tourism agreements hosted.

In terms of Programme 3: *Destination Development* consists of four sub-programmes: namely; *Destination Development Management*, *Tourism Enhancement, Destination Planning and Investment Coordination, and Working for Tourism.* Most of the spending in this programme would be directed to the Working for Tourism Programme. The spending priorities in this programme are geared to boost tourism destination, job creation, accelerate skills development, and drive transformation in the tourism industry.

The Committee emphasised that coordination with other spheres of government and across government departments and development agencies should be enhanced. In the main infrastructure investment in energy, water, transport and ICT should be scaled up boost tourism industry, and also to exact impact to rural economies to improve rural incomes for both small businesses and households.

The following are the key service deliverables aligned to the strategic priorities under *Destination Development:*

* Finalisation of prioritized tourism concepts and initiatives to support DDM One Plans for: OR Tambo District, eThekwini Metro, Pixley Ka Seme District and Namakwa Districts;
* Review the piloting of the budget resort network and brand concept;
* Initiate implementation of Phase 3a (development) of the township tourism precincts: Galeshewe and Vilakazi Streets;
* Management of a pipeline of nationally prioritised tourism investment opportunities (greenfield and brownfield projects);
* Facilitation of two investment promotion platforms;
* Infrastructure maintenance programme to be implemented in Nineteen National Parks;
* Infrastructure maintenance and beautification programme implemented in five Provincial State Owned Attractions;
* Implementation of thirty community based tourism projects;
* Creation of 4104 Work opportunities.

*Working for Tourism* facilitates the development of tourism infrastructure projects under the expanded public works programme through labour-intensive methods targeted at young people, women, unemployed people, disabled people and SMMEs. The programme also assists with investment and coordination for both public and private sector projects. Over the medium term, the *Working for Tourism Programme* is expected to spend approximately R948 million.

In terms of *Destination Development*, the Department in partnership with SanParks would implement infrastructure development and maintenance development project, and this is part of the commitment by the Department to make the Job Summit’s commitments a reality. It was emphasised that government should use ecological and cultural assets as a leverage to crowned in private sector participation.

This programme accounts for 15.8 per cent of the total budget. The programme’s main appropriation was R466.3 million in 2021/22, which has decreased by R72.4 million or 15.53 per cent to R393.9 million. Of which R59.9 million is for Compensation of Employees and R333.8 million for Goods and Services. Property payments decrease by R97 million for 2022/23 financial year. Agency and support/ outsourced services increase by R31 million to R107.3 million for the 2022/23 financial year. The *Working for Tourism* sub programme represents 79.1 per cent of the budget of the total programme and consists of the EPWP programme and the expanded public work incentive programme.

With regard *to Programme 4: Tourism Sector Support Services*, over the medium term, the Department is anticipating to implement the following deliverables:

* Green Tourism Incentive Programme;
* Domestic Tourism Awareness Campaign;
* Implementation of Incubation Programme (Business support and development) to support tourism SMMEs through the following; Incubators Tech Incubator, Tour Operator Incubator, Food Services Incubator and One Community based enterprises incubation programme;
* Implementation of the Women in Tourism Business Development and Support Programme to support 225 women owned SMMEs nationally (25 per province);
* The *Service Excellence Standard* (SANS 1197) would be incorporating to the *Tourism Norms and Standards* with focus on small towns and tourism product support;
* Implementation of the Tourism Monitors Programme in all Provinces;
* Establish a centralised database of Tourist Guides;
* Conducting tourist safety campaigns sessions;
* Training and placement of 2 500 retrenched and unemployed youth on various skills Development programmes;
* 500 SMMEs and 2500 unemployed and retrenched youth to be trained on norms and standards for safe tourism operations in all nine provinces;
* Hosting 2022 NTCE;
* Enrolling thirty chefs in a Recognition of Prior Learning (process to obtain a professional qualification or designation in line with the project plan.

The programme accounts for approximately 14.3 per cent of the total budget. The main appropriation was R386.6 million in 2021/22, it has decreased by 7,76 per cent to R356.6 million in 2022/23. 64.5 per cent of the funds are allocated to transfers and 22.3 per cent to compensation of employees. The *Tourism Incentive Programme* (TIP) is expected to spend R242 million for 2022/23 and projects within TIP includes tourism transformation through the *Tourism Equity Fund and Green Tourism Development* projects.

The Department recognised that Tourism is a concurrent function as articulated in South Africa’s Constitution. All the three levels of government (National, Provincial and Local) have jurisdiction and direct responsibility. To this end, the Department highlighted that it will used the District Development Model (DDM) to implement tourism development programmes across the country. To date, the Department reported that it has developed tourism profiles for 52 municipal spaces, 44 Districts and eight (8) Metropolitan municipalities, as part of implementing the DDM. Further, the Department indicated that it has conducted four Tourism Master Planning exercises in support of Provinces, and local municipalities since 2018, namely:

* Wild Coast Masterplan (Eastern Cape)
* Carnarvon to Sutherland (Northern Cape)
* Port Nolloth to Hondeklip Baai (Northern Cape)
* Orange River Mouth to Vioolsdrift (Northern Cape).

The District Development Model would enable allocation of resource is aligned to the needs of the regions, and all the three levels of government allocate resource in effective and effect manner. The Committee emphasis the need for the Department to work with other departments responsible for transport, energy, infrastructure, tele-communication, water, industrial strategy including development finance agencies including provincial and local government to emphasise the role of tourism to make the government policy priority a reality. Further, it is essential that when tourism recovers and exceeds the pre-Covid-19 levels, the benefits to spread across the country including provinces and regions that are lagging behind in terms of economic development.

1. **Issues Arising from Engagement**

The following are the key issues raised by Members and responses from the Department during deliberations:

1. The Committee welcomed the presentation from Department of Employment and Labour on Budget Vote, Annual Performance Plan and Strategic Plan for 2022/2023 financial year.
2. The issues ranged from transformation in the tourism sector to the dispensing of incentive schemes and enforcement of relevant legislation and implementation of polices targeted for enhanced recovery of domestic and international tourism.
3. The issues discussed following the presentation straddle across all the levels of government. On the issue of conspicuous absence of Provincial Tourism Boards and their respective municipalities at *the Africa Travel Indaba* tourism trade show, the Department indicated that there is a standing contractual agreement between the tourism boards and South African Tourism which permits 30 percent procurement of goods and services. Any potential deviation and exception from this criterion requires approval by the National Treasury (NT) Department.
4. The Department indicated that the recruitment of the Chief Financial Officer (CFO) has been finalised and awaiting a memorandum approving the appointment of the successful candidate.
5. In addition, the APP further indicates that about 30 percent of women owned businesses are targeted for the implementation of the 30 percent procurement target in terms of the Preferential Procurement Policy Framework (PPPFA) Act of 2000 as amended.
6. The Department indicated that resources are directed to support women and people living with disabilities.
7. It was highlighted that that during the height of Covid -19 pandemic, it was envisaged that savings will be recorded particularly on *Subsistence and Travel* (S&T) spending item under goods and services to be directed on filling-up critical vacant posts through a budget reprioritisation process.
8. With regard to the funding the Tourism Sector Recovery Plan, the Department highlighted that it will use South Africa Tourism for targeted marketing campaigns, and budgets were prioritised from destination development budgets. Initially the uptake of funds for Tourism Sector Recovery Plan was huge and the funds served to fulfil contractual obligations with Provincial Tourism Boards and the rolling out of this fund needed a cautious and meticulous approach to avoid the return of unspent funds back to the National Treasury.
9. In order to realise the strategic objectives of the Tourism Sector Recovery Plan, all stakeholders would need to contribute to ensure that the tourism recovers and exceeds the pre-Covid-19 record performance. Further, it was reported that the ministers of Transport and Tourism are already engaging provincial and local governments to address road infrastructure, particular in rural areas.
10. With regard to the issue of PCR Covid tests discouraging tourist destinations to South Africa, the Department argued that it was the responsibility of the visited country to decide on which entry requirements utilised for receiving tourists. Airline companies and the country of origin do not have the responsibility to determine traveling requirements. It was emphasised that broader stakeholder forums have been established constituted by diverse industry players. They play a critical role in developing a coordinated and consolidated strategy addressing sector recovery issues.
11. According to the Department of Tourism, the National Tourism Sector Strategy 2016 to 2026 allows for spatial plans to involve monumental tourism projects such as the Cradle of Human Kind and the implementation of crucial infrastructure investment plans. This requires a sustained resource sector fund mobilisation which should include multi-stakeholder teams such as development funding institutions. The implementation of bankable projects involves statutory planning processes and in most cases require a certain level of compromise in reaching agreements on matters such as Environmental Impact Assessments (EIA) which are necessary to extend the footprint of tourism development. In the end, the implementation of catalytic projects is identified within the frameworks of municipal Integrated Development Plans (IDPs) with the participation of provincial and national entities within the broader vision of the District Development Model (DDM).
12. In terms of programme four, the department highlighted that the departmental database collects credible and useful data for developing standard operating procedures governing the industry. In addition, to this database, the Department of Home Affairs (DHA) also has details of tourist guides particularly those who are non-South African. The DHA works with programme three of Tourism Department to identify and address gaps hindering tourism development. The APP of 2022 has project plans in place to maintain a reliable database of tourist guides and use it for advancing sector development.
13. With regard to the reported retrenchment of 25 000 youth, the number of capacity programme were implemented for training of 500 SMMEs unemployed and retrenched youth. The selection, recruitment, and induction of unemployed and retrenched youth on norms and standards for safe tourism operations in all nine provinces were undertaken as follows 1850 from tourism capacity –building projects and 650 from TVET colleges.
14. In terms of safety and domestic tourism campaigns, there is a Memorandum o 1850f Understanding (MoU) signed between Tourism Department and South African Police Service (SAPS). The MoU focuses on peak seasons for traveling. Under the MoU, the communities and the Department of Transport have been identified as key stakeholders. This will assist in encouraging communities to promote safety of visiting tourists in the industry.
15. It was emphasised that South Africa needs a well-connected transport network covering air, sea, waterways, rail and road that work for domestic and international visitors. The transport network should take into consideration rural economic development.
16. The Committee was informed that the South African Tourism has an interim board, and it is operating under the guidance of the Acting Chief Executive Officer (CEO). However, as things stand, the plans to permanently appoint the new board are at an advance stage. The report further indicates that; the process awaits a cabinet memorandum to approve the appointment of the new board which is due to be appointed by beginning of June 2022. The envisaged new board would then appoint the new CEO.
17. In respect of government coordinated response to the recent damage by floods which has affected parts of KwaZulu - Natal and the Eastern Cape, the Department reported that Minister and Member of Executive (through MinMec) for Tourism is seized with the response plan for sector recovery in affected areas. In addition, this response plan has recently been bolstered by the announcement made by the President of the Republic in relation to the planned special appropriation relating to the floods. This would highly likely to affect the budget allocations for the 2022 spending priorities.
18. **Recommendations**
19. Over the 2022 medium term, the Committee recommends that the Minister, through the Department, should engage the Minister responsible for transport to develop a strategy and action plan to boost aviation recovery to expand domestic tourism initiative across leisure, business events and distribution. The strategy and action plan should be developed in partnership with the industry stakeholders.
20. Further, the Committee recommends that the Minister through the Department need to fast track review and development of the *Tourism White Paper*, 1996; the *Tourism Act, 2014; the National Tourism Sector Strategy, 2016, and the National Grading System* to provide policy and strategic direction to grow and expand tourism to take into account new developments such as sustainability consideration, and digitalisation policy consideration, over the medium term.
21. The Committee recommends that the Minister before the end of the 2022 medium term, with the support of the Department, should create a dedicated *Tourism Development Fund* to support tourism businesses across the country, in particular in regions lagging behind in terms of economic development. Further, private sector financing should be leveraged to broaden access to funding and financing for SMMEs in the tourism industry. To this end, the role of *National Treasury* is essential.

Report to be considered.