

LEVEL 3 IMPACT AND 2021 FORECAST



INDUSTRY IMPACT REPORT
FEBRUARY 2021



*Cape
Town*
TOURISM

As the country heads into 2021 in lockdown level 3 we wanted to understand how business is doing and specifically what the ongoing lockdown impact on it will be.

The objective of this survey is to monitor the impact that the lockdown has had on businesses and to continue highlighting and raising awareness of the catastrophic effect these regulations have had on businesses.

OBJECTIVE: To assess the impact of level 3 lockdown on businesses and to forecast performance under the current lockdown restrictions

METHODOLOGY: Quantitative online survey

FIELDWORK: 11 – 22 January 2021

SAMPLE: 124 tourism industry participants

DISTRIBUTION: Distributed through Cape Town Tourism digital channels

ESTABLISHMENT TYPE

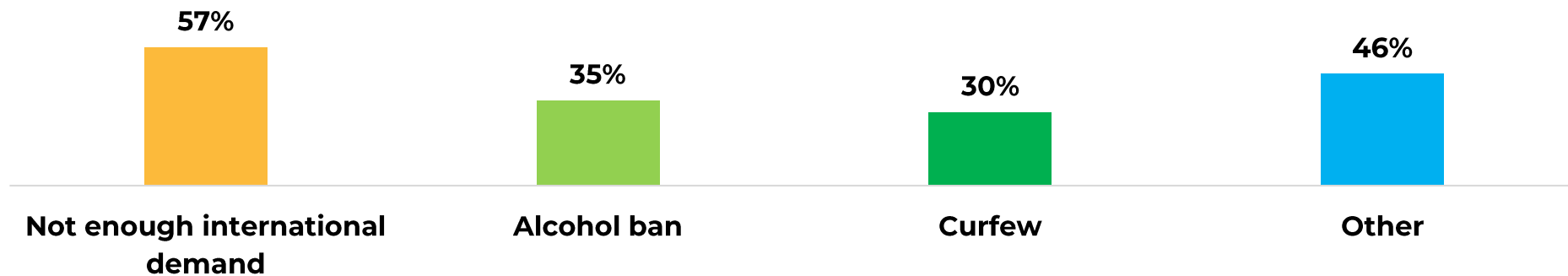
30%	Accommodation	3%	Transport Operator
17%	Tour Operator	3%	Shop or Shopping Centre
3%	Tourist Guide	2%	Conference Venue
10%	Restaurant	0%	Language School
1%	Car Rental	1%	Professional Conference Organiser
13%	Attraction or Activity	1%	Health & Wellness
2%	Wine Estate	13%	Other
1%	Travel Agent		



70% OF BUSINESSES INDICATED
THAT THEY ARE CURRENTLY OPERATING

MOST OF THE BUSINESSES THAT ARE NOT OPERATING ATTRIBUTED IT TO NOT ENOUGH INTERNATIONAL DEMAND (57%)

Why is your business not operating? Multiple Select

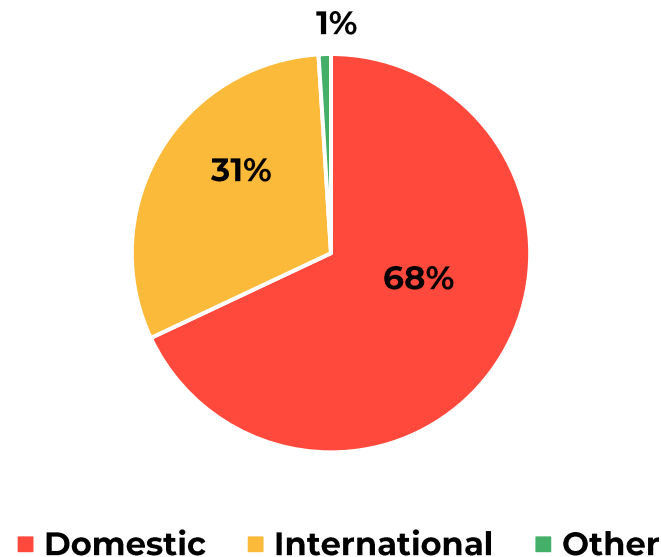


Other includes: banned social gatherings, corporates not travelling, closed beaches, closed for safety of staff and visitors

Many tourism businesses are geared towards catering almost exclusively to international tourists. Without international travel, it has meant that many businesses are not able to operate or have had to close. Other businesses indicated that they were not able to operate due to the alcohol ban (35%), curfew (30%) and other reasons (46%) including the additional restrictions and overall lack of both demand, both from the decreased demand of the international and cash-strapped domestic markets.

AND THOSE THAT STILL OPERATE ARE RELYING ON THE DOMESTIC MARKET (68%) TO KEEP THE DOORS OPEN

What is your current visitor split between domestic and international visitors? Total must add to 100%



Despite most businesses being geared to the international market, only 31% of current visitors have been reported to be international. Businesses are relying on the domestic market (68%) and will need to continue to do so until there is significant international market recovery.



63% OF BUSINESSES HAVE LOST REVENUE AS A
RESULT OF CANCELLATIONS SINCE THE LEVEL 3
ANNOUNCEMENT

THE AVERAGE REVENUE LOSS REPORTED WAS R1.6MILLION

What is the approximate R value loss as a result of the cancellations and the new regulations?

We have not seen South African residents cancel. The ongoing flight bans have seen about R250k cancellations of mostly EU residents period Jan to March (short term cash flow impacted heavily)

- Accommodation

Average R15k a day

- Restaurant

R100 000

- Tour Operator

Almost a million rand and counting

- Accommodation

We hardly have any business, struggle to get locals to book, but the couple of dates we have are not affected.

- Tour Operator

In excess of R20 million

- Tour Operator

Not sure but we have had to cancel up until March

- Tour Operator

We have very few clients. R200 000

- Attraction / Activity

About R50 000

- Accommodation

Millions for the 2020 financial year as all of our conferences were postponed to 2021. The same is happening again and conferences are postponing further.

- Conference Centre

Approximately U\$D 315 820.00 - Incentive in Maputo and Mombasa and Zanzibar

- Tour Operator

2 million down vs last year over mid December to January

- Restaurant

46% OF BUSINESSES SELL ALCOHOL AND ARE DIRECTLY IMPACTED BY THE ALCOHOL BAN

Do you normally sell alcohol at your establishment?



Whilst 46% of businesses are directly impacted by the alcohol restrictions other businesses have also been impacted. The level 3 regulations have impacted the propensity to travel and has made potential visitors more cautious when traveling or planning to go away or participating in any tourism activities.

THE IMPACT ON THE INDUSTRY IS SIGNIFICANT AND WILL NOT ONLY RESULT IN REDUCED REVENUE BUT ALSO FURTHER JOB LOSSES AND IN SOME INSTANCES, PERMANENT CLOSURE

How will the ongoing alcohol ban impact your business?

Basically putting me out of business

- Other

My clients are cancelling marketing contracts due to ban

- Other

Reduce our expected Food and Beverage income by 40%

- Accommodation

Will have to close permanently

- Restaurant

Cancellation of events

- Conference Venue

People are still supporting and booking. Add on sale revenue is obviously wiped out. We are interestingly taking an influx of calls enquiring about "bring your own" - which is prohibited.

-Accommodation

Reduced hours for staff lead to reduced pay, other staff have already been retrenched.

- Accommodation

Negatively - clients have either cancelled or if they live locally, postponed indefinitely till when we can sell once again.

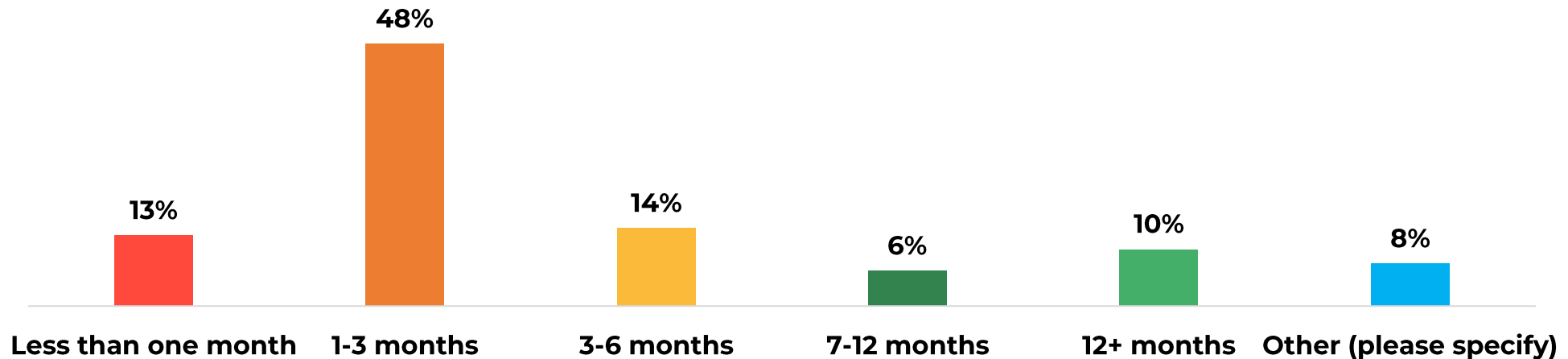
- Attraction or Activity

100% negative impact, people want the choice to drink alcohol or not. It is a big part of our tourism and social industry/culture. My tours value has declined so now experiences prices will need to go down and we will make very little to profit.

- Tour Operator

60% OF BUSINESSES INDICATED THAT THEY COULD OPERATE FOR LESS THAN 3 MONTHS UNDER LOCKDOWN LEVEL 3*

How long can your business operate under the current regulations?



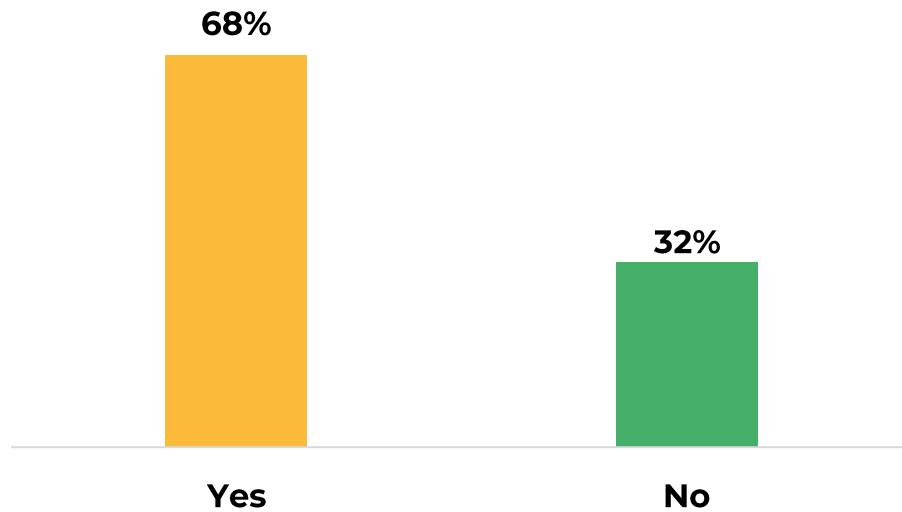
Other: Businesses indicated that they didn't know how long they could operate for, or that their overheads were very low/non-existent so they will wait it out and only operate when they have bookings

13% of businesses indicated that they would survive less than one month and only 16% of businesses indicated that they would be able to operate for longer than 6 months under the current conditions.

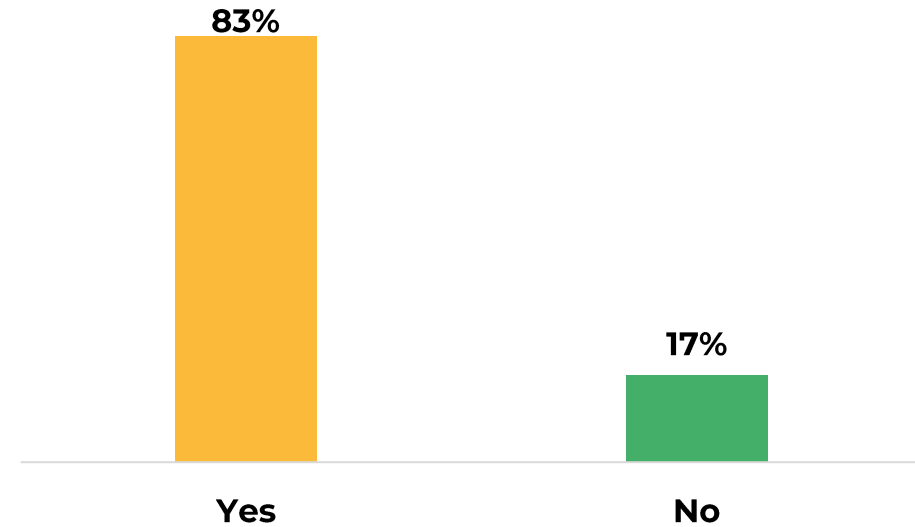
n = 77

68% OF BUSINESS HAVE ALREADY LET STAFF GO AND
83% HAVE IMPLEMENTED PAY CUTS

Have you had to let staff go?



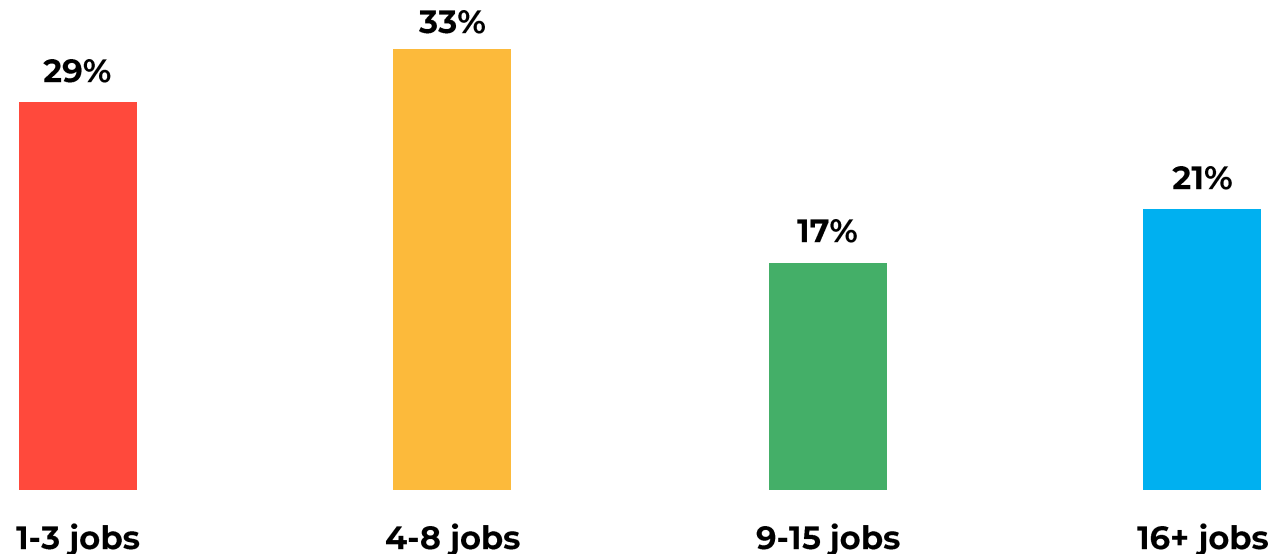
Have you had to implement pay cuts?



Only 32% and 17% haven't had to let staff go or implement pay cuts - yet another indicator of the impact on the sector and how businesses have had to cut back in an effort to try and keep the doors open.

38% OF BUSINESSES TERMINATED BETWEEN 9-16+ JOBS SINCE THE START OF THE LOCKDOWN LEVEL 3

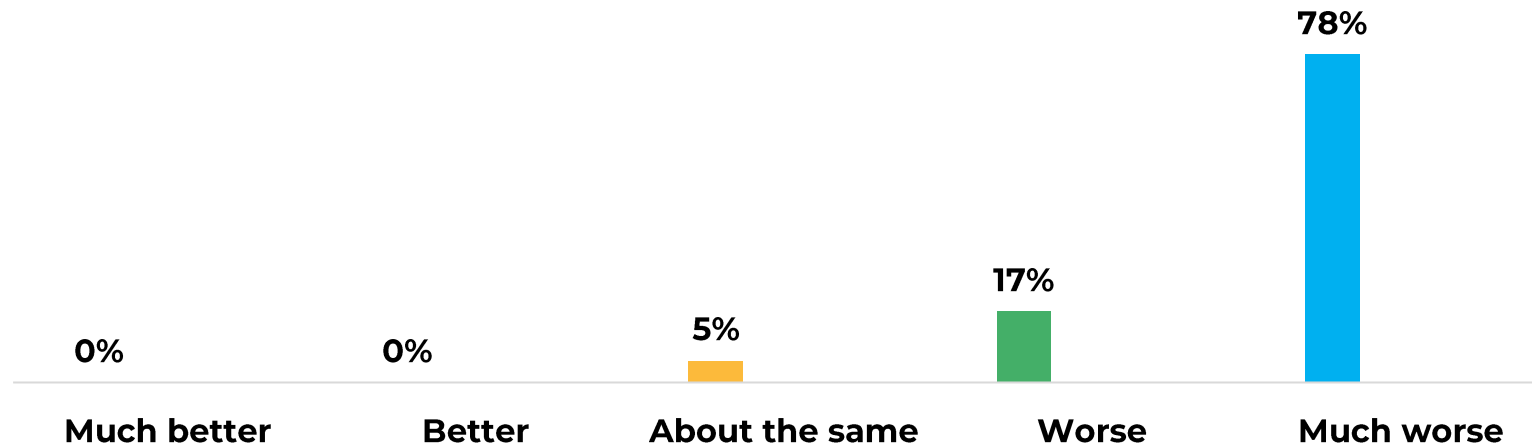
How many jobs have been terminated in your business since the start of lockdown level 3?



The businesses that terminated 9-16+ jobs include: Accommodation (13%), Tour Operators (8%) and Restaurants (6%). The impact on jobs has been significant and these figures will continue to rise if we do not see an increase in visitors (both domestic and international).

95% OF BUSINESSES REPORTED THAT JANUARY – MARCH 2021 IS FORECAST TO BE EITHER WORSE OR MUCH WORSE THAN THE SAME PERIOD LAST YEAR

What is your business forecast for the first 3 months of 2021 (January – March 2021) compared to business performance over the same period in 2020?



January – the beginning of March 2020 businesses reported positive performance. However, with the ongoing lockdown regulations both locally and globally, recovery within the tourism sector has been much slower than anticipated. Only 5% of businesses are optimistic that they will match the performance of the same period last year.

THE REPORTED AVERAGE RAND VALUE LOSS SINCE THE IMPLEMENTATION OF LEVEL 3 IN DECEMBER 2020 WAS **R1.6 million** AND AVERAGE JOBS LOST WERE **9**

What is your business forecast for the first 3 months of 2021 (January – March 2021) compared to business performance over the same period in 2020?



R1.6 million

AVERAGE RAND VALUE LOSS



9 jobs

AVERAGE JOBS LOST

The highest average rand value lost was R3 million for the Tour Operator category, followed by the accommodation category (R1.9 million) and restaurant category (R1.1 million).

The highest average number of jobs lost was in the restaurant category (17) followed by 13 in the conference venue category. Car rental, Transport Operators and Wine Estates had an average of 12 jobs lost.

Source: Quantification of the impact of the lockdown level 3 on the tourism industry in Cape Town, compiled by I an M Futureneer Advisors Pty Ltd

WHEN THOSE FIGURES WERE QUANTIFIED WITH THE MEMBERS OF CAPE TOWN TOURISM, THE TOTAL RAND LOSS FOR THE PERIOD EQUATES TO **R2 BILLION** AND JOBS LOST EXCEED **11 000**

The impact of the covid-19 pandemic on the members of Cape Town Tourism was quantified



R2 billion

**CTT MEMBERS RAND
LOSS VALUE**



11 583 jobs

**CTT MEMBERS AVERAGE
JOBS LOST**

Source: Quantification of the impact of the lockdown level 3 on the tourism industry in Cape Town, compiled by I an M Futureneer Advisors Pty Ltd



TOURISM WILL NEED TO BE REBUILT



Cape
Town
TOURISM

ON THE CURRENT TRAJECTORY WITH MORE JOB LOSSES AND THE LOOMING FEAR OF BUSINESS CLOSURE, THERE CANNOT BE A RECOVERY

How do you feel about the future of your business and the future of the tourism industry in South Africa?

Given the current alcohol ban and Covid-19 numbers we are not sure if or when we will be operating our #BeerExperience tours again, this puts the jobs of all in our tour department at risk. Tourism will bounce back, however people will travel very differently - more local "value-for-money" holidays, tourists will be looking for specials/ last minute booking deals.

– Attraction or Activity

If all this continues, our brand who has been in this hospitality industry for the past 20 years will have to close its doors permanently.

- Restaurant

This will take at least three years to recover. Tourists like to come to Cape Town for the beautiful weather, landscape, easy life-style, great food and of course the fabulous wines SA has to offer. The alcohol ban is keeping well-off.

- Accommodation

Concerned as it is a global matter and even with borders open, tourist from main source markets can't travel. It will be a longer winter.

- Accommodation

DIVERSIFICATION OR CHANGE OF INDUSTRY IS THE ONLY WAY FORWARD UNDER THE CURRENT CONDITIONS

Do you have any further comments?

Restaurants are forced to pay levies and licenses such as the liquor license or face losing said license, but we are unable to trade with no recompense, not normal, not logical.

– Restaurant

Open the economy with sensible and realistic protocols. Its crazy to see how businesses are closing and households are suffering. Poverty is worsening and increasing among middle income earners.

– Other

The V&A should be recognised for their support of small business, buskers etc. Without the mental and financial support of the V&A and CT Tourism we will not have survived this far. Thank you.

– Attraction or Activity

Tourism needs to look at different ways to attract people - for too long we have relied on international tourists

– Attraction or Activity

Our Future is hanging thinner and thinner daily.

– Tour Operator

I could close the business but willing to see if Covid-19 becomes a structural problem .Will decide in September 2021

- Accommodation

We will be forced to close our store, retrench further staff and move our products to International markets, i.e., USA and UAE

- Shop

Unfortunately, I fear our business will not have a future as we don't think we can handle the lockdown much longer.

– Car Rental

The industry was hard hit by the 28 December 2020 regulations. There were further business closures and job losses and overall, the morale of the industry is low.

On the 2 February 2021 alcohol was reinstated and additional regulations were relaxed under the level 3 regulations.

Whilst the industry is doing what it can, targeting the domestic market and tweaking their offering to cater to the cash-strapped consumer, it may still not be enough for these businesses to survive.



THANK YOU