

# Tourism Businesses in Distress Special Tourism MIPTECH Meeting

## 25 JANUARY 2021

broadening horizons



**tourism**

Department:  
Tourism  
REPUBLIC OF SOUTH AFRICA



- **Selection Criteria for Distressed Tourism Establishment**
- **Virtual Engagements with Stakeholders**
- **Pipeline of Distressed High Impact Projects**
- **Way Forward**



# Selection Criteria for Distressed High Impact Tourism Projects (I)

- **(Nov 2020)** Department of Tourism developed the selection criteria for distressed high impact tourism establishments (commercial ventures) requiring equity partners with the following key attributes:
  - Prioritise underdeveloped areas with high tourism potential located near one or more core attraction(s) [Ensuring equitable tourism development in Villages, Townships, Small Towns & Dorpies (VTSDs) to boost domestic tourism]
  - Ensure that the selected projects do not have fundamental problems such as dispute on ownership, unresolved land claims, etc., which are likely to undermine investor confidence in South Africa as an tourism investment destination.
  - Critical/strategic infrastructure such as airports, access roads, telecommunication network, etc. - in place or planned for, including compliance with regulations and legislation – SALA, WULA, SPLUMA, NEMA, etc.).
  - Letter of intent from the seller (or between the seller and the buyer).
    - Current ownership arrangement including project finance structure in place, i.e. what does the project owner want from the investor (equity, outright sale or management contract arrangement).
  - Anchor Project - Economic Impact from the forward and backward linkages perspective, i.e. multiplier effects. **[Project owner]**



# Selection Criteria for Distressed High Impact Tourism Projects (2)

- Occupancy rates in the city/municipality and/or province **[Municipality and Province]**
- Brief description of the accommodation establishment's target market, e.g. business/leisure, domestic/international, government, sports teams, etc. **[Project owner]**
- Hotel Occupancy rates in the past three years including under lockdown. **[Project owner]**
- The number of permanent and temporary jobs likely to be lost if the establishment closes down **[Project owner]**
- Quantification of incentives (financial, fiscal, infrastructure, regulatory, etc. incentives) **[National, Province & Municipality]**
- Mainly projects supported by relevant provincial tourism department and included in IDP of local or district municipality.



# Virtual Engagements with Stakeholders

- **(Dec 2020)** Virtual engagements with stakeholders to source information on distressed high impact tourism establishments from provinces, DFIs, metropolitan councils and tourism business associations, took place on Wednesday, 9 December 2020 with the following outcomes:
  - Selection criteria for distressed high impact tourism establishments was shared with provinces.
  - Provinces agreed to identify distressed high impact tourism establishments and to share the information with the Department in January 2021 (in line with the selection criteria).
  - Awaiting inputs from provinces, (**Progress** – Gauteng and Mpumalanga province have submitted projects, however, these projects are not what we are looking for, they do not meet selection criteria – It is not projects in distressed but greenfield projects or projects with no clear ownership structure, important to note that municipalities, in particular metros do seem to have information related to businesses in distress).



## Virtual Engagements with Stakeholders (2)

- **(January 2021)** Virtual engagements with the TBCSA was held on the 22 January 2021 with the following outcomes:
  - The TBCSA is currently focussing on macro-interventions for the sector rather than establishment specific relief measures but is broadly supportive of the Department establishing a register of businesses in distress



# Pipeline of Distressed High Impact Tourism Establishments

- The Department had interactions with the product owners based on the media monitoring work (news reports), while others approached the Department for assistance.
  - The Department has the following brownfield properties in the Pipeline:
    - Legend Safari & Golf Resort and Hans Merensky Safari & Golf Resort (Limpopo),
    - Fairmont Zimbali Hotel (KZN),
    - Soweto Hotel & Conference Centre (Gauteng),
    - Kruger Shalati – The Train on the Bridge not distressed but require equity partners (Mpumalanga),
    - Wilderness Beach Hotel (Western Cape).
  - South African Consulate General in the United Arab Emirates shared the Zimbali Hotel project summary with an Emirati investor on 26 November 2020. The project summary came from a local project promoter looking for an equity partner to acquire Zimbali Hotel (shortlisted by the Business Rescue Practitioner for Zimbali). No response from the investors (second wave might be the likely cause for the delay).
- 

# Implementation Plan for the ERRP (Monthly Reporting)

- Priority Area 8 – Reviving the Tourism Sector:
  - Investment Focus: Protect the Supply Base through, Market Entry Facilitation Programme to Stimulate Investment(Expected Deliverables within the Next Six Months)
  - **Monthly Milestones:**
    - **November 2020:** Develop a selection criterion for distressed tourism establishments (commercial ventures) to be taken to the market or businesses requiring equity partners.
    - **December 2020:** Virtual engagements with stakeholders to source information on distressed businesses from provinces, DFIs, metropolitan councils and tourism business associations.
    - **January 2021:** Receive submissions on distressed tourism establishments requiring investment or sale & Update the database of distressed tourism businesses requiring intervention.
    - **February 2021:** Assess the state of readiness of projects submitted, i.e. to be taken to the market or investors both domestically and internationally (working with DFIs, Commercial Banks and investors in prioritised source markets for investment).
    - **March & April 2021:** Investment promotion for projects in the pipeline of brownfield projects (distressed or requiring equity partnership for growth).





- The Department of Tourism:
  - Expects to receive submissions on distressed tourism establishments requiring investment (equity partnership) or buyers.
  - To update the database of distressed tourism businesses requiring intervention.
  - To assess the state of readiness of projects submitted, for possible inclusion in the pipeline of distressed high impact projects to be taken to the market or investors.
  - Take the pipeline of (brownfield) distressed projects requiring equity partnership for growth to investors, both domestic and international (investment promotion). The Department works closely with DFIs, commercial banks and investors in prioritised source markets for investment.



**THANK YOU...!!!!**

