

**ANNUAL REPORT BY NATIONAL CHAIRMAN MR. CHRISTOPHER MUSAU,
DURING THE 73RD ANNUAL GENERAL MEETING**

Dear Members of KAHC:

For the 73rd time we meet as a strong and vibrant hospitality association, even though in very uncertain times, in this new way of operations.

You have mandated the board to serve you and we are thankful for the honour, cooperation and support you have accorded them and the secretariat for the last one year.

We also do not take it for granted that you found time to participate in this very unique Annual General Meeting, which is being held virtually for the first time, circumstances of the current crisis have forced us to adopt unfamiliar ways of working to accommodate the situation.

I am pleased to provide an outline of the happenings at the Association for the last one year as follows:

Strategic Direction

In the last AGM, we informed you of the plan to change the Association's strategic direction, through a 5 year strategic plan, 2020-2024. This move was meant to enhance the mandate, visibility and service delivery of the organisation. We recruited a Consultant, Hezron Njuguna, to commence the project, and at the beginning of the year, he started the work by engaging some of the stakeholders. Unfortunately members, due to the financial challenges that have emanated from the current crisis, we regret to inform you that we will have to put this project on hold, as we try to manoeuvre and steer the Association through this unprecedented times. The board has every intention and plan to pick up this project in the near future; as soon as the industry recovers from this crisis.

Marketing and Publicity

We continue to produce the Association's annual publication, *The Hotel and Restaurant Guide* which has played a big role in positioning and giving us visibility through its wide circulation both locally and in the key foreign source markets. Our participation at WTM, ITB and the Magical Kenya Expos, have proved to be good platforms to enhance KAHC's mandate.

The Association has held 17 symposiums thus far, an event that has provided a good networking and interaction platform for the industry, bringing together both government and private sector players to chart the way forward and come up with consensus on issues affecting the industry. Regrettably, this year we have been forced to cancel the event, due to this Corona crisis. The Secretariat had already began the planning and

organising process, but was forced to halt the exercise midway, however we are hopeful that we will have the event next year and we thank the Secretariat for their continuous commitment and diligence towards the success of the event.

As you will note, KTB withdrew from the World Travel Market in London and we decided as a private sector, together with KATO and KTF to fill in this gap. After consultations with CS Balala, the Ministry of Tourism through KTB will support the private sector efforts at WTM and also have a partnership between the industry led by KTF and KTB where we will take the lead in various trade shows around the world. We had been invited to attend ITB this year, however as you are aware the event was canceled due to the current crisis, we had intended to showcase our Hotel Guide and pay a courtesy call to German Hospitality Association, DEHOGA whom we wanted to grace our symposium this year.

Human Resources Affairs

The Joint Industrial Council (JIC), Coast Disputes Committee (CDC), and the Human Resource Committee has solidified the Association's HR function and ensured industrial harmony over the years. Our social partners have also maintained an excellent relationship that has fostered a good environment for negotiations.

We have held several consultative meetings with Labour stakeholders, led by our CS, Najib Balala and CS Chelugui, to discuss the way forward on labour issues in the midst of this crisis. From these meetings a memorandum was presented to the President with recommendation on reduction in VAT, PAYE, and cash injection into the economy and we are happy to report that many of the proposals have been passed.

In a meeting with CS Balala, PS Tourism Safina Kwekwe (who chaired our session), Kudheihha SG Albert Njeru and KHAWU GS, Wycliffe Sava, the parties, signed the first joint communiqué in March 2020 to guide and help to mitigate the shocks of the crises. KUDHEIHA and the Association agreed to shelve the CBA negotiations that were scheduled to take place at the end of this year, as the outcome of the discussions was highly dependent on the direction of the pandemic. The possibility of registering the communicate as an addendum to the CBA at the Courts, needs to be explored as this would give it legal backing.

In June 2020 a meeting was held with CS Chelugui (Labour) which subsequently led to a meeting of members of the KAHK Joint Negotiation Team and representatives of both Kudheihha and KHAWU with the purpose being to follow up on our Joint Communiqué of 23rd March 2020 which had stipulated that we would have regular reviews as the Covid-19 situation developed. We signed a second communiqué in June 2020 and we have just released a third communication this month, advising on the way forward for the rest of the year.

The 0.5% service charge kitty has enabled us to carry out training opportunities for both our works committees and the Human resource managers, where the players have acquired knowledge as well as a chance to network and interact. We urge all members to contribute to the kitty so that we can be able to continue empowering and strengthening our industrial relations machinery.

We continue to facilitate training in the industry through partnership with various training institutions; at the Kenya Utalii College we facilitate and coordinate training opportunities through our membership in the KUC Liaison Committee, where we influence the planning of MDPs, Refresher courses and the National Tourism Competitions. We have also partnered with Boma Hospitality and IHTI who are part of our membership.

We represent and play an active role at FKE, through our membership to the board. In the recently held elections, Kenya Bankers Association, CEO, Dr. Habil Olaka was appointed the President and KAHC CEO was elected Vice President of the organization.

Early this year we were invited to join a training committee at the National Industrial Training Authority (NITA) this is an opportunity that will give us a chance to shape policy regarding training both within and outside our industry

We participated in the International Labour Conference in Geneva last year, in the forum, the Association actively contributed to the position of employers, as pertaining to a new convention, on “Violence at the place of work”. Present at the same event was our social partners from the Ministry of Labour and KUDHEIHA. This new convention was approved and passed at the forum, and Kenya being a signatory to Labour conventions, will ratify the document and this will form part of the laws of the country.

We are members of the National Labour Board, where we continue to influence labour policy. At the moment we are in the process of looking at the changes proposed in the labour laws, as well as how they will affect the industry.

Finance Matters

Financial Statements and Report of the Auditors for the year ended 31stDecember 2019 are part of the Agenda. The Board strongly prevails upon those members who are yet to settle their subscriptions to oblige for smooth running of the secretariats. We thank those who have consistently met their obligations in good time, as this supports the activities and programs being undertaken.

External Engagements

Lobbying and advocacy will continue to be a key agenda in our representative role for the membership. We remain committed at engaging KTF, and our Government to bring about a positive enabling business environment for the industry.

I would like to enumerate some of our key engagements as follows:

- **Music Copyright** - After a long and protracted battle with CMOs we are pleased to inform you that the battle is finally over. We received a decision of the Competent Authority that was held in our favour, also, CS Mucheru gazetted our agreed tariffs and used the formula that we proposed jointly with PERAK. This is a very big win for us and closes the curtains on a 15 year battle with these CMOs. As a result of this, we have been able to finalize three criminal prosecutions against our members and also concluded a petition we had filed at the High Court. This means that you can now pay the collection agents based on the new tariff, which sets hotels licenses at a combination of 35% of your Single Business Permit plus 35% of your Liquor License. This is a predictable and affordable formula that is simple to comply with as we seek to support our local talent.

- **Financial Support to the Industry**- We held a consultative meeting in March 2020, with CS Yatani (Treasury), CS Balala, CS Chelugui, CS Maina (Trade), CS Mucheru (ICT), Central Bank Governor, KRA Commissioner and others, where we discussed wider economic stimulus issues, we were also joined by members of other economic sectors. As a sector we presented our ideas and also had an opportunity to hear the government side of matters and agreed that the issues would be shared with the President for consideration. Following the meeting with the Cabinet Secretaries, the private sector players met with H.E. the President, Hon Uhuru Kenyatta at State House. We were represented by Jimmi Kariuki and Mike Macharia. The President acknowledged having received the requests that we made at the meeting with the various Cabinet Secretaries and outlined the following measures for immediate action:-
 - Revocation of the government circular prohibiting the use of non-government conference and accommodation facilities.
 - He directed that we provide the tourism “Rescue and Recovery” strategy.
 - Government departments were directed to pay all pending bills.
 - KRA was directed to pay off outstanding VAT claims.
 - Government agreed to use some of our facilities as containment areas.
 - He affirmed government’s commitment to work with employers and unions

At the same meeting, the Central Bank Governor presented the President with a cheque of Ksh. 7.4 Billion to fight Coronavirus as indicated by a PCSU press release. This, combined with the commitment to pay pending bills and refund VAT would have a positive effect on the economy with a positive effect of money circulation

Subsequent to our recommendations to government, a reduction of Central Bank’s CBR and CRR rates, to inject liquidity into the market was done through a

bulletin released by the Central Bank, the Monetary Policy Committee of the CBK reduced both rates.

This would inject approximately Ksh. 35 Billion into the economy through the banks, with this extra liquidity, members could confidently approach the banks for review of our loans.

The Chairman, Chris Musau, Jimmi Kariuki and the CEO, Mike Macharia together with other tourism stakeholders thereafter held a consultative meeting with the Governor CBK and his Deputy as well as Members of Kenya Bankers Association where they discussed various ideas and ways of assisting the industry to navigate the difficult times. The banks suggested that we approach them individually since most of our engagements with them are at very individual level. They also agreed to listen to our staff members who may be having outstanding loans provided that we avail letters to the employees indicating that they have also been affected.

Following our persistent lobbying efforts, the President announced a raft of measures to cushion Kenyans against the adverse economic effects of COVID-19 pandemic. These can be summarized as follows:

- Immediate reduction of VAT from 16% to 14%, effective 1st April, 2020;
- Reduction of maximum Pay as You Earn (PAYE) from 30% down to 25%.
- KRA to expedite the payment of all verified VAT refund claims amounting to Ksh.10 Billion within 3 weeks; or in the alternative, allow for offsetting of Withholding VAT, in order to improve cash flows for businesses.
- Temporary suspension of CRB listing for Loan Accounts that fall into arrears from April.

In the June 2020 budget The National Treasury allocated Sh11.3 billion to the tourism sector in what could help the sector to bounce back. 2 billion shillings is a stimulus package that is meant to support working capital and an additional 3 billion in the form of soft loans for renovation.

- **Business Advocacy Fund-** The fund has enabled the Association to be successful in the lobbying engagements over the past five years on matters of Environmental regulations, Beach Management, County Liquor laws, and now the emergent sand dredging issue.

The Sand Dredging report was concluded and released after a large stakeholder conference in Diani. This was led by our Coast Chairman and Secretariat. The report has generated quite a lot of interest as it showed very clearly that the said activities are damaging our shoreline. The final report generated a lot of media articles in our favour. We are almost concluding our beach management proposals to both Mombasa and Kwale Counties and are at the stage of draft bills.

- **KAHC Member Hotels used for Quarantine Services-** The Association supported the members in getting business from the quarantine service. Several of our members were used as quarantine facilities. However, the handling of arriving passengers at the airport was not too well coordinated and this led to a lot of frustration and anguish for those concerned. A small logistics response team that would coordinate accommodation, transport and most importantly, the training of staff in handling health and safety matters when it comes to the guests as well as staff was set up comprised of Jimmi Kariuki, Dr. Amit Thakker (Kenya Health Care Federation), Nick Nesbit (Kepsa Chairman) and Julie Scott who is involved with logistics at the airport. We also received support from our colleagues in KATO, KATA and KTF.
- **Pandemic Response Bill-** The purpose of the Bill is to cushion Kenyans from the effects of a pandemic such as the one that we are experiencing at present and would also be applicable for future pandemics. We have studied the Bill and made some observations which we have decided to present to Senate under the banner of FKE so that we can capture the submissions of employers in general. Our main bone of contention is Section 30 which prohibits termination of contracts, dismissals, and salary cuts. The same section also imposes on employers, the duty to give leave of absence to employees for the duration of the pandemic. We feel that this goes against the spirit of our MOU with the Unions and does not provide for tipartism which is an area that is recognized by the employment laws. It also negates Sections 27, 28 and 41 of the Employment Act and leaves employers with no option but shut down or declare force majeure or frustration of contracts. We did present our position to Senate in the form of a memorandum and we await the outcome.
- **Tax Amendment Bill-** During the crisis, the government presented the Tax Amendment Bill which was meant to streamline various tax areas including VAT, Income Tax and PAYE amongst others. Upon close scrutiny of the Bill we realized that it was proposing sweeping changes to the tourism industry where it was introducing VAT on Park Fees, reversal of Import Duty exemptions and an increase in fuel VAT. We prepared a memorandum to Parliament with our issues and justifications and the House actually took all our matters and resolved them. However, some contentious ones such as the introduction of VAT on membership subscriptions were sneaked back through the Finance Act 2020 which means we need to start advocating for the reversal.
- **KEPSA-** The CEO is still representing KAHC and FKE on the board of KEPSA. Following a Presidential Round Table and engagements with various CS's including the Environment one, we secured a meeting with the Director General of NEMA. The National Vice Chairman and CEO presented our position with due regard to the stack emission license requirement and await feedback.

KEPSA Covid Response Advisory Team- From a business point of view, the Private Sector through KEPSA activated a response advisory team that had its

first meeting in March to come up with plans to sustain both the health of the country as well as make solid recommendations concerning the sustenance of the economy. That team comprises of various professionals from the health sector to the economic sector and we are represented by KTF Chairman Mohammed Hersi, Sarova MD Jimmi Kariuki, Lucy Karume (who is now a KEPSA Trustee) and Mike Macharia. We had an initial brainstorming and came up with some suggestions that would assist in recovering the economy as well as provide authoritative information with due regard to the virus in conjunction with the government. This team was initially meeting twice then meetings changed to once a week and continues to share and support each sector's efforts in Covid mitigation.

- **Kenya Tourism Philanthropy Group-** The PS Tourism, Safina Kwekwe got together with a few industry and Ministry members have formed the Kenya Tourism Philanthropy Group. The purpose is for tourism players to stand up and be counted amongst all others who are making a positive contribution towards Covid-19 mitigation efforts. We requested members to share positive action that they are engaged in recently so that the stories can be told. We have support from KTB and an external PR company who are tasked with publishing the positive stories in the press, social media and also on KTB campaigns.
- **Reopening of Hotels-** We had a meeting in May 2020 with the Ministry of Health team under the Chairmanship of CS Balala to discuss the various ways in which hotels and restaurants can ready themselves for reopening given that the issues of Covid-19 might be with us for an extended period.

We agreed on the following:-

- Min of Health to avail a list of testing centers for staff and the cost per test will be Ksh. 1,000/-
- Application forms for certification i.e. forms A,D and C will not attract any extra charge and clearance will be given for free as long as we attach all other licenses.
- The first step is to apply for inspection (form A) which the County Government of Nairobi has promised to turn around in 24hrs.
- The next step is testing (form D) and the final one is clearance (form C) which will result in a permit to operate.

A small technical team was set up comprising of the CEO's of KAHC, PERAK and Retail Traders Association as well as Kilonzo from MOH to look at and develop SOPs for the industry, thereafter they also developed form E which is being used by MOH to audit the SOPs.

- **Tourism Industry SOPs launch-** The team mentioned above finished the task at hand in a record 3 days and the industry SOP's were launched at a colorful event that was hosted by CS Balala and graced by CS Health and CS Interior,

who was the Chief Guest as well as some Ambassadors from the source markets. The UNWTO and UNWTTTC have recognized and endorsed the SOPs.

- **TUI Payment-** We wrote to CS Balala requesting him to intervene in the matter of outstanding payments to our members by TUI. He sent a letter to the German Embassy with a copy to the Min of Foreign Affairs which spurred TUI to some action. We further had discussions with the Deputy Ambassador of Germany on the same where he informed us that from the Embassy's engagements with TUI, there is indication that agreements have been reached with the hotels.
- **Outstanding Payments by Govt. and Agencies-** After our initial engagement with Treasury and HE the President, we requested members to provide us with a list of all outstanding payments which we presented to Treasury through PS Kwekwe. Our members were owed sums running close 500M which have now mostly been settled.
- **National Tourism Crises Steering Committee-** We continue to be members of The National Tourism Crisis Committee that has now been revamped under the leadership of CAS Boinet. The Committee has played a very important and active role during this pandemic. In June, CS Tourism launched a report which is a detailed study on the impact of Covid-19 on tourism in Kenya, measures taken and recovery pathways. The documents are available in our website.
- **Re-opening of the Airline Industry-** We participated in the official launch of the KQ domestic flights, Safarilink and East African. We were also present for the reopening of JKIA for international flights on 1st Aug at a function that was graced by CAS Ababu Namwamba, the Deputy UK High Commissioner and the Deputy US Ambassador among others.
- **Tourism Regulatory Authority-** We continue to play an active role at the Authority, and were invited once again to be part of the technical committees that formulated standards for MICE, security and food safety. We were also involved in the ongoing process to review the classification criteria.
- **East African Tourism Platform -** We held elections in Kampala where Fred Odek (KTF Vice Chairman) was elected to Chair EATP for a period of two years. Subsequently, a meeting was held in Nairobi in January where proposals were made for a new strategic direction as well as a change of the host Nation from Kenya to Rwanda. We are now working on the legal areas so that we can officially move EATP from KTF to the Chamber of Tourism, Rwanda. Trade Mark East Africa has also announced that it is going to give financial support to EATP for regional marketing.

There is so much more to be accomplished and much work ahead, and hence the need for us to prepare proactively for what lies ahead. Unity and support of the membership is key to this

Our strengths

Our strength lies in our common bond as members; we would not count our achievements without mentioning the ceaseless efforts of the secretariat.

I reiterate that at any point we have to present a united front if we are to be taken seriously. I urge members to rise to the occasion when called upon to help push an agenda that is to the benefit of the entire industry.

We thank you for your support and look forward to the same.

Shukrani.

Christopher Musau- National Chairman - KAHC

24th September 2020