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ANALYSIS: SOUTH AFRICAN TOURISM 4TH QUARTER EXPENDITURE REPORT (2019/20)

TABLE OF CONTENTS

1. INTRODUCTION

The purpose of this brief is to provide Members of the Portfolio Committee on Tourism with an analysis of South African Tourism's (SAT's) 4th Quarter Performance Report for the 2019/20 financial year. The Portfolio Committee on Tourism (hereafter referred to as the 'Committee'), is tasked with monitoring and overseeing the work and budget expenditure of the Entity and to ensure that it accounts for its operations and expenditure.

In Quarter 4, South African Tourism (hereafter referred to as the 'Entity') achieved **20 (54%)** of the **37** key performance indicators (KPIs) for the 2019/20 financial year. Of the 17 KPIs not achieved, the Entity indicates that significant work has been done on **four (11%)** of them, whilst the remaining **13 (35%)** were not achieved. In terms of financial performance, by the end of the 4th quarter, the Entity had spent R1.435 billion (96%) of the R1.498 billion budget allocated. Thus, by the end of the financial year, the Entity almost spent its full budget, whilst only managing to achieve 54% of its targets for the year.

2. TRAVEL PERFORMANCE

2.1 United Nations World Tourism Organisation (UNWTO)

The novel corona virus (COVID-19) pandemic has caused an unprecedented disruption to travel and tourism, reflected in the collapse of global travel since mid-March 2020. Globally, tourist arrivals were down by 22% in the first three months of 2020. The number collapsed to 57% in March as lockdowns spread, resulting in about 67 million passengers lost. About US$80 billion were lost in tourist receipts (exports) during these first three months. Asia and the Pacific region have been the hardest hit, with 33 million fewer arrivals, followed by Europe.[1] The impact of COVID-19 is both economic and social, affecting the livelihoods of tourism and transport workers and suppliers, as well as their families and whole communities.[2] The UNWTO predicts a loss of 100 to 120 million jobs globally in the travel and tourism sector as a result of the collapse in demand for international travel.

[1] UNWTO (2020).

[2] WTTC, Monthly Economic Impact (2020).

In the latest Barometer, July 2020, the UNWTO reported the following:[3]

- International tourist arrivals (overnight visitors) saw a decrease of 56% in the first five months of 2020 over the same period last year.
- International arrivals declined by 98% in the month of May, reflecting travel restrictions in nearly all destinations worldwide, amid measures to contain the spread of the COVID-19 pandemic.
- This represents 300 million fewer international tourist arrivals in January-May 2020 compared to the same period in 2019, which translates into US$ 320 billion lost international tourism receipts (export revenues). This is more than three times what was lost in the whole of 2019 under the impact of the global economic crisis.
- By regions, Asia and the Pacific, the first region to suffer the impact of the pandemic, saw a 60% decrease in arrivals in January-May 2020. Europe recorded the second strongest decline, with 58% fewer arrivals, followed by the Middle East (-51%), the Americas and Africa (both -47%).

Tourism is showing signs of a gradual and cautious change in trend during the Northern Hemisphere summer peak months. This is evident in the gradual lifting of travel restrictions in several countries around the world, particularly in Europe, the resumption of a number of international flights and the restart of some domestic and intra-regional markets.[4] As of 15 June 2020, 22% of all destinations worldwide (48 destinations, including seven Small Island Developing States) had started to ease restrictions, with Europe leading the way. However, most destinations worldwide continued to have their borders completely closed to international tourism. The Canada-US-Mexico border, one of the busiest borders in the world, has remained closed to non-essential travel since March. The closure has been extended until at least 21 September.[5]

Most UNWTO Panel Experts expect international tourism to recover by the second half of 2021, followed by those who expect a rebound in the first part of next year. Experts mentioned downside factors such as travel restrictions and border shutdowns still in place in most destinations, major outbound markets such as the United States and China being at standstill, safety concerns associated with travel, the resurgence of the virus and risks of new lockdowns or curfews. They also referred to the lack of reliable information and a deteriorating economic environment as factors weighing on consumer confidence.[6]

Domestic tourism is expected to resume faster. Half of the UNWTO Panel Experts see a recovery of domestic tourism by the second half of 2020, in line with the restart of tourism in many destinations in June and July, whilst the other half expect a recovery throughout 2021. Experts also mention changes witnessed in consumer behaviour, such as trips closer to home or proximity travel, bookings closer to the departure dates of the trip, or a preference to travel by car.[7] A wide variety of measures are being implemented in the destinations or businesses worldwide in order to restart tourism. Safety and hygiene protocols, the promotion of domestic tourism and the lifting of travel restrictions are the most implemented, combined with other measures such as flight resumption, travel bubbles/corridors and the use of technology. By region, safety and hygiene protocols are being put in place in all regions to restart tourism. The promotion of domestic tourism has been undertaken in all regions, mostly in Asia and the Pacific, Europe and the Americas, though comparatively less in Africa and the Middle East.[8]

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[3] UNWTO July Barometer (2020).

[4] Ibid

[5] Ibid

[6] Ibid

[7] Ibid

[8] UNWTO July Barometer (2020).

2.2 South Africa

On 18 August 2020, South Africa moved to Alert Level 2 of the risk adjusted strategy and the following tourism related activities are in place:

Alert Level 2	
•	Travel between provinces is allowed for any purpose.
•	Visits to family and friends are permitted in small groups.
•	All gatherings are limited to a maximum of 50 people.
•	The number of people allowed in a retail store, restaurant, cinema or other public space remains limited.
•	Restaurants may remain open, with a curfew between 10pm and 4am.
•	Alcohol may be sold in all licensed restaurants.
•	The number of guests at any time remains limited to prevent the spread of the virus.
•	Hotels and accommodation facilities may reopen for leisure travel between provinces.
•	Parks, beaches and nature reserves will be open for outdoor activity.
•	Restrictions on all social gatherings remain in place to prevent the spread of the virus.

Source: SA Government website, 2020

Lobbying attempts by the sector are bearing fruit. However, international travel remains prohibited. According to the Tourism Business Council of South Africa (TBCSA), the country's tourism industry has lost more than R68 billion in tourism spend since the national lockdown began. This is a significant drop when compared to total tourism spend of 2018 at R273.2 billion. Domestic tourism accounted for 56% of total spend and 44% was international inbound travel. According to TBCSA, this translates roughly to R22.7 billion per month and R748 million per day in lost tourism expenditure.[9] According to SAT, the sector has lost an estimated R88 billion in value so far in 2020; this includes a loss of 438 000 jobs in 2020 alone. The sector is looking at an estimated loss of output of R411 billion towards the end of 2022.[10]

3. OVERVIEW AND ASSESSMENT OF PERFORMANCE

3.1 Summary of Performance

The Entity executes its mandate through five programmes, i.e. Corporate Support, Business Enablement, Leisure Tourism Marketing, Business Events and Tourist Experience. In **Quarter 4** of the 2019/20 financial year, the Entity was able to achieve **20** of the **37** identified KPIs, with significant progress made in **four** and **13** not achieved.

The Entity's performance on its programmes for Quarter 4 of 2019/20 is discussed below.

[9] TBCSA (2020).

[10] SAT (2020).

3.2 Programme Performance

Programme 1: Corporate Support

Total Targets set	6
Targets achieved	4
Targets not achieved	2
Budget allocated	R130 023 million
Budget spent	R152 190 million (117%)

As indicated in the table above, the Entity achieved four of the set six targets and overspent on its budget by R22 167 million (17%). In its reporting, the Entity indicates that the overspending results from unrealised Forex earnings.

One of the targets not achieved in this programme relates to the maintenance of the vacancy rate. Achievement of the vacancy rate was affected by resignations and delays in recruitment due to legal processes. A target that the Committee is advised to monitor is the Entity's B-BBEE level score, which was substantially reduced in the previous reporting period. From a Level 4 status, the Entity regressed to Level 8. This was as a result of the Entity scoring poorly on the socio-economic development requirement, which is ascribed to a change in the calculation for social responsibility initiatives.

Programme 2: Business Enablement

Total Targets set	4
Targets achieved	4
Budget allocated	R80 730 million
Budget spent	R79 059 million (98%)

The Entity achieved its target on the number of quarterly stakeholder meetings attended. This is important, as these platforms allowed the Entity to align its strategic plan with those of relevant stakeholders in the sector. Another target achieved is on the publishing of four quarterly market insight reports, which are available on the Entity's website.

In terms of expenditure, the Entity spent 98% of its budget allocation under this programme and achieved all the set targets.

Programme 3: Leisure Tourism Marketing

Total Targets set	16
Targets achieved	8
Targets not achieved	8
Budget	R1 005 446 billion
Budget spent	R948 603 million (94%)

As can be seen from the table above, the Entity only achieved eight (50%) of its planned 16 targets under this programme, whilst spending 94% of its allocated budget.

- The Entity was unable to meet its targets on both international tourist arrivals and foreign direct spend. With regard to the number of international tourist arrivals, the Entity targeted 3.0 million arrivals, whilst only 2.4 million tourists came into the country during the Quarter 4 period. In addition to the previous quarter's performance on this target, the annual target of 11.4 million tourists was unmet, at 10.0 million arrivals. The outbreak of the COVID-19 pandemic and the resulting lockdown led to a decline in arrivals from high spending markets. In Quarter 4, the Entity was not able to meet its target for total tourist foreign direct spend (TTFDS), at R19.4 billion against a target of R24.9 billion.

- The Entity met its Quarter 4 target on impressions from digital channels, which entails distributing media information through digital channels.

- One of the targets not achieved relates to increasing the geographic spread of international arrivals. This was as a result of a decrease in inbound arrivals. However, the Entity reports that it will continue to work and collaborate with provincial authorities with the aim of improving geographic spread.

- The Entity reports that the targets on brand positivity and brand awareness were not achieved. This was as a result of a change in brand communication agencies. The exploration of digital platforms for brand awareness activities might provide the Entity with alternative opportunities in addressing this challenge.

- The number of domestic holiday trips for Quarter 4 increased significantly at 1.3 million, with the annual target exceeded at 7.3 million. Domestic spend also increased significantly to R18.8 million against the target of R8.1 million. It will be of interest to see how COVID-19 and a contracting local economic climate will affect the travel patterns of this market for the remainder of the year.

- SAT was unable to achieve its target on the number of Small Medium Enterprises (SMEs) participating in its hosting activities for Quarter 4. The target for the quarter under review was not met due to most hosting activities cancelled in March, as a result of the COVID-19 outbreak. However, the overall annual target was exceeded due to the focus on increasing the number of provinces featured per hosting and for each province with a minimum of one SME product/experience featured.

Programme 4: Business Events

Total Targets set	7
Targets achieved	3
Targets not achieved	4
Budget allocated	R180 068 million
Budget spent	R178 855 million (99%)

As can be seen from the table above, the Entity only achieved three (43%) of its planned seven targets but spent 99% of its budget for the programme.

The Entity reports that it was not able to achieve its quarterly target on the number of qualified leads generated. This was as a result of the effect of COVID-19 on the business events space. However, the overall annual target was achieved, with 388 leads generated versus the 345 targeted. The target on the number of business events and delegates hosted was exceeded. This was one of the targets highlighted by the previous Auditor-General's report, where the Entity was required to provide evidence of the accuracy on the number of events and delegates hosted.

The target on the number of meetings held at Meetings Africa 2020 was not achieved, due to non-attendance of certain delegates resulting from the outbreak of COVID-19. The target on the number of meetings held at Indaba 2019 was also not met, resulting from date changes and reduction in the number of exhibitors and buyers who attended the event.

Programme 5: Tourist Experience

Total Targets set	4
Targets achieved	1
Targets not achieved	3
Budget allocated	R102 031 million
Budget spent	R77 021 million (75%)

As can be seen from the table above, the Entity only achieved one (25%) of its planned four targets and spent 75% of its budget for the programme.

Performance under this programme, specifically on grading, has posed a challenge for the Entity over the past three years, with it consistently failing to meet its targets relating to this indicator. The key challenge has been increasing the number of graded establishments and, in turn, graded rooms. Both the quarterly and annual targets for grading were not met as a result of cancellations, lack of demand and affordability of grading fees. In both Quarter 2 and 3 of the 2019/20 financial year, the Entity did not meet its targets for grading. In Quarter 4, against a target of 1 496, the Grading Council was only able to grade 1 187 accommodation establishments. This in turn affected meeting the target for the number of graded rooms.

The Entity was unable to meet its Quarter 4 target on training officials on the Welcome campaign, as a result of the COVID-19 pandemic. The training was scheduled for mid-March. The project focusses on building the capacity of officials at prioritised touchpoints to deliver service excellence. The Entity has partnered with the Department of Home Affairs, other departments involved in land border operations and Airports Company South Africa (ACSA), with the aim of enhancing visitors' experience at ports of entry into the country.[11]

4. FINANCIAL PERFORMANCE

As can be seen from Table 1 below, the Entity has spent R1 435 727 billion (96%) of its budget of R1 498 298 billion for the 2019/20 financial year. Yet, to date, the Entity has only managed to achieve 54% of set targets. There is a discrepancy in the calculations, under column five for programmes three and five, for the percentages of expenditure on total budget.

Table 1: Expenditure Review per Programme

Programme	Budget (R'000)	Expenditure Forecast by 31 March 2020 (R'000)	Actual Expenditure (R'000)	% of Expenditure on total budget	% of expenditure versus forecasted expenditure to date	Reasons for Variances
Corporate Support	130 023	130 023	152 190	117%	117%	Unrealised Forex gains

[11] SAT APP, 2019/20

Programme	Budget (R'000)	Expenditure Forecast by 31 March 2020 (R'000)	Actual Expenditure (R'000)	% of Expenditure on total budget	% of expenditure versus forecasted expenditure to date	Reasons for Variances
Business Enablement	80 730	80 730	79 059	98%	98%	Halted projects due to COVID-19, resultant contribution toward Tourism Relief Fund
Leisure Tourism Marketing	1 005 446	1 029 916	948 603	94%	92%	Halted projects due to COVID-19, resultant contribution toward Tourism Relief Fund
Business Events	180 068	180 068	178 855	99%	99%	Halted projects due to COVID-19, resultant contribution toward Tourism Relief Fund
Visitor Experience	102 031	77 561	77 021	75%	99%	Halted projects due to COVID-19, resultant contribution toward Tourism Relief Fund
Total	**1 498 298**	**1 498 298**	**1 435 727**	**96%**	**96%**	Halted projects due to COVID-19, resultant contribution toward Tourism Relief Fund

Source: South African Tourism Quarter 4, 2019/20

5. ISSUES FOR CONSIDERATION BY THE COMMITTEE

•	The opportunity to provide inputs for the Tourism Recovery Plan closed on 15 August 2020. What is the next step (e.g. action plan) and the timelines?
•	The Entity has spent R1 435 727 billion (96%) of its budget of R1 498 298 billion for the 2019/20 financial year. Yet, to date, it has only managed to achieve 54% of set targets. Is this a reflection of the Entity's capacity to spend allocated funds effectively?
•	The World Travel and Tourism Council (WTTC) has developed a '*Safe Travels Stamp'*, which will allow travel to recognised governments and companies around the world which have adopted health and hygiene global standardised protocols. Eligible companies in the industry will be able to use the stamp once the health and hygiene protocols, outlined by WTTC, have been implemented. The stamp is based on self-assessment and does not constitute certification. In South Africa, Stellenbosch and the V&A Waterfront are some of the products that have received this stamp. How is the Entity capitalising on this recognition to promote domestic tourism travel?
•	The industry-designed tourism protocols have received the World Travel and Tourism Council's (WTTC) stamp of approval. The approval further gave TBCSA issuing rights for the WTTC Safe Travels stamp within South Africa. Can SAT advise if the issuing by TBCSA will only be restricted to its members or extended to non-members? What role is SAT playing in facilitating this process for enterprises based in rural spaces?
•	Stellenbosch is reported to be the first destination to have received the WTTC safe travels stamp of approval, attesting to its safety as a travel destination during the pandemic. What is SAT's role in facilitating this for other destinations in the country or does the responsibility for recognition lie with the relevant provincial destination marketing organisations or department?

•	*"Restaurants are open but do we want to eat there?"* - this headline has been popular across various media platforms. How is SAT, and its provincial counterparts, addressing or responding to consumer fears, especially in view of proposals to increase domestic spend?
•	The African Tourism Board (ATB) is advocating for intra-African travel towards the recovery of the Continent. How is SAT engaging with regional partners, both public and private stakeholders, to advocate for intra-African travel and tap into the opportunities presented by these markets towards recovery?
•	There is always an opportunity with crisis: - Covid-19 has placed a challenge to Africa, specifically on two areas – domestic tourism and accessibility (visa regime/air access). Domestic tourism is being touted as one of the routes for recovery. However, in South Africa investment towards this market cannot be compared to the level of investment towards the international inbound market. How is domestic tourism development being re-imagined by SAT and how has the private sector responded to re-packaging its offerings for this market? - East Africa has a single entry visa for foreigners visiting Kenya, Rwanda and Uganda. In Europe, the Schengen visa covers over 26 countries, allowing visitors to travel throughout the area with one visa. What discussions or studies has SAT embarked upon with its counterparts, on the feasibility of a similar approach for inter-regional travel?

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