

INSPIRING NEW GROWTH IN TOURISM

*An interview with **Derek Hanekom***

Derek Hanekom, South Africa's minister of tourism since May 2014, is committed to harnessing the potential of tourism to transform the lives of people, and to achieving positive transformation in the sector.

BEN TUROK: What was your reaction to becoming the minister of tourism after ten years in the department of science and technology (DST)?

DEREK HANEKOM: I enjoyed the DST. It was very stimulating, covering areas I'm really interested in. It also has very well established institutions in the HSRC [Human Sciences Research Council], National Research Foundation, CSIR [Council of Scientific and Industrial Research]. There's maturity in the system.

This portfolio is very different and exciting. Here we're dealing with one of the main – and probably underestimated – sectors of the economy, with an incredibly good record over the last twenty years. Five years ago, tourism became a stand-alone department. Before that, it was a sort of stepchild of the department of environmental and tourism (DEAT). We will have to carefully examine whether it has grown in the right direction and whether there is overlap in activity between it and South African Tourism.

Unlike the seven large entities that report to DST, there's only one primary entity in the tourism sector, which is SA Tourism. They do the branding and marketing to bring tourists and tour operators to South Africa. It is critical to what has to be done in tourism.



We're looking at an estimated 9 percent contribution the GDP, including both direct and indirect. Direct jobs: 610 000. Indirect, the estimate is 1.4 million jobs. More people are employed in tourism than in mining: we tend to ignore that.

BT: How is SA Tourism funded? Does it make a profit?

DH: No. At this stage, it gets about R900 million from the state and about R100 million from a voluntary levy paid by establishments. Interestingly, all parties are saying that they would like to see it better funded. They have brought value.

BT: It's a subsidy to the private sector.

DH: No. It's a subsidy to promote a very

important sector in the economy. Who benefits when you create jobs? Who benefits when the economy grows? It's the objective of the state to grow the economy and maximise job creation.

In the run-up to the 2010 World Cup, the DTI [department of trade and industry] did subsidise the private sector directly with incentives, in the name of "helping to grow the sector". It was a few hundred million rand per annum, and too much went to single institutions that were already wealthy – they don't need to be subsidised to respond to increased demand. That programme has been withdrawn and transferred to us over the last few years. We are redesigning it to be more targeted. Our criteria look at the sector BEE code of conduct and others, specifically to retrofit to become more energy efficient, more disability friendly. Then we'll take it from there.

The greatest number of tourist arrivals in South Africa, by the narrow definition of spending at least 24 hours, is from Zimbabwe. But they're not going to stay at a guesthouse. They're shopping or looking for a job or connecting with a relative somewhere. That doesn't mean that African tourists to South Africa aren't adding to the economy. They are – especially from longer distances, like Nigeria. We have established an office in Lagos and will very soon open offices in Angola and Kenya.

For the long-haul arrivals, the UK is



Minister of tourism,
Derek Hanekom.

number one, the USA number two, Germany number three, China now number four and growing. Over the last five years, Chinese arrivals to South Africa have grown by 235 percent. There is a massive growth of outward-bound tourists from China. If we can catch even 1 percent of that wave, they would be number one. We have offices in Australia, China, France, Germany, India, Italy, Japan, Netherlands, the UK and the USA. We've just opened one in Brazil. That's what SA Tourism does.

BT: What does the department do?

DH: We've expanded into other areas that are contained in the new Tourism Act [of 2014]. The regulatory functions are quite critical. There's a grading council that is established by the minister, so that you know that the place you're going is really four-star or five-star. The department remains the accounting authority for SA Tourism itself. There's a broad-based black economic empowerment (BBBEE) council. And then it has EPWP [Extended Public Works Programme] projects, which I believe is very important.

BT: Is there corruption in your sector? South African Tourism, for example – is it corrupt?

DH: No, it isn't. Has there ever been corruption there? Yes, there has, and it has been acted upon.

The national department of tourism may lack the energy and creativity that it needs. That could be one criticism. But there's zero corruption, I can assure you. If it happens it will be found. The systems are tight. SA Tourism the same: very well managed, people with integrity in senior management and on the board. One board member was recently found guilty of corruption – not of SA Tourism money, but prior to his appointment. He subsequently resigned from the board. The government side of it is clean at the national level.

FAIR TOURISM

BT: When my wife Mary and I went for a holiday at Coffee Bay, we asked what the hotel bought locally. The manager said, "Nothing. Only labour." "Not tomatoes or anything?" "No, everything comes from Joburg or Mthatha." I said that, if I were the minister, I would take his

liquor licence away if he didn't procure locally. What would you do?

DH: Well, I wouldn't go as far as Ben Turok and threaten him! (laughter) But you're absolutely right. In the next five years, I'm going to put a lot of emphasis on tourism that is responsible in a variety of ways. The question is: how much of a premium does this cost? How can the guy in Coffee Bay be incentivised to do local procurement?

BT: The Mthatha River is perennial, with lots of water. Why can't the hotel set up its own vegetable patch instead of bringing everything in by road?

DH: That should make economic sense. And the question is: if it's so obvious, why aren't they doing it?

BT: It's not difficult!

DH: These things can be done. Whether you can decree it? I don't think so.

Many establishments are getting "fair trade" accreditation through an important non-profit organisation called Fair Trade Tourism (FTT). They have to do a lot of things, including local procurement. It's very rigorous. But fair trade is not just about local procurement. >>



Environmental sensitivity, better labour practices within institutions: those are all components. The Voortrekker Monument is FTT-accredited and they take pride in it. Tourists are increasingly looking for environmental and community sensitivity, and they want to include community visits in their programmes.

By international comparison, we have a very high return-visitor rate. Why? Because they had a good experience. Cape Town and the Kruger National Park are probably our biggest single attractors. Robben Island is iconic, but we've already lost the magic moment. The minister of tourism is not directly responsible, but it's in my interest that the minister of arts and culture fixes up the place to make it "a memorable experience" – to use one of the buzzwords in tourism. We've got eight World Heritage Sites in South Africa. We've got wildlife, beaches, 3 000 kilometres of coastline. It's in our interest to ensure that our key attractions are enhanced. Where do we spend our limited money?



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You must make Johannesburg a better experience. People must want to spend a couple of days there. They must want to go to Maropeng [the Cradle of Humankind], one of the World Heritage Sites. Have you been? It's not bad, but it must be a "must-do" thing. A place like Vredefort, which is the meteor impact site, depends on information: there's nothing spectacular to see. And

Mapungubwe in Limpopo – how well is that story told?

EXTENDED PUBLIC WORKS PROGRAMMES

The botanical gardens are doing well: Kirstenbosch, Walter Sisulu, Harold Porter. Well managed, beautiful – and they've all had EPWP projects, such as the new Boomslang canopy walk at Kirstenbosch. SANParks [South African National Parks] has done incredibly well on EPWP projects, and we can complement the DEA [department of environmental affairs] experience with Working for Water.

Typically, there are two components. An EPWP project lasts about three months, and something is constructed by full-time EPWP builders. EPWP is normally meant for short-term, low-risk infrastructure projects that will enhance tourism, like the Boomslang or a little bird-watching site on a wetland or helping a municipality to refurbish their local caravan park. I think it's being driven quite well.

Then you've got the community works programme (CWP). For example, Blue Flag Awards are given for the cleanliness of beaches and the protection of marine resources. The 60-odd Blue Flag destinations have a community-works type of proposal, where four people will be permanently working three days a week, assisting with clean-up, etc.

We made a strong pledge in our [ANC 2014 election] manifesto that we're going to expand EPWP massively. Six million job opportunities. It's a big target, but I'm going to take it seriously. If we do it, we can improve our tourism sector. There are many things we can do under the EPWP projects.

The higher-risk side is business support. A community approaches us and says, "Look, we've got this little tourism facility. We want to put in extra rooms, a little conference centre or restaurant." Then we do an assessment of what it's going to cost – say 10 or

20 million rand – and we do it. The problem is that it is not a bird-viewing site, it is a business. Unless they are ready to manage that business, the money we spend will serve no purpose. We can't just spend it taxpayers' money irresponsibly. We have to feel comfortable that it's going to be sustainable. I've inherited all of this and I can see that lots of them are going to collapse.

BT: Because the business plan is no good?

DH: Or we just agreed to it without even a business plan. Fortunately, I've had experience in these types of projects, in what works and doesn't work. Nobody has the final wisdom and sometimes a project will surprise, but generally there are bottom-line things that you want in place. In a community that really has no experience in running a business, probably the best for them is to partner with someone.

THE CASE FOR GAME FARMS

BT: What is your attitude to game farms? It's a bit problematic.

DH: (laughing) Well, you've revealed your attitude about it! I don't think it's properly understood and appreciated by many people. Why do you think it's problematic?

BT: Some years ago, Mary and I drove right through KwaZulu-Natal and the old Transvaal. We saw a lot of land that could be used for agriculture being used for game farming. Is that a good idea?

DH: Most of the game farming does not occur on high-potential agricultural land. It's land where the choice would be between stocking it with livestock – cattle, sheep, goats – or with game.

BT: What's the advantage of game farms?

DH: Far more jobs are created than in livestock farming, which is not employment-intensive. Adjacent to the Kruger National Park, there are three major private game reserves in the

Sabi Sand Reserve. They have become major attractions. That was all cattle farming before.

BT: What sort of jobs?

DH: If it is a big tourist operation, then it's the same as any other hotel. There are waiters, cleaners, chefs and so forth. Even the smaller places that farm game for hunting employ more people than they would for livestock.



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Secondly, from an environmental point of view, every country should have a certain amount of land set aside for conservation. There are general benchmarks for how much land should be set aside to ensure that you are managing your natural resources, wildlife, fynbos or what have you. That's why we have national parks and private nature reserves.

Finally – and this is never really taken into account – the protein offtake per hectare is higher in game farming. In Namibia, where they do large-scale game farming, you find kudu and gemsbok meat next to the beef at

the butchery. Cattle only graze. Once you've got multiple species, you've got browsers and grazers. The kudu and the gemsbok are eating more than just grass. Giraffe eat leaves up high that no other animal possibly could, so they're converting those leaves into meat, if you eat the giraffe.

BT: You're saying these game farms slaughter the animals?

DH: Of course. Even with the hunted animals, the carcass is not thrown away. Sometimes it's sold or made available to the local community or eaten by the workers. Some are taken to abattoirs. There's nothing inherently wrong with it – and all kinds of advantages.

PROUDLY SOUTH AFRICAN

BT: In the south of France, you'll find hotels on beaches that have been privatised so the ordinary public cannot go. Are there any pressures for South Africa to do the same?

DH: Beach access for a beach hotel is perfectly fine. A private beach that excludes the public, I would be massively opposed to.

BT: Taking the tourism industry as a whole: to what degree is it owned by foreigners?

DH: The majority of our guesthouses and hotels are actually SMMEs [small, medium and micro enterprises]. Of the bigger hotels, like the Mount Nelson or Cape Grace in Cape Town, most are locally owned, but many are foreign-owned. I just don't have the statistics. A lot of wine farms and private property are foreign-owned, but I don't particularly care about it.

The Protea Hotels were purchased by [US-owned] Marriott in 2014. There's a good side to it. They invested \$2 billion. It was an expression of confidence in our economy just when we needed it, and it becomes part of their international market. Someone like Richard Branson who happens to own a game lodge will attract visitors to it because it's his. >>



South Beach, Durban, KwaZulu-Natal.

BT: I ask because the question of local ownership does arise in other industries, like mining, for instance.

DH: I've not heard it come up as a major issue. The bigger issue is the very low entry rate of black people as owners of guesthouses, hotels, etc.

BT: Because they don't have the capital?

DH: Even when it's a relatively low capital cost – say, to purchase a guesthouse – the return is also very low. Consequently, it's not really an attractive investment for black people who do have the money. So you hear people saying it's "untransformed", and it is. Something we can do is to invest much more in training and skills development. Once you've got black hotel managers – and that's already transforming, by the way – they're much more likely to be the hotel or guesthouse purchaser tomorrow.

TOURISM IN THE ECONOMY

DH: Tourism is one of our gems. I think it's an under-acknowledged

sector. Its contribution to the economy over the past twenty years has grown substantially, and there are very high multiplier effects because of the purchasing, procurement, car rentals and flights and other things associated with travel. Let me give you a few figures. At the moment, we're looking at an estimated 9 percent contribution the GDP, including both direct and indirect. Direct jobs, according to Statistics South Africa: 610 000. Indirect, the estimate is 1.4 million jobs. The annual growth in tourist arrivals in South Africa has been 7.4 percent. In 1994, we had 3.6 million. In 2012, we had close to 10 million. It has also outgrown some of the other sectors in the economy over a long period. More people are employed in tourism than in mining; we tend to ignore that.

It's also quite a vulnerable sector. The challenges we face at the moment are things like Ebola that can have a devastating effect. Visitors will just cancel their trips, so we've got to be saying constantly, "We're not affected by Ebola, come visit our beautiful country".

The new regulations [for tourist visas] from the department of home affairs are having a negative effect. People are cancelling their tours because we're making it more difficult for them to come to South Africa. While completely supporting the implementation of the key mandate of the department of home affairs – they have to safeguard our country's interests, they have to be part of an international effort to combat child trafficking, etc. – there must be better ways of doing it. Ebola's out of our control, and we know that many trips have been cancelled because of Ebola, but visas are under our control.

BT: Are you able to raise this in the cabinet?

DH: We've had a direct discussion with the minister of home affairs. We've made some advances, but clearly we need more flexibility. We've just got to have better alignment between what home affairs does and what is critical to a growth sector in our economy. [NA](#)