

Trade, Catering and Accommodation Services

Sector Overview:	<ul style="list-style-type: none"> ▪ The Trade, Catering and Accommodation Services sector is the third largest in South Africa, and accounts for 14% of total GDP ▪ Encompasses the sub-sectors of wholesale and retail trade, as well as catering and accommodation, which includes the tourism industry ▪ The most labour intensive sector in South Africa, accounting for approximately 21% of total employment (StatsSA, 2009) ▪ Gender distribution of labour is the most equal of all sectors, with women accounting for around 49% of sector's total labour force ▪ Sector has been hard hit by the economic downturn, evident in a contraction in growth, marked decline in vehicle sales and decreases in employment ▪ Investment has increased markedly in the sector in the past decade, despite the global economic recession
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Risks		Opportunities	
Regulatory	<p>The key risk related industries in this sector are retailing and tourism, discussed separately where relevant.</p> <p><i>Retailing:</i></p> <p>Major companies in clothing, multiline and food and beverages retailing are likely to be required to take up mandatory reporting of emissions in the near future under the National Climate Change Response Policy. Emissions in this sector can be significant, with Imperial Holdings, Pick n Pay Holdings, Woolworths Holdings and Massmart Holdings placed within the top 30 emitters reporting to the CDP (CDP, 2009).</p> <p>At present 10 of the JSE Top 100 companies are located in retailing and trade, with only 4 currently reporting emissions on a voluntary basis to the CDP.</p> <p>In addition to reporting requirements, given the considerable emissions associated with this sector, mandatory energy efficiency targets or emission reduction targets are also a distinct regulatory possibility.</p>	<p><i>Retailing:</i></p> <p>Opportunities exist in this sector to enhance access to environmentally conscious consumers. This includes through heightened marketing of premium brands such as organic produce based on reduced agricultural emissions.</p> <p>The local produce industry, including the local organic industry, could receive considerable backing from efforts to support seasonal and locally procured goods in South Africa. Retailers in South Africa have already begun to work in partnership with agricultural industries to promote local organic produce. Related benefits for the economy include increased domestic demand for agricultural products and efforts to promote South African manufactured goods, although efforts will be required to keep pace with growing national demand.</p> <p>Securing local produce will also help address concerns related to increased freight and shipping cost for imported goods as a result of climate change regulation.</p> <p>Heightened emphasis on product reuse and recycling</p>	Growth of Existing Markets & Industries

Risks	Opportunities
<p>Readiness to address mandatory reporting, emissions caps or efficiency targets currently varies significantly within this sector. The implementation of absolute of intensity based targets could make a considerable difference in terms of impacts on relative company competitiveness, with intensity targets potentially preferable to absolute targets for early movers. Effective recognition for previous efforts ('grandfathering') could render absolute emission targets a more competitor neutral measure.</p> <p>Where implemented, higher electricity and fuel prices through carbon pricing are likely to raise operational costs within this sector, particularly in cold chain supply networks, transportation, distribution centres and retail stores. Costs are likely to be passed onto consumers where possible, although efficient retailers are likely to be better placed in the medium to long-term.</p> <p>Effective recycling of tax revenue from carbon taxation requires strong consideration, particularly the implementation of a food subsidy to manage carbon tax effects on social equity and wider economic performance. A food subsidy would also clearly help to reduce inflationary costs for consumers in this sector (DEAT, 2009d).</p> <p>Furthermore, increased cost of shipping and air freight through carbon related constraints in the maritime sector and aviation sector can be expected to increase the cost of imported goods and raise consumer prices. This is of concern for retailers such as Pick n Pay, given an increasing need to source imported products to cater for domestic demand (see CDP, 2009; Pick n Pay, 2009).</p> <p>Finally there are certain risks to the private vehicle purchasing market in the country through the provision of effective public transportation and non-motorised transport. That said, many consumers can be expected</p>	<p>more broadly could also encourage support for the recycling industry in South Africa, with retailers acting as important intermediaries in the recycling process. Both Pick n Pay and Woolworths, for example, have initiated recycling schemes at various stages. Recycling has the potential to support waste management, job creation and energy efficiency in the economy.</p> <p><i>Tourism:</i></p> <p>Substantial opportunities exist to expand South Africa's eco-tourism and experiential tourism markets based on an emphasis on holiday destinations, packages and itineraries with an emphasis on sustainable tourism.</p> <p>The global eco-tourism market is currently growing at 15% per annum, or four times that of traditional tourism (WEF, 2009a). Daily expenditures of cultural and heritage tourists, for example, also tend to be substantially higher than for tourists on package tours (TIES, 2006).</p> <p>This includes the development of eco-lodges, carbon neutral accommodation and community based tourism. There are related opportunities for hotels and accommodation to market themselves as low carbon destinations, and to support community-based carbon sequestration projects linked to ecotourism destinations as part of wider marketing efforts.</p> <p>The provision of effective public transport constitutes a significant low carbon intervention that increases reliable and accessible transportation for foreign visitors and domestic travellers alike. The provision of an effective ground transport network has been identified as a current deficiency in the South African tourism market (WEF, 2009b). In particular, the development of a direct rapid rail link between airports and major cities, such as in the Gautrain initiative, has been shown to have considerable benefits for tourist access and reduced traffic congestion</p>

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<p>to purchase vehicles for their convenience factor, but utilise them less frequently, and effective public transportation will provide greatest support to low-income earners unable to purchase a private vehicle for the foreseeable future.</p> <p>Rising fuel costs from carbon pricing or taxation on inefficient models is unlikely to deter vehicle purchasing, but may shift purchasing towards low emission, more efficient vehicles and hybrids. The hybrid market is however under considerable strain at present in response to safety concerns with the Toyota Prius.</p> <p><i>Tourism:</i></p> <p>Climate change legislation at the regional level could negatively impact the development of South Africa's advanced tourism industry. The key development in this regard is the EU Directive on Aviation, which is now in force and will incorporate aviation related emissions into the European Union Emissions Trading Scheme (EU ETS) from 2012. This issue is discussed in more detail below.</p> <p>Finally, key tourism related emissions in South Africa are found in domestic transportation and accommodation. To the extent that carbon pricing in the economy will increase fuel and electricity prices in both these areas, so operational costs can be expected to rise for the tourism industry.</p> <p>Investor</p> <p><i>Tourism:</i></p> <p>Investments in the domestic tourism industry could be affected by concerns over rising fuel prices, in part due to aviation legislation on climate change, and due to South Africa being a carbon intensive destination, both in terms of geographical location and electricity and liquid fuel consumption.</p>	<p>(WEF, 2009a).</p> <p>Finally, low carbon facilities, such as large-scale solar thermal or solar PV power plants, wind farms, wave and tidal power generation etc., all have potential for encouraging both domestic and international tourism flows within South Africa.</p> <p><i>Retailing:</i></p> <p>Enhanced retailing opportunities may be experienced in the sale of low emission, energy efficiency vehicles including hybrid vehicles in the short-term, and domestically manufactured electric vehicles over the medium to long-term. The Joule electric car, designed and developed in South Africa, provides evidence of South</p> <p>New Markets and Industries</p>

Risks		Opportunities	
Supply Chain	<p><i>Retailing:</i></p> <p>A key risk in this sector relates to carbon related costs being passed onto the retail sector within supply chains. Higher prices for products with energy intensive materials can be expected, with retailers at each end of the market segment potentially affected. Raw materials affected include cement, aluminium, glass, timber, steel and tin.</p>	<p>Africa's commercial potential in this regard.</p> <p>Sales of public transport related vehicles could also increase.</p> <p><i>Retailing:</i></p> <p>There are considerable opportunities to enhance a company's reputation and customer loyalty from shoppers through measures to reduce their organisational carbon footprint, or the footprint of retailed products.</p> <p>Large retailers such as Pick n Pay and Woolworths have engaged in a variety of low carbon activities in order address changes in consumer preferences, strength customer relationships and retain brand loyalty (CDP, 2009; Pick n Pay, 2009).</p>	Reputational
Reputational	<p><i>Retailing:</i></p> <p>Both globally and locally, reputational issues related to climate change, and ecological issues more generally, have demonstrated themselves to be increasingly pertinent in the middle and upper segment of the retailing market. Actions on the part of retailers such as Pick n Pay and Woolworths, indicate an intent to demonstrate leadership on climate issues, as part of attracting high-end or niche customers, whilst driving longer-term cost savings (CDP, 2009; Pick n Pay, 2009).</p> <p>From a national country perspective, although price and brand are the critical components of consumer choice, addressing issues related to sustainability are key for retailers to attract niche market segments and maintain overall consumer loyalty.</p>	<p><i>Retailing</i></p> <p>The implementation of energy efficiency drives, including within vehicle fuel efficiency, logistics planning and facilities, will assist in shielding retailers from rising electricity prices in the short term, and thereafter, from rising oil prices in the medium term, irrespective of climate change concerns.</p> <p>Substantial opportunities are evident in refrigeration, efficient lighting, heat reclamation, vehicle servicing and delivery route optimisation. The use of waste oil as biodiesel is also being piloted by certain retailers and may hold commercial potential.</p> <p>Whilst requiring upfront investment, efficiency measures can support significant medium and long-term energy cost savings whilst delivering to increasing customer expectations. As the example of Woolworths illustrates, the movement of their Gauteng distribution centre in 2007 to support enhanced energy efficiency, resulted in almost 10 000km less in logistics related travel per week (CDP,</p>	Risk Management, Efficiencies & Competitiveness

Risks	Opportunities
<p>Trade and Market Access</p> <p><i>Tourism:</i></p> <p>Efforts to promote 'local tourism' within developed countries in a bid to reduce personal carbon emissions, the 're-regionalisation' of tourism as well as efforts to promote low carbon tourism destinations, poses a significant risk to South Africa, given the country's geographic location and carbon intensive economy. Concerns for the domestic tourism industry are heightened, based on a number of factors:</p> <ul style="list-style-type: none"> ▪ The key growth areas in tourism at present relate to experiential tourism, i.e. nature, heritage, cultural and adventure tourism, as well as eco-tourism (TIES, 2006; WEF, 2009a) ▪ Whilst South Africa's experiential and ecotourism destination rating is high, this is not matched by our relatively poor track record in reducing GHG emissions or by our considerable distance from key tourism markets in North America, Japan and 	<p>2009).</p> <p>Efforts to reduce packaging requirements, support innovation and introduce a range of low carbon goods offers additional opportunities to save on resource inputs and keep pace with growing global trends in the international, food beverages and retail market. Adapting product ranges to support changing consumer choices and preferences is an important component in maintaining a company's customer base.</p> <p><i>Tourism</i></p> <p>Competitiveness issues are also of key significance in the tourism industry, where the provision of sustainable and innovative low carbon solutions for travel are required to keep pace with growing market trends towards responsible tourism and eco-tourism.</p> <p><i>Retailing:</i></p> <p>Given heightened reputational concerns from climate change in the retailing industry, support for the local carbon offset market, such as through supporting tree planting and rural renewable energy, could be provided by this industry.</p> <p><i>Tourism:</i></p> <p>Concerns over emissions in the tourism sector from both domestic and international travellers provide ample opportunity for the development and sale of local carbon offsets under the voluntary carbon market. This is particularly the case if these offsets have a strong sustainable development component.</p> <p>Effective and easily accessible high quality offsets offer the opportunity to reduce traveller concerns over holiday related climate impacts, whilst supporting a variety of community based projects. Carbon offsets are already</p> <p>Carbon Markets</p>

Risks	Opportunities
<p>Europe. As such, attempts to market South Africa as an eco-friendly destination could be blemished unless climate concerns are addressed</p> <ul style="list-style-type: none"> ▪ The EU Directive on Aviation, which extends the EU ETS to aviation, is now in force, and will implement the first emissions caps in 2012, including for South African operators. It has been estimated to increase the costs of flights in the region of 1.5 to 9 Euros per passenger return flight, although considerable uncertainties still exist in this regard (EU, 2005; Merrill Lynch, 2008). Nevertheless, increased carbon regulation on aviation can be expected to increase the costs of travel over time, particularly as emissions caps under the EU Directive are further implemented ▪ Heightened travel costs from climate regulation could pose a risk to South African tourism given that the country relies on medium or long haul flights for over 50% of inbound air traffic, and relies extensively on long haul flights from key tourism markets (WEF, 2009b). That said, price increases are likely to effect short haul flights more dramatically, as consumers choose alternative transport means, but on the whole higher flight costs will reduce travel demand (WEF, 2009b) ▪ South Africa is close to being considered a critical tourism economy given that we depend heavily on long-haul travel and tourism makes up more than 5% of national GDP (WEF, 2009b) <p>Despite these challenges, there is growing international sentiment, including from the World Tourism Organization (UNWTO) that climate change concerns should not deter the use of tourism as a key revenue earner and provider of employment in developing countries, particularly Least Developed Countries (LDCs) and Small Island Developing States (SIDS),</p>	<p>being offered directly to foreign visitors as part of existing travel packages in South Africa and the Southern African region.</p>

Risks	Opportunities
<p>especially as these countries will have to cope with significant direct impacts from climate change (UNWTO, undated). The extent to which South Africa, as a significant global emitter, is viewed in a similar light to LDCs and SIDS could play an important role in the advancement of this industry.</p> <p>Finally, business related travel, which makes up approximately 6-7% of the South African tourism market could be impacted by growing development and use of teleconferencing facilities, and to a lesser extent, by rising ticket prices from climate regulation in aviation.</p>	

<p>Summary:</p>	<p>The retailing industry in South Africa faces various risks from climate change, including potential regulatory measures concerned with the mandatory reporting of emissions, potential emission caps and mandatory energy efficiency targets. Supply chain issues are also key, as retailers may be faced with higher prices for raw materials and increased shipping and freight costs for imported goods.</p> <p>Nevertheless, the widespread adoption of efficiency measures in transport, logistics and buildings offers substantial opportunities to shield companies from heightened energy prices, and to strengthen new or existing customer relationships. Opportunities also exist to support the sale of locally manufactured and low carbon goods in the country, including organic produce, whilst adapting retailing activities to address changes in societal preferences.</p> <p>Concerted action is required in the South African tourism industry to address both regulatory and market related risks from climate change, given the country's geographical location and carbon intensive economy. Risks include heightened travel fares from the EU Directive on Aviation, and growing emphasis on low carbon travel in developed countries, including increasing regional travel.</p> <p>Innovative solutions are required to provide support for low carbon destinations, enhanced travel and accommodation efficiencies and accessible carbon offsets, as part of wider efforts to grow the ecotourism and experiential tourism market in South Africa. Measures are also required to address other tourism related threats in the country, such as safety and security, an underdeveloped ground transport network, road traffic accidents and tourism related skills shortages, as part of a holistic approach to maintaining global competitiveness.</p>
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