



destea

department of
economic, small business development,
tourism and environmental affairs
FREE STATE PROVINCE

RESEARCH PLATFORM: PROVINCIAL RESEARCH ADVISORY COMMITTEE (PRAC) ROUNDTABLE DISCUSSION

QUARTER 4: 2020/2021 REPORT

**ANALYSING THE IMPACT OF COVID-19 ON FREE STATE
TOURISM**

INTEGRATED ECONOMIC DEVELOPMENT CHIEF DIRECTORATE

ECONOMIC RESEARCH DIRECTORATE

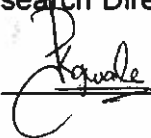
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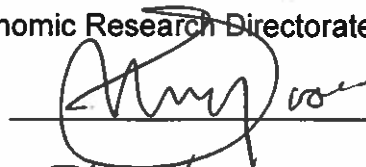
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Table of Contents

1. Introduction3

2. Presentations and Discussions4

3. Conclusion and Recommendations.....6

4. Annexure A9

1. Introduction

The Economic Research Directorate convened the virtual Provincial Research Advisory Committee (PRAC) Roundtable Discussion on 12 March 2021. This PRAC meeting for Quarter 4 2020/2021 focused on analysing the impact of the Covid-19 pandemic on the provincial tourism industry. The meeting's purpose was to develop collaborative solutions towards an increased tourism market share for the Free State province.

In adherence to covid-19 regulations, the meeting was convened virtually using Microsoft Teams as the meeting platform. Knowledgeable speakers with expertise in issues pertaining to the economy were invited to make presentations. These speakers included representatives from both the private and public sectors.¹ Presentations were made on the overall effect of the pandemic on the tourism industry, the impact on provincial tour guides, and the impact on accommodation, as well as government's support to the local tourism industry.

Destea's Acting Chief Director for Integrated Economic Development (ACD: IED) gave welcoming remarks to the audience. In his welcoming input the ACD explained that prior to the pandemic the Free State province had already been faced with various economic challenges ranging from the global recession of 2009. These economic woes have been further exacerbated by the effects of Covid-19. The tourism sector has been among the hardest hit. The negative effects on the sector have trickled down to others throughout the economy as tourism lends itself to a multitude of industries. Government, in an attempt to assist, has rolled out a number of incentive schemes to assist affected businesses. The department recognises the importance of research in its raw and unfiltered state to further inform evidence-based decision making. Research platforms such as PRAC encourage informed and robust engagements which will assist the Province in attaining inclusive economic growth.

¹ The complete attendance register is appended hereto as "Annexure A"

2. Presentations² and Discussions

Mr. M. Theron from Urban-Econ Development Economists gave a presentation titled *The Impact of Covid-19 on Free State Tourism's Contribution to Employment and GDP*. The presentation offered a brief overview of the findings of a recent study conducted on behalf of the Free State Gambling, Tourism and Liquor Authority (FSGTLA). The study surveyed over 160 stakeholders offering varying tourism products ranging from accommodation establishments to restaurants and tourism events from all five Free State districts. The majority of surveyed stakeholders cited that their revenue had declined by over 50% from April to July 2020. This decreased turnover left stakeholders unable to pay salaries, forcing many to reduce staff working hours while others were forced to retrench staff. Most of the surveyed stakeholders expressed that despite the various funding incentives offered by government, there was an overall reluctance to apply. The main reason cited for this was the cumbersome nature of the application process. However of those who did apply 48% were successful.

Mr. A. Mkabane from Beyond Infinity Travel gave a presentation on the impact of the pandemic on Free State tour guides. Mkabane explained that tour guiding is an important part of the tourism value chain as trained tour guides possess invaluable knowledge on various tourism products creating enjoyable experience for tourists visiting the province. With their expertise they are able to organise itineraries and schedule activities in an effective way. Tour guides are generally divided into two groups; full time tour guides and freelance tour guides. The effects of the pandemic were felt mostly by freelance tour guides as they are unable to receive the benefits of permanently employed tour guides. The Free State currently has 108 qualified tour guides. Of these, 40 are currently active tour guides while the remainder have not renewed their membership. During the period of the pandemic 16 Free State tour guides have received grants from the government.

The Federated Hospitality Association of Southern Africa's (FEDHASA) Free State representative, Mr. P. van Rooyen, made a presentation on the pandemic's impact on provincial accommodation establishments. Most tourist accommodation

² The presentations are accessible on the Destea website by following the link: http://www.destea.gov.za/?page_id=1920

establishments were forced to close between 2 and 4 months during the initial phase of the national lockdown. Of these many were able to remain afloat due to existing positive cash flows despite having to reimburse patrons who were no longer able to visit their establishments. Although the country has slowly begun to ease lockdown regulations and lift travel restrictions, uncertainty remains prevalent. In order for tourism accommodation establishments to fully recover and reach pre-pandemic profits, all lockdown restrictions must be lifted. Van Rooyen gave the example of school sporting events which traditionally provide a large influx of tourists from neighbouring provinces. The cancellation of major events such as the Ficksburg Cherry Festival and Macufe have also negatively impacted accommodation establishments. An unfortunate consequence has been the spill over to other industries. Accommodation establishments are major consumers of agricultural products such as eggs; a reduction in patronage results in fewer products purchased from local farmers and thus negatively impacting the agricultural sector. Similar effects can be seen throughout the various economic sectors.

The meeting's final presentation was delivered by Destea Director for Tourism, Ms. M. Mahlatsi. The presentation focussed on government's support to the tourism industry during the Covid-19 pandemic. Informed by the White Paper on the Development and Promotion of Tourism in South Africa it is understood the sector should be "Government led, Private Sector driven and Community based". This necessitates collaboration between various parties in order to create a conducive environment for the sector to thrive. Prior to the Covid-19 pandemic the department, working in conjunction with FSGLTA had encouraged residents of the province to tour the Free State and become ambassadors of the province. Government had also promoted service excellence in the sector through programmes like service excellence awareness and Lilizela Tourism Awards. Product development and marketing of the province as a tourism destination of choice has also remained a priority of the province. This has been done through the promotion of "The Free State's Big Five" routes and government owned resorts and reserves. In efforts to assist tourism stakeholders affected by the Covid-19 pandemic, a number of financial and non-financial assistance opportunities have been availed. Some of the assistance opportunities administered by Destea include:

- The Provincial Relief Fund

- The Enterprise Development Fund (Risk sharing)
- DESTEA Tourism's capacity building programmes
- DESTEA Tourism market access platforms

The National Department of Tourism also provides a number of assistance opportunities such as the Tourism Equity Fund (TEF) and the Tourism Covid-19 Relief Fund.

3. Conclusion and Recommendations

Tourism is one of the most important sectors in the economy serving as the 'lifeblood' for many micro and small enterprises and creating employment opportunities for otherwise marginalised groups. The unprecedented crisis caused by the Covid-19 pandemic has impacted the sector at a disproportionate rate. The initial hard lockdown period brought the sector to a complete halt resulting in a loss of revenue and employment. This in turn affected many other economic sectors, such as agriculture and transport, which feed off the tourism sector. As lockdown restrictions have slowly begun to ease, the sector has also begun to regain momentum. Despite this, there remains an urgent need to continue supporting the industry and to plan for long-term recovery.

Government has availed a number of assistance opportunities to the sector, both financial and non-financial. There however seems to be a reluctance from tourism stakeholders to apply for these opportunities. One of the main reasons cited for this is the cumbersome and time consuming nature of the application process. It is important that the application process is made as accessible and efficient as possible to all tourism stakeholders. Although the digitisation of the application processes is necessary, it is equally important to make the process accessible to smaller enterprises who may not have access to digital technology. For these enterprises, one of the considerations that can be made is to avail field workers to go into communities and assist with on-site applications. Another challenge experienced by SMMEs in tourism is that they are excluded based on their company size and project value. As an example, the National Department of Tourism working together with the Small

Enterprise Finance Agency (Sefa) provides the TEF. This fund provides a combination of grant funding, concessionary loans and debt finance to support equity acquisitions as well as new and expansion developments in the tourism sector by black entrepreneurs. The minimum project value for TEF applications is R10 million. This minimum value unfortunately excludes projects of a smaller value. To the contrary, other grants such as the Covid-19 Tourism Relief Fund are geared towards businesses of a smaller size, a once off grant capped at R50 000 per entity. Industry stakeholders prefer the latter grant model as it has a broader reach.

In order to support the provincial tourism sector and develop collaborative solutions towards an increased tourism market share, partnerships and collaborations between state institutions, the private sector, academia and communities are necessary. Institutional Frameworks can be strengthened through forming various provincial tourism working groups. These working groups will ensure that the province has the institutional capacity and alignment to drive tourism in the Free State in a manner that seeks to achieve the recovery of this economic sector and other strategic goals and objectives. Working groups can include:

- a Marketing, Research and Information Working Group with FSGLTA, Destea Economic Research, Destea Communication & ICT and Academia
- a Product Development and Infrastructure Working Group with the Department of Cooperative Governance and Traditional Affairs (COGTA), South African Local Government Association (SALGA), Municipalities, Department of Sport, Arts, Culture and Recreation (DSACR), Department of Public Works (DPW), Department of Agriculture & Rural Development (DARD), Department of Treasury, Free State Development Corporation (FDC), Water authorities, CENTLEC, Eskom and Tourism Associations
- a Human Capital Development Working Group with Culture, Arts, Tourism, Hospitality and Sport Sector Education and Training Authority (CATHSSETA), Academia, Department of Education and Small Enterprise Development Agency (Seda)
- a Safety and Security Working Group with Tour guides associations, South African Police Service (SAPS), Department of Police, Roads & Transport (DPRT) and the Department of Home Affairs (DHA) and;

- a Transformation Working Group led by Destea, Development Finance Institutions (DFIs) and the Department of Treasury

4. Annexure A

	Name	Organisation/Institution
1.	Tshepiso Leshaba	Destea
2.	Marius Theron	Urban-Econ
3.	Beaula Kruger	Destea
4.	Tshepi Sepenyane	Provincial Treasury
5.	Ace Mkabane	Beyond Infinity Travel
6.	Jonas Mosia	Destea
7.	Puleng van Wyk	Dep of Agriculture & Rural Development
8.	Palesa Kgwale	Destea
9.	Silindisipho Belot	Destea
10.	Abram Jansen	Destea
11.	Mapula Kemeng	Landbank
12.	Pieter van Rooyen	FEDHASA
13.	Tiisetso Makhele	Destea
14.	Dean Smook	Urban-Econ
15.	Tsehoa Mahlatsi	Destea
16.	Peterson Molukanelo	FDC
17.	Chanel Barnard	Urban-Econ
18.	Boitumelo Dithebe	NYDA
19.	Themba Guma	Statistics SA
20.	Mokhethi Matee	FDC
21.	Akhona Phitsane	Destea
22.	Tefo Lekutle	Destea
23.	Lizzy Moses	SALGA
24.	Collen Maseko	SALGA
25.	Elana Theunissen	Urban-Econ
26.	Larona Tsikwe	Motheo TVET College
27.	Pilot Nchabeleng	Dep of Agriculture & Rural Development