

SPEECH: PARLIAMENTARY TOURISM SUMMIT
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Introduction

Chairpersons and colleagues,

As we celebrate the consistent growth of South Africa's tourism sector over the last two decades, we are also aware of our important responsibilities. Never has the expectations of our sector been higher.

Tourism's contribution to the gross domestic product (GDP) of our economy has increased from just under 5% in 1994 to an estimated 7.7% in 2010. We have worked very hard to ensure that our sector takes up its rightful role in terms of policy and programmes and to foster strong synergies between the public and private sectors in terms of growth and development.

In terms of our government's New Growth Path, tourism has been prioritised as one of the six key sectors that form the cornerstones of growth in the economy. The Industrial Policy Action Plan 2 also recognises tourism's potential to increase foreign exchange earnings and stimulate domestic consumer spending.

Tourism also features strongly in the Government's delivery agreements, in terms of amongst others providing decent employment through inclusive economic growth, helping to develop vibrant, equitable and sustainable rural communities and further developing tourism's important role in our country's international relationships.

The National Department of Tourism (NDT) will be addressing you later today on the key elements of our department's strategies. I would like to take the opportunity to sketch the picture in terms of global developments in travel and tourism as part of the context of your discussions on the future of our own industry.

Global travel and tourism developments

Broadly speaking, **we can identify five international developments in travel and tourism**. The 2008/9 global financial crisis fundamentally changed the economic and consumer landscape. We are now witnessing a **multispeed recovery**, with different geographic markets and industry sectors responding differently to global economic conditions.

In 2010 we witnessed a return to growth in global tourism arrivals, but there remain good reasons for caution as far as global travel expectations for 2011 are concerned. Inbound and outbound growth is especially robust in emerging markets, but the rebound in South Africa's traditional markets is weak.

Arrivals volume will in all likelihood continue to recover faster than income as a result of tougher competition, more value-conscious consumers and new travel patterns.

The global tourism sector is also adjusting its business models to shifting geographic and demographic markets, new consumer trends and behaviour patterns and technological developments. We will continue to collaborate extensively with the industry to counter the effects of changing market conditions, to manage the new risks, to protect our market share in traditional markets and to take advantage of the opportunities presented in emerging markets.

The **second development is a marked shifting in geographic markets** as the global industry comes to the realisation that the value of the booming outbound traffic flows from emerging markets is at the heart of the long term response to globally shifting markets.

The priority is to protect our existing market share in traditional markets whilst recognising that the long term growth opportunities lie in China, India, Latin America and our continent. From a tourism perspective we stand to gain tremendously from our inclusion in the BRIC partnership and we will align our planning and strategies accordingly.

We are therefore carefully rebalancing domestic, regional/continental and international tourism, the mix of high-value and middle-value markets and business, leisure and events tourism. More emphasis will be placed on building the domestic market as a mainstay of sustainability and an effective measure to counter the effects of seasonality.

Domestic tourism forms the backbone of the South African tourism industry. In 2009 a total of 14.6 million adult South Africans undertook more than 30 million domestic trips, with a total annual spend of more than R22 billion. A total of 75 percent of all tourist volume in South Africa was derived from domestic tourists in 2009, making it by far the biggest segment of the industry. It is also less volatile than foreign tourism and offers the industry and the country's economy a steady income stream.

Our Sho't Left campaign is specifically aimed at making travelling more accessible and affordable for all South Africans. Over the last six years we have invested approximately R70 million in domestic marketing, including television, radio, print and outdoor advertising and events.

This significant investment reiterates the fact that we are serious about strengthening domestic tourism as the foundation of our industry. Having said that, we realise that there is still enormous growth potential that must be unlocked in the domestic market, and our department will be working more closely with provinces in this regard.

It is more important than ever that our industry remains innovative in order to encourage people to keep travelling. An important element of this is campaigns that offer consumers affordable and value for money experiences, especially in the local market.

Thirdly, we cannot fail to recognise that consumer preferences have shifted considerably since the international economic slowdown, and these preferences will continue to evolve unabated.

Price-conscious customers in our traditional source markets are retiring later, are travelling for shorter periods, are spending less and are taking trips closer to home. Travellers are booking later keeping their options open in order to obtain better deals.

In response to the more value oriented mindset, various destinations are leveraging innovative travel packages and new products to attract price conscious customers. In addition to being more price conscious, the new consumer is also seeking more customised and authentic offerings. The demand for mass based leisure tourism is being replaced by a desire to connect emotionally with destinations, local people and local cultures.

The fourth development is the fact that emerging technologies are presenting a variety of new opportunities, but also challenges. Technology will, for example, increasingly be making long haul destinations more accessible by generating new demand and providing information in innovative ways.

We will continue to exploit the opportunities offered by the new communication media, including e-marketing, m-commerce and social media, to make South Africa more accessible in the global marketplace. At the same time, we will not neglect more conventional sources of expert information or the role of traditional channels and operators in providing personalised service.

Finally, we recognise that the world is taking advantage of improved coordination between the aviation and tourism sectors. With the exponential growth in international tourist flows and global airlift, it is increasingly recognised that the travel and tourism sectors cannot operate in silos. Coupled with this, we see that on a worldwide scale governments are taking tourism seriously and increasingly getting involved in every step of the value chain.

Due to this interconnectivity and mutual dependence, we are witnessing greater convergence and closer policy collaboration across the full travel and tourism, or 'travelism', value chain. We will ensure closer collaboration with our sister departments in this regard.

New cost drivers in aviation are also affecting consumer behaviour and travel patterns. The cost drivers include global exchange rate and currency volatility, oil prices, fuel hedging costs and the costs associated with increased transport security.

Unilateral travel taxes are likely to become a bigger issue as European governments scramble for new sources of general revenue. I would like to announce that South Africa will be hosting a meeting of like-minded destinations in Germany in March to coordinate our response to these discriminatory taxes.

Conclusion

Chairpersons, thank you for inviting me to address the summit today and for creating this opportunity for a joint discussion across portfolios on the growth, development and transformation of the tourism sector. I trust that all colleagues will have a constructive summit and I look forward to further engagements with you as we continue to take tourism from strength to strength.

I thank you.