NATIONAL ASSEMBLY
QUESTION FOR WRITTEN REPLY
QUESTION NUMBER: 773 [NW975E]

773. Mr M S F de Freitas (DA) to ask the Minister of Finance:

(1) Whether he took into consideration the (a) short-, (b) medium- and (c) long-term implications for the tourism sector when he made his announcement on 24 April 2020; if not, why not; if so, what (i) are the implications in each specified case, (ii) fund will he remove from the Tourism budget and (iii) criteria did he apply to slash the budget;

(2) what steps will the National Treasury take to ensure that the tourism sector is not decimated by the time the sector can return to operate?

NW975E

REPLY:

1. On 24 April 2020, the Minister of Finance outlined a R500 billion economic support package in fiscal and monetary policy interventions to be implemented in the immediate, short-run with long-run sustainability. In terms of this, the Minister outlined that the fiscal response is characterised through five key components and provided the sequential order of interventions which involve (i) the scaling up of efforts to deal with the immediate effects of the pandemic, characterised through an extraordinary health budget (ii) substantial increase of social relief measures for the distressed (iii) rollout of an extensive set of tax relief and support for workers (iv) phased re-opening of the economy (v) supportive monetary and financial market measures -

(i)

(a) the immediate aftermath of the CoVID-19 pandemic had huge implications for the tourism sector, with many countries going into lockdown and imposing travel restrictions, this meant domestic and international tourism had been suspended in response to the pandemic, the contraction in activity triggered an unprecedented crisis in the tourism sector;

(b) as part of the short-term relief measures to support the tourism sector, the Department of Tourism, with the approval of the National Treasury, introduced the Tourism Relief Fund to provide once-off capped grant assistance to eligible small micro and medium sized enterprises in the tourism value chain to ensure their sustainability during and post the implementation of government measures to curb the spread of CoVID-19 in South Africa. Categories eligible to apply for the Tourism Relief Fund include, accommodation establishments, hospitality and related services, travel and related services. The Fund has been launched in collaboration with the Department of Tourism, South African Tourism (SAT) and the Tourism Business Council of South Africa (TBCSA) through a 50:50 co-financing arrangement. To this end, the Department of Tourism has contributed R100 million, while SAT/TBCSA contributed the remaining R100 million used to capitalise the Fund. The R200 million funding facility is administered by SAT, using a qualification criteria and selection process set by the Department of Tourism. Beneficiaries of the fund are geographically spread across the nine provinces; and

(c) to support the recovery of the tourism sector, the Tourism Relief Fund may be extended as part of upscaled measures expected to be detailed in a tourism sector recovery plan currently being developed by the Department of Tourism.

(ii) The South African Tourism carries out tourism marketing activities both domestic and international, with many countries going into lockdown and implementing stringent measures to curtail the spread of the CoVID-19 virus globally, the marketing activities of the entity have been significantly scaled down in the immediate, short term. Currently, domestic and international travel as well as interprovincial movement remains prohibited except for people that are travelling for the purposes of work or under specific provisions stipulated in the legislation. According to the Tourism Business Council of South Africa, the domestic tourism industry is only expected to pick up activity in September 2020 due to the gradual easing of regulation on domestic and international travel. Even with that, tourism is only expected to regain about 50 per cent of the pre-CoVID-19 activity levels. This in large will also depend on the trajectory of the pandemic. For the moment, the entity will not be able to spend a significant portion of their allocated budget for 2020/21. To this end, during the recent tabling of the 2020 Special Adjustment Budget, allocations to the South African Tourism had been adjusted downward from R1.304 billion to R438.306 million for 2020/21 fiscal year. In addition, R134 million has been suspended from among others, the tourism incentive programme, destination development and tourism sector support services, bring the total reduction to R1 billion for 2020/21 fiscal year.

(iii) In funding some of the stimulus package, government committed to redirect R130 billion within the current budget. As such, departments were required to identify programmes/activities that could be temporarily suspended without negatively affecting the longevity of those programmes. In this respect, government was able to free up R109 billion from the 2020/21 Budget by removing underspent funds, delaying some departmental projects to 2021/22, and by suspending allocations to programmes with a history of poor performance.

2. Guided by the Tourism Sector Recovery Plan currently being developed by the Department of Tourism, the National Treasury will need to consider the fiscal implications of the plan for the 2020 Medium Term Budget Policy Statement and their possible inclusion in the tabling of additional budget adjustments at the time.