

## **NEWS RELEASE**

### **TIME FOR A REALITY CHECK IN THE ACCOMMODATION SECTOR – FEDHASA**

Brett Dungan, Chief Executive Officer of the Federated Hospitality Association of Southern Africa (FEDHASA) says it is time for a reality check in the accommodation sector.

“Somewhere something does not add up. While official reports indicate that South Africa’s tourism industry is growing, the fact of the matter is that the hotel, guest house and broader accommodation sector is experiencing a particularly tough time, with many establishments being forced to close their doors.”

He says the private sector, government and organised labour need to work together to ensure sustainable job creation in the hospitality sector. “This means agreement on the state of the industry, responsible and consistent messaging to operators and a clearly defined growth plan. When there’s fire on a boat, passengers and the crew need to work together to put it out.

“Frankly I do not want to hear the words ‘FIFA World Cup’ again. Yes, it gave our industry an artificial window of opportunity, but now the economic recession is a definite reality – one that I do not foresee will disappear within the next two years. Tourist spending patterns may also be a factor, with visitors opting for cheaper accommodation options or staying with relatives and friends.”

Dungan says he met with all major banks in South Africa in June 2010, alerting them to post world cup expectations. “It all fell on deaf ears, I’m afraid, and now over-exerted bonds and near bankruptcies are just about the order of the day.”

According to the latest PwC accommodation report South Africa will have to gain an additional 3,5 million visitors per year to address the enormous oversupply of hotel rooms that was created before the world cup. Between 2008 and 2010 an additional 9 700 hotel rooms were placed on the market and it is expected the number of available hotel rooms will increase by another 7,1 percent this year.

Dungan says ownership of hospitality establishments often does not lie in the name of the business, but in the name of individuals who are pursuing their dreams. “Owners find it increasingly difficult to raise funds to settle their debts, often being forced to sell their properties for as little as 25 percent of their real value.

“My honest advice to owners who find it difficult to keep their businesses afloat is not to wait until it is too late. There is no shame in closing a business to rather avoid liquidation. When the market picks up, you can always re-enter the industry, on a solid and positive foundation.”

FEDHASA represents the interests of all sectors of the hospitality industry in Southern Africa.

(Ends)

Released by: Martin van Niekerk  
Junxion Communications  
Tel 012 804 8812 / 083 447 4864

On behalf of: Brett Dungan  
FEDHASA  
Tel 083 4441222

Date: 2 August 2011