South African Tourism Collaborative Action Process

Strategy in Action Report

November 99
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Preface

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Eric R. Hansen                    Economic Competitiveness Group  San Francisco
Ifor Ffowcs-Williams              Cluster Navigators               Wellington

2. DISCLAIMER

The views represented in this document are those of the consultants – TCC, not necessarily the Tourism Leadership Group.

3. TERMINOLOGY

Adventure Tourism
Tourist activities which involve a certain amount of physical challenge and sometimes danger.

Attractions
Tourism products or natural phenomena that are of interest to tourists.

Circuit
A group of linked tourism products that can be combined or bundled to form a package of complementary attractions for tourists to visit in one trip

Cluster
A geographic concentration of interconnected companies and institutions in a particular field: a physically proximate array of linked industries and other entities important to economic success; can also be used to describe a spatial grouping of attractions.

Corridor
A band of tourism products along a tourist route that usually links one or more products with each other or links a prominent market with one or more products.
Critical Mass
The point at which the sufficient number of events or elements achieve sufficient number or density to create spontaneous, sustainable synergy, momentum and identity.

Cultural Tourism
Cultural aspects which are of interest to the visitor and can be marketed as such, including the customs and traditions of a people, their heritage, history, arts and crafts or general way of life.

Delivery Infrastructure
Infrastructure which includes any freight, transport, service utility and communications infrastructure which may be required to deliver products (goods and services) to the tourist consumption point (TCP).

Destination
An area with a concentration of tourism products (normally branded) in a broadly defined spatial region and which can also be called a node, although the latter will usually refer to a smaller area.

Distribution Points
The first point of call in destinations, the place where tourists travel to; these can consist of termini, hotels, information centres or an attraction. From this point the tourist moves around or from this point to other attractions, activities or events in an area.

Domestic Tourists
People who are residents of a country who travel to a place within that same country for a period of less than one year and whose main purpose is not the pursuit of an occupation or permanent relocation.

Ecotourism
Environmentally or socially responsible travel to natural or near-natural areas that promote conservation and an appreciation or experience of the environment or ecosystem (e.g., flora or fauna).

Emerging Markets
Population groups entering the market in increasing numbers, such as domestic tourists--especially those previously neglected or underperforming.

Gateway
An entrance point or clearance point to a tourism region or destination, either by air, road, boat or rail.

International Tourist
A person who travels to a country for non-business purposes other than that in which he or she resides for a period of at least one night and less than one year. A distinction is often drawn between international tourists travelling from Africa (called regional tourists) and those from other...
overseas countries (called overseas or long-haul tourists, depending upon the distance travelled).

**Node**
A concentration of tourism products in a broadly defined spatial area, usually describing a smaller area than a destination.

**Linkages**
The relationships of principal and supporting producers of products, services, resources, infrastructure or information within a particular cluster.

**Long Haul Tourism**
Any travel over a significantly great distance to a destination, usually by air (e.g., European, American or Far Asian tourists).

**Market Sector**
The various categories of a given industry or market, divided by service, product, resources or function.

**Market Segment**
The various categories of a consumers in a given market, divided by demographics, special interests or travel preferences.

**Multiplier Effect**
The strict definition refers to the measure of the effect on total national income of the unit change in some component of aggregate demand. It also refers, however, to the ability for economic development to create synergies such as increased employment—either direct, indirect and induced. For example, one job in the tourism cluster can create three (or more) jobs in the broader economy.

**Product**
A tourism facility, activity, service or a place of interest or attraction.

**Tourism**
Travelling and all associated activities undertaken for leisure, social, entertainment, health, cultural or business reasons.

**Tourism Industry**
The cluster of services, products, facilities, infrastructure and information that support and promote tourism.

**Tourism Income**
The direct expenditure by tourists including pre-trip expenditure on travel reservations, transport, accommodations, en-route expenses and all spending at the destination.

### 4. Acronyms

<p>| ACSA       | Airport Company of South Africa |</p>
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<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tr>
<td>ACTMO</td>
<td>Association of Community Tourism Marketing Organisations</td>
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<td>BEE</td>
<td>Black Empowerment Enterprise</td>
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<td>CBO</td>
<td>Community-Based Organisation</td>
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<td>CTA</td>
<td>Community Tourism Association</td>
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<tr>
<td>DBSA</td>
<td>Development Bank of South Africa</td>
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<tr>
<td>DEAT (Var., DEA&amp;T)</td>
<td>Department of Environment Affairs &amp; Tourism</td>
</tr>
<tr>
<td>DTEC</td>
<td>Department of Tourism, Environment and Conservation</td>
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<tr>
<td>DTI</td>
<td>Department of Trade and Industry</td>
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<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
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<tr>
<td>FIT</td>
<td>Foreign Independent Tourists or Free Independent Travellers</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GEAR</td>
<td>Growth, Employment And Redistribution (Programme)</td>
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<tr>
<td>HITB</td>
<td>Hospitality Industries Training Board</td>
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<td>IOTO</td>
<td>Indian Ocean Tourism Organisation</td>
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<td>KPMG</td>
<td>(Infrastructure Engineering Consultant)</td>
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<td>KTB</td>
<td>Kenya Tourist Board</td>
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<td>NBI</td>
<td>National Business Initiative</td>
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<td>NGCS</td>
<td>National Grading and Classification Scheme</td>
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<td>NGO</td>
<td>Non-Governmental Organisation</td>
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<td>NHRA</td>
<td>National Heritage Resources Act</td>
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<td>NTOs</td>
<td>National Tourism Organisations</td>
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<td>POI</td>
<td>Places (or Points) of Interest</td>
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<td>RETOSA</td>
<td>Regional Tourism Organisation of South Africa</td>
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<td>SADC</td>
<td>South African Development Committee</td>
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<td>SAHRA</td>
<td>South African Heritage Resources Agency</td>
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<td>SATOUR</td>
<td>South African Tourism</td>
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<td>SBDC</td>
<td>Small Business Development Corporation</td>
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<td>SDI</td>
<td>Spatial Development Initiative</td>
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<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>SETA</td>
<td>Sectoral Training Authority</td>
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<td>SME</td>
<td>Small &amp; Medium-sized Enterprises</td>
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<td>SMME</td>
<td>Small, Micro &amp; Medium-sized Enterprises</td>
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<td>Tourism Business Council of South Africa</td>
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<td>Tourist Infrastructure Investment Framework</td>
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<td>United Kingdom</td>
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<td>UNESCO</td>
<td>United Nations Educational, Scientific and Cultural Organisation</td>
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<td>USP</td>
<td>Unique Selling Position</td>
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<td>Value Added Reseller</td>
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<td>Visiting Family &amp; Relatives</td>
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South Africa has the potential to become a world-class player in tourism and to generate significant employment and economic opportunities throughout the country. Indeed, the number of overseas tourist grew from 700,000 in 1994 to 1.4 million in 1998. However, preliminary estimates for 1999 (Statistics SA) indicate that this growth is leveling off.

The slowdown in SA tourism growth is blocked by specific factors—most of them related to problems under local South African control. These problems include: a poor perception of security and safety of tourists when traveling in South Africa, a lack of adequate international and domestic marketing, shortages of well-trained tourism-friendly staff, restrictions on international flights (“closed skies”), weak linkages within the private sector and between the public and private sector sectors, and fragmentation within the sector itself.

This report summarizes the results and lessons learned of the year-long “Tourism Collaborative Action Initiative” whereby tourism stakeholders at the national, thematic, and local levels got together to identify and launch actions to create a positive future for themselves and South Africa tourism. The so-called tourism clustering initiative was overseen by the joint business-government-labour Tourism Leadership Group (TLG).

At the National Clustering level, over 650 tourism stakeholders or potential stakeholders, were involved in a series of meetings and working groups convened from April 1999 through to December 1999. Fifteen “action” initiatives at the national level survived the elimination and integration process. The national initiatives focused on priority issues such as improving access to finance for tourism businesses, improving awareness about tourism service, tourism human resources development, and marketing. Overall, the national clustering process was less successful than expected due to the limited participation of high-level business leaders.

The Thematic Clustering process focused on two specific market segments—eco-tourism and heritage tourism. Eco-tourism is generally seen as one of the most successful and well-developed tourism products of the country (and region). With its proven track record, its existing infrastructure and branding, and its already high visibility as an internationally acknowledged South African brand, the theme represents a clear opportunity for addressing previously
excluded people’s participation - through investment and / or community involvement. Building on the success of this segment by fast tracking the development of State-owned dormant assets through public-private-community partnerships is regarded as the optimum option for moving forward. **Heritage tourism** has been identified as a vehicle for offering tourists with a unique South African “experience”. It provides the substance of the tourists’ visit, and is built upon the authenticity and culture of the South African people. This cluster initiative was the first time that all the key stakeholders had met to discuss heritage tourism. It was apparent that efforts to promote heritage tourism had been highly fragmented or non-existent with no frameworks in existence for driving tourism around South African heritage attractions. The outcome of the heritage cluster work was a proposal to form a **National Heritage Association** under the joint stewardship of the Deputy Minister of Arts, Science, Culture and Technology and the Deputy Minister of Environmental Affairs and Tourism.

- **Local Clustering**: Four pilots were selected to test and demonstrate the impact of local tourism clustering: Magaliesberg (North West Province); Khayelitsha (Western Cape Province); Fish River (Eastern Cape Province); and Valley of the Olifants (Northern Province). *Each of these pilots created local platforms for “action” to build more competitive tourism communities that are still working.* In Khayelitsha a new team was formed, while in the other three pilots the clustering initiative brought more closely together stakeholders from a geographically wider community, giving these stakeholders the critical mass to more substantially address key issues. The learning has been expanded in the “**How To Manual**” to provide a practical guide for others facilitating the development of local tourism clusters.

- **The results of the process at all three levels indicate good results, but there is little doubt that clustering from a tourism perspective will be most effective for South African tourism when focused on clustering activities at the local level**. Local-level clustering seemed to bring a more immediate sense of clear personal benefit for the participants, which acted as a powerful motivating force to continue working. Stakeholders feel more empowered to make an immediate and measurable difference to their own situations. Even so, national issues do require a collaborative approach, since tourism is systemic by nature, but will be better tackled by small groups of decision-makers, focusing on specific issues such as international marketing and appointed for that purpose.

- **At the national level, an operational plan/business plan with a budget for South African Tourism, based on 5 to 10 year strategic imperatives should be developed immediately.** This will offer predictability and focus in the policy environment as a precursor improved investment flows for the tourism sector. Such a plan will ensure that the South African Tourism sector will begin to speak with one voice, and will prove invaluable in ensuring focus for the work of existing and new clusters.
One of the keys to tapping South Africa’s tourism potential is to develop more effective linkages and synergies within the cluster and invest in critically needed economic infrastructure. A critical factor for success is to align all elements of the cluster or sub-sectors of the cluster to strategic tourist product offerings. This requires coordination and cooperation. And that is what clustering is about.

A key finding of the effort is that to ensure success of tourism clustering activities, there must be committed, high level, long-term joint government/business/labour leadership. The extensive demands on time and commitment of leadership for this project were not able to be fully met by the TLG. The levels of commitment that would be required had not been fully understood at the beginning of the process and the process itself occurred in an election year. Future processes of this nature would benefit from a counterpart group with the capacity (time, resources etc) to fully manage and lead the process.

One of the greatest positive impacts from the process has perhaps been the development of partnerships and allies. The tourism clustering process has seeded numerous different teams made up of people that would not otherwise have networked together. Many individuals either outside of the formal tourism sector arena or completely uninformed as to the potential for them to engage in the tourism economy at all, were engaged by this process. Specific mechanisms were reviewed and identified to improve aspects of black economic empowerment in tourism (refer to Chapter 6).

Finally, the most important indicators of success of any clustering initiative lie in whether or not there is continuity and sustainability in the implementation of action initiatives. Thus far, the overall result is positive—the TLG, along with a collective of cluster initiative champions, have decided to keep going and commit to overseeing a roll-out action plan for 2000, which will support the existing initiatives and launch new local clustering activities. The key activities proposed for 2000 included the following: on-going support to existing four local pilots; the start-up of 5-15 new local clustering initiatives; and SA-wide tourism clustering training workshops and awareness raising tours. If the TLG can sustain the momentum over the next several years, South Africa’s chances of creating a more competitive tourism economy will be greater.
The report is organized into seven chapters:

**Chapter 1: Introduction and Overview**—identifies key tourism trends and South Africa’s tourism challenge, describes the project objectives, and highlights key findings and recommendations, including the roll-out action plan for 2000.

**Chapter 2: The South African Tourism Cluster**—focuses on defining the clustering approach and evaluating the competitiveness of South Africa’s tourism cluster.

**Chapter 3: Tourism Clustering Activities and Lessons - National Clustering Initiative**—highlights the clustering process activities at the national level as it occurred, its designs and the successes and failures of the process itself.

**Chapter 4: Tourism Clustering Activities and Lessons - Thematic Clustering Initiative**—describes the two thematic clustering processes for eco-tourism and heritage tourism, lesson learned, and recommendations based on the outcomes.

**Chapter 5: Tourism Clustering Activities and Lessons – Local Clustering Initiative**—describes the objectives, selection process, and key outcomes and lessons learned from the four local pilot clustering processes, providing a framework for replication into other communities.

**Chapter 6: Black Economic Empowerment and Tourism**—defines Black Economic Empowerment in the context of tourism, outlines an analytical framework for BEE in tourism companies, summarizes tourism case studies that illustrate empowerment strategies and gaps and constraints facing empowerment initiatives, identifies key learnings, and presents two key BEE tourism initiatives for enhancing monitoring and disclosure of empowerment results.

**Chapter 7: Conclusion – Overview of Learning**—summarizes learning from the tourism clustering processes.

**Appendices**—This report has additional appendices that include:

- more in-depth analysis of the competitiveness of South Africa’s tourism cluster,
- results and lessons learned from the tourism clustering processes at the national, thematic, and local levels
- more in-depth analysis of Black Economic Empowerment and tourism
- international case studies of tourism competitiveness strategies
- a separate “How To Manual” on Local Tourism Clustering
Chapter 1: Introduction & Overview
1. South Africa’s Tourism Challenge

Tourism is currently one of the world’s fastest growing industries. The nature and standard of some of South Africa’s tourism assets indicates that there is a high potential for it to take advantage of the massive growth potentials.

The first wave of tourism interest in South Africa occurred after the country’s 1994 democratic election, when the number of overseas tourists grew from 700 000 in 1994 to 1.4 million in 1998. However, preliminary estimates for 1999 indicate a leveling-off in overseas visitor arrivals. To reverse this trend and to attract the numbers of tourists that South Africa’s potential suggests that it can attract, the nation must begin to focus on commercially viable, customer focused, integrated and sustainable tourism development.

It is evident however that South Africa’s tourism growth is blocked by specific factors – most of them related to issues under local South African control. These problems include a poor perception of the security and safety of tourists when travelling in South Africa, a lack of adequate international and domestic marketing, shortages of well-trained tourism friendly staff, restrictions on international flights (“closed skies”), weak linkages within the private and public sectors, and the fragmentation within the sector itself.

Some of these problems are being addressed. However many issues remain unattended, including:

- Government has yet to develop an integrated Tourism Development Plan under which umbrella various stakeholders could plan and implement.
- Key aspects of the enabling environment are not yet in place, such as financial and economic support measures for the industry.
- The roles of the various tourism bodies are largely undefined and responsibilities and accountabilities are blurred as a result in both public and private sectors.
- Major players in the private sector are waiting on the sidelines. The environment of trust between government, business and labour, while improving, has not been established sufficiently. Leadership therefore remains under-integrated.

The “Tourism Collaborative Action (Clustering) Initiative” (Tourism Cluster) – on which this report focuses - provides one initial response to this issue of integrated leadership. Launched in late 1998, the clustering initiative provided high visibility and broad accessibility for tourism stakeholders in business, government, and labour to engage in further defining problems, visions and strategies, and taking “action” to meet priority challenges.

1 Statistics South Africa.
The engaging of tourism stakeholders - from government, tourism business, and labour - resulted in new linkages being formed, greater access for previously excluded groups, and demonstrated - though “action” initiatives developed by the stakeholders themselves - what could be achieved through a process of collaboration. In the course of this initiative more than 25 new tourism development “action” projects were created and implemented within each of seven clustering “arenas” - one at national, two at thematic, and four at local levels. This implementation resulted from hundreds of tourism stakeholders engaging together.

This process of clustering for better economic results in tourism at all levels must be seen as one of the tools available to begin the work of rendering the South African tourism sector globally competitive. It has the potential to engage economic communities in active work to support overarching policy and economic goals of job creation, inclusivity of previously excluded groups and increased earnings at the local level. The accomplishments of the cluster stakeholders in 1998/99 were intended to be the beginning of an ongoing process, to be taken forward by the South African stakeholders themselves.

Clear leadership is needed on the part of the captains of business, top officials in government, and labour leaders to forge new joint partnerships that will establish tourism as South Africa’s new gold.

2. A BRIEF TOURISM STOCKTAKE

South Africa’s tourism growth rate has been substantial, growing from 700 000 overseas tourists in 1994 to 1.4 million in 1998. The rate of growth has moderated recently.

Europe continues to remain the dominant international origin market for South Africa. In its key markets - the United Kingdom (UK) and Germany - South Africa is capturing only 2.5% of long haul travel volumes. Penetration by the North American market is still below 1%, but the growth of its visitors to South Africa is encouraging. Increasing awareness of Africa in the United States (US) is having a positive impact on visits to South Africa. South Africa remains the “Number One” destination in Africa for US travelers to the continent - a position it has held since the end of the apartheid era.

Although South Africa has captured more tourists in several of its key markets, competition is intensifying. The expansion of tourism capacity, the development of tourism infrastructure in competing destinations, and new tourism destinations entering the market are taking their toll. Certainly South Africa is capturing more international tourists and tourist spend than it did five years ago, but South Africa is not growing nearly as rapidly as it

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2 See Chapter 2 and Appendix F for a more detailed review of key tourism trends in South Africa and internationally.

3 It is recognised however that the 1994 figure does represent a low base.
could. In view of its potential, South Africa could easily improve its market share in the international marketplace.

Similarly within the domestic market, South African tourism development is slow. Some 30 million visits were made in 1998 within the borders of the country but daily spend and length of stay were adversely affected by the tight economic conditions prevailing for many South Africans. Although the domestic tourism and travel market has not demonstrated the dramatic growth rates (or per-individual revenues) of its international counterpart, it remains a key component of South African tourism. South Africa’s domestic tourism accounts for upwards of 85% of the total visitor volumes.

Among the most obvious constraints to South Africa’s tourism growth are:

- the lack of funding and capacity for effective tourism marketing (although this problem is beginning to be addressed by the SATOUR Marketing Committee).
- limitations in the physical tourism infrastructure (road network, airports, etc.).

There is a need for more effective use of resources, clear identification of priorities and the channeling of infrastructure investment in alignment with tourism development priorities.

Problems with South Africa’s less visible, “soft” infrastructure present other obstacles to growth. The most serious problems include:

- Safety and security concerns of tourists.
- Shortages of well-trained tourism friendly staff and managers.
- Weaknesses in social capital within the private sector, and between the private sector and government.
- Weak linkages within the tourism cluster.
- The lack of alignment within the tourism cluster and the resulting clutter of tourism associated organisations.

South Africa will be required to integrate and assemble the different tourism product offerings for the different market segments in a coordinated fashion. Improved dialogue, alignment, and linkages within the tourism cluster – between for example tour operators, travel agents, the public and private sectors, infrastructure providers, etc - will assist South Africa to provide competitive destination experiences for a range of tourists.

A critical factor for success will be the need to align all elements of the sector or sub-sectors to strategic tourist product offerings based upon a clear understanding of customer needs. There is lack of integrated product offerings and focus on the priority product / market segments the tourist

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4 Grant Thornton Kessel Feinstein.

sector should be targeting. Good statistics and shared, timeous information on customers and their needs will facilitate consensus in the sector on targets. This requires co-ordination and co-operation.

3. The Mandate: The Tourism Collaborative Strategy Initiative

The “Tourism Collaborative Action Initiative” represents an effort by government, business, and organised labour to work together to realise the potential of South African tourism. It was overseen by the Tourism Leadership Group (TLG) – which comprised representatives from business, government, and labour. The project – which was consultant driven - was funded by government (primarily the Department of Trade and Industry (DTI)).

In broad terms the objective of the initiative was to initiate a mass movement of tourism economic development – with all stakeholders committed to expanding and enhancing both international and domestic tourism earnings, and the creation of jobs through a process of collaboration (“clustering”).

The overarching goal of the process was to encourage all tourism stakeholders to get involved, help develop a shared vision and strategy, and identify and implement a set of priority “action” initiatives. Through this process, the “action” initiatives developed by participants reflected commitments made by individual South African business, labour and government actors.

3.1 Preferred Future

The starting point for dealing with the tourism development work identified was to establish a shared vision about the future among the business, labour and government constituencies. Much work on determining the shared vision for the future of tourism had already taken place before the cluster process began. Key developments in this arena were the government prepared Tourism White Paper, and the Tourism in GEAR strategy.

The vision in Tourism in Gear articulated the strategic intent of the tourism sector at that time as:

To develop the tourism sector as a national priority in a sustainable and acceptable manner, so that it will significantly contribute to the improvement of the quality of life of every South African.

6 The consultants appointed were a South African led consortium called “The Cluster Consortium” (TCC). The consortium was led by Blueprint Consulting (SA), working with a New Zealand based firm, “Cluster Navigators”, and an American firm, “ECG”.

7 Tourism in GEAR, DEAT (1997).
As a lead sector within the national economic strategy, a globally competitive tourism industry will be a major force in the reconstruction and development efforts of the government.


However, because of the mix of tourism workshop “veterans” with “novices,” the cluster project consultants decided to minimize the effort of developing a shared vision to only the participants at the national clustering working group.

At the first national meeting of the cluster, a vision statement for South African tourism in 2010 was built by participants as follows:

South Africa is one of the most sought-after adventure, eco-tourism and cultural destinations in the world, combining its people and diverse cultural experiences with its natural wonders, and presenting itself as a world-in-one destination.

It is the tourism hub of Africa, providing quality experiences and services in a community-based, environmentally responsible manner. Tourism is the leading generator of new jobs in the country and is contributing to the quality of life of every South African.

South Africa’s tourism offer is globally competitive and encompasses domestic, regional and international tourism.

By the third national cluster meeting, a revised vision was put forward identifying the theme to tie the action initiatives together—“Tourism—the African Renaissance”. A view was held that South Africa’s objectives for tourism are consistent with President Mbeki’s concept of an “African Renaissance”. It was felt that tourism could serve as the vehicle to make the concept a reality. Tourism could:

- Be the economic engine.
- Deliver jobs.
- Develop an enterprise and service culture.
- Involve people and communities.
- Depend on pride, culture, art, innovation and technology.
- Offer reconstruction and reconciliation.

The various evolving visions for South African tourism served to draw together tourism stakeholders and provide a clearer, collective sense of what the tourism sector desires to achieve collectively in the future.

3.2 Tourism Stepping Stones

In order to move towards this “preferred future”, the South Africa “Tourism Collaborative Action Initiative” developed six key strategies (or stepping stones), to shape tourism:

A. Create a positive enabling environment for tourism development—This calls for the development of a clear tourism development plan by
government at the National, Provincial and local levels, which is well integrated; and in particular the creation of an appropriate business climate to support tourism development. It was noted that a critical component of the implementation of any plan would be the availability of effective, relevant and timeous statistics using competent information systems.

B. Develop and integrate the tourism sector—Promote greater alignment, teamwork, and collaboration among players in the tourism industry and between government and business. Without this, government investment is not aligned. Increased competitiveness of the tourism cluster will result from increased communications, co-ordination, and linkage between firms, institutions, associations, as well as government stakeholders.

C. Attract long haul tourists to SA—Create a unified South African marketing approach. South Africa’s priority is to create an image as a unique and safe tourism destination. South Africa must continue to target its traditional long-haul traveler markets in Northern Europe. Priority targets in Europe are the UK and Germany; while the secondary targets (Holland, France, Italy) which are growing, need to be promoted. Emerging markets such as India and China need also to be explored.

D. Develop domestic and regional tourism—The strategy to expand and develop domestic tourism calls for a better understanding of the needs of the domestic and regional tourist. This can be done through focussed research, an increase in awareness of domestic tourism activities, and in communication and transportation development for previously disadvantaged persons. It also calls for the development of lower-cost tourism packages.

E. Develop and align specialized economic foundations locally—South Africa’s tourism growth will depend on its ability to address key internal constraints that are within South Africa’s control - most importantly, safety and security, education/training, and physical infrastructure.

F. Support growth of existing and new business—There is a need to develop new products and services to attract an increasing diversity of travelers. This could mean the development of appropriate incentives to kick start participation in the tourism economy. The strategy to support new business and new products and services also serves to address gaps in entrepreneurial involvement, particularly of previously excluded stakeholders.

4. Methodology of this Project

4.1 Approach to the Work

The clustering approach was chosen to initiate and underpin the fast tracking of tourism economic development in South Africa because it can:

- Focus attention on various agendas (such as that of industrial relations in tourism, or the “open skies” policy, etc.), and engage with various constituencies at national level.
Demonstrate how “action” can be planned and implemented in discrete geographically defined areas.

Allow for business people in the same segment of the market to collaborate where needed in order to achieve better results for the sector overall.

The collaborative approach to competitiveness enhancement adopted by this project was based upon work arising out of frustration with the implementation record of the standard three-step method to problem solving:

1. Analysis, followed by
2. A report, and finally
3. Implementation

This approach often experiences difficulties in implementation because it fails to achieve genuine participation by those who are required to implement the recommendations.

The approach taken by the tourism clustering initiative was to mobilise specific South African tourism stakeholders to take priority actions. This, it was hoped, would provide a clear example to other potential South African tourism clusters as to what could be practically achieved through the clustering process. In addition it was hoped that it would serve as a learning experience of what clustering strategies could be sustainable and effective for those involved in the South African tourism industry.

**Project Steps in Brief**

The consultants followed the following steps in order to roll-out clustering:

- **Diagnosis**—The first step of the project consisted of diagnosing the key challenges that confront the South African tourism cluster.
- **Strategy Development**—During the second phase of the initiative, stakeholders in the tourism sector developed and refined specific strategies for implementation.
- **Implementation**—The tourism cluster initiative was “action” oriented through the use of selected pilots at national, local and thematic levels (rolled out over 12 months). The pilots were chosen to demonstrate the value of clustering for tourism and the results for tourism economic development when this approach is used.

**Crosscutting Issues**

The consultants paid particular attention to:

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8 It was hoped that this initiative, which was primarily funded by the Department of Trade & Industry, would also provide other sectors of the economy with broad strategic learnings about the advantages and disadvantages of the “clustering” methodology.
Replicability—The methodology and approach focussed on building for continuity.

Inclusivity—All South Africans with an interest in tourism, especially those who had been previously excluded from the tourism economy as players, were entitled to be included in the pilot processes.

Representivity—All South Africans were entitled to represent their interests openly in this process.

Transfer of Capacity—The project had to create people within the tourism cluster capable of continuing with clustering, and/or to expand clusters within the tourism economy.

Project Design

The project was designed to be able to maximise the learning for the cluster in an integrated manner. In order to achieve this, the first factor considered was the prevailing decision making environment as it pertained to tourism at the time of the project commissioning. It was clear that many of the issues pertaining to tourism were taken up at a national level with limited debate between the national and provincial levels, and less between the national and local levels.

Major private sector stakeholders were operating nationally and globally and policy was still in the process of being determined. The debate was, in the main, being conducted at a national level. For these reasons, the TCC decided to use a multilevel approach to the project design and implementation. It was believed that by using a national, thematic and local approach, linkages could be built between the various levels of activity vertically which at the time were extremely limited. Such an approach was also designed to maximise cross-pollination on overarching issues to do with infrastructure and transport, and to give the local clusters a voice and access.

Thematics were chosen since some successful collaboration and commercialisation had already occurred in some strategic segments, especially in that of eco-tourism. It was hoped that this successful experience would be evaluated and taken up by those other segments which were less advanced. The selection of themes gave the project an opportunity to work within a collaborative environment where the focus was market share access and the development of a particular type of offering.

Finally, local level clusters were chosen as the classic cluster methodology would require. Clustering typically works very well on a local level, assuming there are sufficient resources (intellectual, experiential, financial and tourism assets) to make the collaboration commercially viable. Clustering works well here because the benefits to be derived for the participants are usually very obvious from the beginning.

The project was originally designed to make use of the research which was to have taken place simultaneously with the process. The three phase design of the project is useful when staged information enters the
clustering arena over time. Gaps between meetings were designed to allow for mentoring as well as individually motivated effort to occur. The initial widening of the number of initiatives (at one point there were over 70 mooted and with adherents) is part of the winnowing and sifting process which is intrinsic to a successful cluster process. The average survival rate for initiatives for the project was thus in the region of 40%. More detail of the design can be found in Appendix C1.

4.2 Tourism Cluster Project Design

The design of the project combined limited (but enough to define the work) analysis with a process of clustering. The work focussed on three levels to demonstrate and test the clustering method application and utility for South African tourism.

- The **National Cluster** process brought together key policy makers, strategists and enablers from government, labour and business, to identify blockages in the tourism system enabling environment, and to suggest mechanisms for speedily addressing these blockages.

- The **Thematic Cluster** process featured two pilots that suggested models for addressing strategies / market development issues for specific market segments (eco-tourism and heritage tourism). These clusters were based upon sectoral or value chain cluster theory.

- The **Local** processes, based on the twin concepts of economic geography, provided replicable models and learning in applying cluster methods to building more competitive tourism communities in four specific locations:
  - Magaliesberg, North West Province
  - Khayelitsha, Western Cape
  - Fish River, Eastern Cape
  - Valley of the Olifants, Northern Province

Cutting across all three levels were specific elements addressing issues of Black Economic Empowerment (BEE), small, medium and micro enterprise (SMME) development, human resources matters, tourism investment, etc. The following figure, (Figure 1.2), indicates the levels of work. There were substantial synergies between the levels (e.g. various local clusters interacted with national cluster working groups on areas of mutual interest such as physical infrastructure, or strategic learnerships, etc.), as well as within the levels (e.g. where entities and individuals worked together on areas of common cause, such as development of financing instruments, etc.) which contributed to the development of actions on the ground.
5. Key Findings and Recommendations

5.1 Results and Lessons from the Tourism Process

Through the 12 month clustering process, the South African tourism sector took initial steps towards addressing priority needs for action within each strategy area at each level of operations - national, thematic, and local.

The on-going viability of clustering activities remains fragile in the absence of a committed plan to roll-out the work into the next phase of tourism development. Support is required to underpin the first local pilot programs as well as to facilitate the development of new tourism economic communities.

Each of the clustering activities is summarized below.

Clustering at the National Level

At the national level, over 650 tourism stakeholders or potential stakeholders, were involved in a series of meetings and working groups convened from April 1999 through to December 1999. The high profile of these events and the level of attendance raised the public awareness of
tourism and began to link diverse parties in the tourism system in ways that had not before been effected.

Fifteen “action” initiatives at the national level survived the elimination and integration process. The national initiatives focused on priority issues such as improving access to finance for tourism businesses, improving awareness about tourism service, tourism human resources development, and marketing. Of these 15 initiatives, three had existed prior to the formation of the cluster, and had joined with the cluster in order to escalate interest in their objectives, with varying degrees of success.9

The successes of the national clustering process will lie in the implementation of these initiatives, as well as in the achievement of an increasing awareness among tourism stakeholders that tourism is a systemic phenomenon, and as such, requires a commitment to action from all stakeholders, as opposed to from government alone.

It is significant to note that much of the national work took place around issues that had already been identified by stakeholders before the cluster process, but the process gave the momentum to many to move forward with the work.

To ensure successful implementation into the future it is essential to draw on the lessons learned during the course of the project. Key lessons include:

- A meaningful communications strategy must be clearly defined from the beginning and be attended to throughout the effort;
- The need for all processes to be inclusive
- That “action” is accelerated through collaborative involvement and can be accelerated further when key decision-makers are involved.

Implementation is crucial, will take time and must continue beyond the time frame of the project. On-going review and support of the initiatives as well as monitoring of the results are needed to ensure long-term success.

The Tourism Leadership Group (TLG), differently constituted and with a different mandate, is mooted as the probable vehicle for the continued support and nurturing of this tourism economic development process. This view is supported by DEAT, SACOB, NBI, Tourism Business Council, Labour, and Provincial Government, amongst others. Discussions are underway to ensure the development of an effective roll out plan and the resourcing of this plan.

It is likely that many of the current national initiatives, and their champions, could have the issue with which they were engaged be taken up by National or Provincial government for action, and implementation will continue in a different way.

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9 See later Chapters and Appendix C1 relating to National Cluster process for more detail.
**Thematic Clustering**

Intervention at the thematic level enables an industry to start collaboration around specific market segments and/or products. This is particularly important for the local tourism industry because South Africa is looking to build strong brand identities internationally for selected market segments. Intervention at the thematic level also begins to address the supply side of these segments. Two thematic areas were selected, eco- and heritage tourism.

**Eco-tourism** is generally seen as one of the most successful and well-developed tourism products of the country (and region). With its proven track record, its existing infrastructure and branding, and its already high visibility as an internationally acknowledged South African brand, the theme represents a clear opportunity for addressing previously excluded people’s participation - through investment and/or community involvement. Building on the success of this segment by fast tracking the development of State owned dormant assets through public-private-community partnerships is regarded as the optimum option for moving forward.

**Heritage tourism** has been identified as a vehicle for offering tourists with a unique South African “experience”. It provides the substance of the tourists’ visit, and is built upon the authenticity and culture of the South African people. This cluster initiative was the first time that all the key stakeholders had met to discuss heritage tourism. It was apparent that efforts to promote heritage tourism had been highly fragmented or non-existent with no frameworks in existence for driving tourism around South African heritage attractions.

While specific product development initiatives will continue, the heritage tourism sector will advance without it developing an overarching framework, as well as it addressing capacity and resource issues at a local level. The subject of heritage itself is still highly politicised and emotive in South Africa, with many holding strong views around what South African heritage actually is; as well as to whom it belongs. This type of tourism is also inextricably linked with local communities and depends for its success on their ability to identify, and deliver an authentic cultural experience for tourists.

Some specific recommendations based on best practices internationally are:

- Funding and incentives approaches.
- Establishing heritage advisory mechanisms focussed on promotion to provide coordinated support to provinces and communities.
- Collation and dissemination of heritage tourism information—provide simple, easy to understand information about Provincial / National government heritage legislation, initiatives, and programs.

The outcome of the heritage cluster work was a proposal to form a National Heritage Association under the joint stewardship of the Deputy Minister of
Arts, Science, Culture and Technology and the Deputy Minister of Environmental Affairs and Tourism.

**Local Clustering**

Four pilots were selected to test and demonstrate the impact of local tourism clustering. Each of these pilots created local platforms for “action”. The speed and nature of the uptake was different for each cluster. Given continued commitment and resources, which each local cluster has already acquired, they should continue to move forward.

In each of the four pilots a focused group is now working; in Khayelitsha a new team was formed, while in the other three pilots the clustering initiative brought more closely together stakeholders from a geographically wider community, giving these stakeholders the critical mass to more substantially address key issues.

- A number of clustering assumptions drawn from best practices internationally were applied in structuring the process for the four pilots. These assumptions have been thoroughly tested in the pilots. The learning has been expanded in the “How To Manual” to provide a practical guide for others facilitating the development of local tourism clusters.


Continuity and sustainability are the most important indicators of success of any clustering initiative. During October and November 1999, the questions of whether and how the tourism clustering initiative could be continued were discussed. In view of the results achieved, and the need to sustain the implementation of existing initiatives and spawn new clustering activities, the TLG, along with a collective of cluster initiative champions, decided to keep going and commit to overseeing a roll-out action plan for 2000.

The TLG and initiative champions decided at a meeting at Rustenberg on November 11, 1999 to develop a roll out strategy to support the existing initiatives and launch new local clustering activities. The roll out plan was further elaborated and discussed by the TLG in late 1999. The key activities proposed for 2000 included the following:

#### 1. Local Clustering Initiatives

- On-going support to existing four local pilots.
- Beginning new local clustering initiatives in 2000.

#### 2. Clustering Training and Support

- SA-wide tourism clustering training workshops (quarterly).
- Technical and motivational support to local leaders/facilitators.

#### 3. Regional Awareness Raising Tours
Visits to regions, presentations, awareness raising about tourism clustering development.

4. Tourism Clustering Forums

- Co-ordination, communication and outreach.

The area of greatest focus for the later part of 1999 was in the rollout of new local clustering initiatives. The rollout will build upon the success of learning achieved in the four pilots during 1999 and broaden the engagement to include additional 10-15+ local communities over a three-phase rollout process during 2000.

The following figure 1.2 outlines the proposal for the rollout of local clustering initiatives during 2000.

FIGURE 1.2

Local Clustering Roll-Out (proposed for 2000)

The success of this proposed program will revolve around two key dimensions.

- The first critical area is the willingness of local tourism stakeholders to engage in clustering in their community. This should not be a problem as many have already indicated a desire to do so. The rollout strategy is a “bottom-up” strategy with the TLG and other institutional supporters providing strategic guidance and support. A mechanism for inviting proposals for support will be needed, as will resources to support the initiatives.

- Second, the TLG must strengthen its capacities to support local clustering efforts with training, facilitation, coordination, and access to
information and resources. TLG support capacities should be positioned to actively support 2-4 new communities in early 2000, and to expand direct support to another 5-8 communities by mid-2000.

The *How-To Manual for Local Clustering*\(^{10}\) provides a useful starting point for community leaders to learn about the dimensions and steps for undertaking a local clustering effort. Some communities will require additional coordination and facilitation support.

A commitment to rollout will require the new TLG to establish an ability to guide, coordinate and support local clustering. Important to the longer-term success and credibility of the work will be an ability to monitor and measure the work. SACOB and NEDLAC have committed their support to the principle of rolling out the clusters, but a final implementable plan of action with the necessary resources attached to it, is needed before action will result.

### 7. Fundamental Implementation Requirements

Tourism is seen by many to be the glamorous, fun filled panacea to all of South Africa’s economic requirements. Many small local economies, in the absence of other obvious economic options, are also looking to tourism to fill the void, even where no such possibility exists in the short to medium term. A more balanced view is needed and should be propagated, which will generate the freedom to prioritise.

Short term results are derived from maximising existing assets, unlocking the enabling environment for the private sector to begin investing, and focussing attention on initiating new businesses through varied means of promotion. The TCC cannot over emphasise the need for the public and private tourism sectors to continue to collaborate to develop a series of annual “action” plans. These plans will serve to shape, coordinate, and consolidate existing and emerging priority action initiatives into an on-going operational program to guide and focus the South African tourism industry.

A real-time, strategy-in-action orientation will focus the attention of all role players on specific delivery relative to deployed resources and will ensure accountability. An annual operational plan is not intended to replace policy or regulation, simply to operationalise in an integrated and measurable manner the strategies that South Africa has adopted. Resources should be focused upon clear and comprehensive operational planning in collaborative mode, (drawing on the national working groups for additional input and resource), developing accurate and needed information systems, financially supporting the sector (incentivisation) and building international / local awareness of and interest in South Africa as a tourist destination.

\(^{10}\) See Separate Manual.
8. Creating a Positive Future with Tourism

Hard work and committed leadership is required to create a strong and sustainable tourism economy. South Africa is moving forward on a number of fronts. The payoffs for this hard work are highly attractive. If public and private leaders take concerted actions, tourism can realistically become the economic driver for the 21st Century. The optimistic scenario put forward in the recent World Travel & Tourism Council report (South Africa’s Travel & Tourism – Economic Drivers for the 21st Century) could become a reality.

Under this optimistic forecast:

- South Africa travel & tourism employment would rise from 737,600 in 1998 to 1.57 million in 2010.
- South Africa travel & tourism exports would grow by 6.3% per year and account for 29.1% of total exports in 2010—up from 13.2% today.
- South Africa travel & tourism share of total GDP would rise from 8.2% today to 16.4% in 2010.
- Capital investment in travel and tourism would account for a massive 21% of total capital investment in 2010.

These results are possible and will make the difference between a healthy, dynamic, and vital new political economy for South Africa and a weak economy undermined by an uncertain political future. The difference between these two outcomes lies predominantly in the degree of collaborative action that South Africa’s public and private leaders are able to generate and sustain during the first decade of this new millennium.

South Africa is unquestionably on the way to creating a South African “Tourism Renaissance”—a dynamic, multi-nodal, culturally diverse tourism destination undergirded by a strong economic infrastructure. If South Africans continue to join in to expand and sustain this collaborative strategy-in-action process, tourism can and will become the economic driver for the 21st Century.
Chapter 2: The South African Tourism Cluster

1. Executive Summary

1.1 History

The clustering approach is new to South Africa. In 1999 South Africa embarked on a major clustering effort in tourism.

1.2 Lessons Learnt

- Analysis of the South African tourism sector using the cluster approach reveals that the country does possess a sufficiently strong array of interrelated key and supporting businesses to build future success and development of the tourism industry. However, the tourism distribution system (travel agents and tour operators) and component providers (accommodations, attractions, transportation, etc.) require further development and integration to achieve either satisfactory or optimal levels, particularly as they relate to product development, delivery and marketing.

- Analysis of the South African tourism cluster also shows that tourism growth is threatened by fundamental weaknesses in the country’s economic foundations including human resources, safety and security, and inadequate marketing of South African tourism product. Public spending is currently increasing at a moderate pace at best and offers only gradual, incremental improvements.

- One of the keys to tapping South Africa’s tourism potential is to develop more effective linkages and synergies within the cluster and invest in critically needed economic infrastructure. A critical factor for success is to align all elements of the cluster or sub-sectors of the cluster to strategic tourist product offerings. This requires coordination and cooperation. And that is what clustering is about.
1.3 This Chapter

- This chapter provides a brief overview of clusters and clustering and then applies the cluster approach to analyse the structure and assess the competitiveness of South Africa’s tourism cluster.
- First, the concept of a cluster is defined and the tools for creating clustering, the cluster map and diamond of competitiveness, are described.
- Then, these tools are applied to assess the competitiveness of South African tourism and indicate opportunities for enhancing the sector through clustering activities.

2. Clusters and Clustering

2.1 What is a Cluster?

The project undertaken and described in this report is known as the South African Tourism Cluster Project. The approach chosen was a clustering approach rather than the standard of: (i) analysis; (ii) reporting; and (iii) implementation. The terms “cluster” and “clustering” are inter-linked but refer to different phenomena.

Definition of a "Cluster"

Within the context of industrial development the term “cluster” is often used to describe a particular form of industrial organisation. The concept, however, can have slightly different meanings. In its traditional sense the term is used to describe a grouping of sectorally specific enterprises in a particular location, such as information technology in Silicon Valley and automotive manufacturing in Port Elizabeth. The key features of a cluster in this sense are the geographic proximity of firms and their sectoral specificity that is said to enhance firm competitiveness through the linkages and external economies engendered by such arrangements.

More recently, through the work of Michael Porter of the Harvard Business School, the concept of a cluster has come to denote a group of firms engaged in similar or related activities within a national economy. In this sense, geographic proximity is not the defining characteristic of clusters but
rather the linkages along the vertical and horizontal value chains of the particular economic sector.\textsuperscript{11}

Clusters, in whichever sense, include all the firms and organizations that help to make a region or a sector competitive. This includes suppliers of components, machinery and services, education and training, and the creators or developers of specialized infrastructure, among others.

In this project, we have defined tourism clusters for South Africa both in terms of geographic concentrations of local tourism activities and, as more generic tourism value chain groupings of tourism activities at the national level. Geographic tourism clusters have been identified and worked with in four local clustering pilots (see Chapter 5). Tourism clusters for eco-tourism and heritage tourism, have been defined less by a local geography, and more according to a value chain around these thematic niche activities and markets (see Chapter 4). The project has also identified a generalized tourism cluster for the country as a whole.

\subsection*{2.2 What is Clustering?}

The process of co-operation within an existing cluster in order to strengthen its competitive capability, or the process of speeding up economic development through the intensive support of a cluster that is just beginning, is called “clustering”.

This process is essentially a trust and relationship building exercise, which seeks to develop linkages, innovations, and efficiencies in the cluster through the sharing of information, the developing of shared visions, and collaborative efforts and investments to create a more competitive enabling environment. Certain resources are shared, and relationships improved in order to build stronger trust amongst the players.

The clustering process helps the cluster itself to speed-up its move to competitiveness, and supports and accelerates growth. This growth can be especially dramatic when supported by public/private sector co-operation.

Finally, it is accepted that clustering is driven by what is often termed “enlightened self interest”. Stakeholders and budget holders are entitled to have an agenda of self-interest in the clustering process. The logic suggests that people will act in their own best interests. It is however important that all party interests are declared.

The South African tourism cluster currently provides an excellent example of an emerging cluster where clustering processes can be used to great effect as a methodological approach to speeding-up economic development.

\subsection*{2.3 The Analytical Tools}

The first tool widely used in understanding an enterprise cluster is the “Cluster Map”. This analytical tool outlines the entities participating in the cluster, and the linkages between them. Not only does the Cluster Map
outline visually the organizations and entities involved in the cluster, it can be used to identify how complete or incomplete the cluster is in terms of the direct and indirect suppliers, and critical economic infrastructure. Comparisons with other clusters can be made to assess the relative strengths and weaknesses of the cluster relative to the competition.

The second important tool is the “Competitiveness Diamond”. Clusters operate and succeed or fail in the context of a competitive environment. In some cases the environment is so harsh that even the most motivated and strong cluster can struggle to meet its objectives. In other cases the environment in which the cluster operates is so helpful that even weaker clusters can strengthen to globally competitive standards. Not only is the cluster competing in the context of its own environment, but if the competitive cluster has a better enabling environment, this constitutes a substantial set of advantages which the struggling cluster will need to match or exceed.

Figure 2.1 indicates visually the components of the “Diamond” which require evaluation in order to achieve an effective and competitively appropriate view of the environment.

FIGURE 2.1 COMPETITIVENESS DIAMOND

Clusters reach higher levels of competitiveness when they meet the test of criteria from the “Diamond”. To establish this fertile environment for competitiveness in a new cluster requires analysis, collaboration, and action. (clustering). Equally important is to try to understand which of the

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13 The Italian gold jewellery industry has been helped in the last decades by unbeatable support for producers in the financing of un-worked gold, which constitutes the raw material of production. A comparison of the South African and the Italian “Diamonds” for gold jewellery clearly shows the relative levels of competitive capability for the two industries as a result of this environmental factor.
factors in the environment which impact on the cluster can be leveraged most successfully to improve competitiveness in the cluster as a whole.

With respect to tourism, the central competitiveness issue is how competitive the destination is as a whole rather than each individual component. In turn, the competitiveness of destinations has to be focused on achieving sustainability over time, maintaining a focus on all the components of competitiveness during the medium and long term, and reinforcing the sustainable character of the competitive advantages of the destination - even though these can and will change over time. The box below offers a short summary of attributes of the competitiveness diamond.

### Attributes of the Competitiveness Diamond

1. **Firm strategy, structure and rivalry. The operating conditions of the companies of the sector**
   This attribute looks at how the network of companies adapt to market requirements, the levels of rivalry, the existing barriers of entrance and exit, the legal, labor and fiscal structure, the competitive strategies jointly accepted, the way of organization, the performance of management of the location, etc.

2. **The Cluster: Related and supporting industries. The conditions of the connected and supporting sectors**
   Referring to the linkages between firms and industries within the cluster, the degree of collaboration and the strength of networking organisations and associations.

3. **Factor Conditions. The conditions of the economic infrastructure affecting tourism companies**
   Referring to the availability and conditions of basic factors. Including the tourist attraction resources both natural and cultural, the planning of sustainable use of these resources, the territorial regulation, the availability of infrastructure and basic services, access to the modern technology of lending and commercialization of services, availability and quality of human resources, access to capital resources, etc.

4. **Demand Conditions. Trends and market conditions facing the industry**
   Referring to the characteristics of the demand captured by the destination: Volume and seasonal conditions, socioeconomic and demographic characteristics, markets of origin, tourist motivation and behavior, level of satisfaction demanded, previous knowledge of destination, image of destination among tourists, etc. Includes also the grade of adjustment between the image of destination in the tourist demand and the competitive position taken, which can be the object of investigations of a qualitative order

### 2.4 Advantages of Clusters and Clustering

One of the critical advantages of looking at economic activity this way, is that clusters allow for companies and entities within a sector or region to cooperate and to compete. Local companies usually compete strongly to capture and retain market share (and profits), but can simultaneously develop areas of co-operation with traditional competitors. For example,
companies can collaborate to improve marketing or co-operate along the logistics chain.

In other words, the ability of enterprises to cooperate with each other strengthens the region and the sector through the use of positive synergies, while the competition for share and profits keeps the companies in a mode of continuously improving their performance to stay competitive.

In tourism clusters the quality of the visitor’s experience depends not only on the appeal of the primary attraction but also on the quality and efficiency of the complementary businesses such as hotels, restaurants, shopping outlets, transportation etc.

The tourist who stays at a 5-star hotel in Sandton, for example, is unlikely to have a 5-star experience if, when walking outdoors in the evening, she is provided with a 1-star taxi service. Because the companies in the cluster depend on each other for satisfied customers, good performance by one drives and promotes the success of the others.

3. SOUTH AFRICA’S TOURISM CLUSTER

This next section summarizes the key elements of the tourism cluster map and provides a summary assessment of South Africa’s tourism strengths and weaknesses in terms of the competitiveness diamond. The tourism cluster map and, to a lesser extent, the competitiveness diamond were used throughout the clustering process as tools to engage tourism stakeholders. During clustering workshops, the project team asked the participants to identify the key players in the cluster as a way for them to both understand and help supply information to assist the analysis of the cluster structure and the assessment of strengths and weaknesses of the cluster.

3.1 Overall Structure of the Tourism Cluster

While there are many different geographic and thematic representations of tourism clusters within the country, we have depicted a generic, or composite, tourism cluster for the country in this section. More specific cluster maps and descriptions of local tourism clusters and thematic clusters are provided in Chapters 4 and 5 and in Appendices C-2 and C-3.

South Africa’s country-wide, composite tourism cluster is composed of many elements—ranging from the principal tourism attractions, to the suppliers of direct and indirect services and products, to the soft and hard infrastructure that enables the system to function. Figure 2.2 identifies the key elements of the tourism cluster. The main elements are briefly described below and covered more extensively in Appendix F.

14 K Karim, Southern Sun Hotels.

15 More detail is included in Appendix F.
Key Tourism Attractions

As shown in Figure 2.2, South Africa’s tourism attractions lie at the heart of the tourism cluster. South Africa has a number of unique selling points (USPs) which vary from the well-known Cape Town, Sun City, and Kruger National Park and private game park experiences to lesser-known village, cultural and historical attractions. These main attractions vary widely depending on the tourism market segment concerned.

Theses key unique selling points, USPs, are those which attract foreign holiday tourists, and these particular USPs then act as supplementary or supporting USPs in many other markets. The foreign holiday tourism USPs are therefore the most critical when considering tourism policy and strategy.16

These USPs contribute synergistically to South Africa's increasingly strong and formidable brand image as a unique, exotic, and diversity-rich

destination of historical and cultural importance. This brand image, *currently offset by perceived safety issues*, derives its strength directly from growing tourist awareness of specific attractions, locales, activities and cultures, i.e., from the growing awareness of South Africa's many "worlds."

- South Africa has an abundance of truly unique resources and offerings.
- These resources and offerings are being increasingly identified and developed in conjunction with a strong and developing SA branding effort.
- A stable political and security environment can only enhance South Africa’s attractions.
- The recent stagnation of long-haul, non-business travel volumes presents opportunities for future growth and the maximisation of "lifetime" tourism revenues.

It is these world-class tourism attractions\(^{17}\) (and the suppliers of support services—accommodations, transportation, tour guides, etc.) that are stimulating the demand for tourists.

**Tourism Distribution System**

The offshore and onshore tourism distribution system is a critical element linking visitors to tourism experiences. The tourism distribution system is depicted in Figure 2.2 on either side of the visitors’ box. In most countries, tourists typically make use of the in-country or onshore distribution system—composed of tour operators, travel agents, consolidators, and wholesalers—in order to access tourism attractions and suppliers.

However, the majority of visitors to South Africa take care of their own travel arrangements, only about 42% go through traditional channels (travel agent or tour promoters), vs. 80% of visitors to Australia.\(^{18}\) This discrepancy suggests that there is significant room for improvement in how South Africa’s tourism attractions and component providers link up to both off-shore and on-shore distributors.

**Tour Operators:** There are approximately 460 tour operators of whom 15 are major players in this sector. But packaging of tourism components and integrated product offerings is greatly lacking on the supply-side of the tourism industry. Operators are inclined to work independently and little packaging of regional tourism is in place.

**Travel Agents:** Deregulated in the early 1990s, this sector of the tourism industry is characterised by a high degree of competition. With no real differentiation between the end-product they deliver, agencies must compete primarily on the quality of service they provide. The two travel agent associations, ASATA and IATA, have 440 and 820 travel agents as members respectively.

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\(^{17}\) More detail about South Africa’s tourism attractions is provided in Appendix F.

The packagers and suppliers of South African tourism experiences should be custom designing segment-specific products, each tailor-made to serve particular market segments. There is not one single-focus tourist product, but many different sub-products, some parts of which are shared.

**Demand for South African Tourism (Visitors)**

To the left of the attractions box in Figure 2.2 is the box for visitors. South Africa’s post-1994 tourism growth from long-haul tourists jumped substantially over the period 1994 to 1998 as this table shows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Visitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1994</td>
<td>700,000</td>
</tr>
<tr>
<td>1995</td>
<td>1.100 million</td>
</tr>
<tr>
<td>1996</td>
<td>1.172 million</td>
</tr>
<tr>
<td>1997</td>
<td>1.274 million</td>
</tr>
<tr>
<td>1998</td>
<td>1.428 million</td>
</tr>
</tbody>
</table>

With a range of tourism products and themes, South African tourism serves a variety of market segments—affluent, middle-income, and low-income, tourists on holiday, visiting family and friends, and so on. South Africa offers a range of segment-specific products, and they require integrated development.

Tourists are coming in increasing numbers from Europe, the U.S., Asia, and other parts of Africa as well as domestically. Europe is the dominant international origin market for South Africa. In its key European markets—the UK and Germany, South Africa is capturing 2.5% of long haul travel volumes. Historical, business, cultural and family ties ensure that South Africa has a high awareness as a destination in the minds of many potential long haul travelers. Interviews with European travel agents and organisation leaders indicate that in the UK, Germany and Netherlands there are a substantial number of travelers who have visited South Africa and pass on their experiences to friends and acquaintances ensuring a high level of awareness for South Africa as a destination. The primary component for growth in visitors has been the holiday segment. In South Africa’s largest market, the U.K., the holiday-goers segment has grown from 61% in 1994 to 78% of the total visitors in 1997, in absolute terms a doubling (112%) in holiday visitors.

In addition, increasing awareness of Africa in the US market is having a substantial impact on visitation to South Africa. South Africa remains the #1 destination in Africa for US travelers to the continent, a position it has held since the end of the apartheid era.

While penetration of the North American market is still below 1%, the growth in visitors to South Africa is encouraging.

Despite the fall off in outbound travel from the three key Asian origin markets, a respectable level of penetration had been achieved, providing optimism for the time when these markets bounce back.

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10 Refer ‘Terms and Definitions’ list at the beginning of this report.
Chapter 2: The South African Tourism Cluster

[More detail about key trends of South Africa’s major tourism markets can be seen in Appendix A.]

Although the domestic tourism and travel market has not demonstrated the dramatic growth rates (or per-individual revenues) of its international counterpart, it remains a "cornerstone" of South African tourism accounting for a high share of the overall tourism market.²⁰

A joint public-private effort has funded a market segmentation study of key tourism markets starting with selected regions of the U.S., followed by traditional European markets, and then studying Asian and Latin American markets.

Tourism Suppliers

The leading suppliers to the cluster include accommodations, attractions and entertainment, and transport.²¹ Each of these supplier sectors is capable of generating significant wealth and value-addition for South Africa, focusing on the international tourist, but catering to the emerging domestic market as well.

Accommodations

Hotels - The main hotel chains are City Lodge, Hilton, Hyatt, Karos, Protea Hotels, Southern Sun (includes Holiday Inn) and Sun International. During the mid 1990s, South Africa experienced a severe capacity constraint at the luxury end of the hotel market in some regions. This led to a high rate of new hotel developments, which in turn placed increased pressure on occupancies and rates in the industry.

Game lodges and reserves - There is currently in excess of 300 private game lodges (KPMG, Sept. 1998). The private game lodges have traditionally occupied the upper-end of the market. The present trend is to physically incorporate private lodges into national game reserves or to combine private reserves among several lodge owners. South African National Parks, which manages most of the country’s public conservation areas, typically accommodates about 1,6 million visitors per year, primarily in the Kruger National Park.

Other Accommodations - Significant growth has occurred over the past 5 years, particularly in Guesthouses, B&Bs and Hostels, Self-catering holiday resorts, and timeshare resorts.

Transportation

²⁰ Domestic tourism represents 87% of South Africa’s total visitor market (77%--domestic leisure and 10% domestic business travel). (Stats SA; Satour Domestic Tourism Survey (1996); Tourism Fact Book: Grant Thornton Kessel Feinstein, 1999). The multiplier effect of such domestic tourism has yet to be calculated but in other countries is substantial.

²¹ The tourism industry currently provides some 250 000 direct jobs and 300 000 indirect jobs (ref.: Satellite Accounts Report). It is not known, however, what is the breakdown of jobs provided by various sub-sectors, e.g. guesthouses and B&Bs, or what they contribute to the GDP. For this reason, the description of the tourism cluster that follows is somewhat qualitative and any hard data is likely to be understated.
Transportation services have grown in response to the increase in tourist arrivals over the past 5 years. Growth in the supply and improvements in the quality of transportation services has been achieved in the airlines, airports, and car hire industries. However, other transportation services providers—such as coach transportation, taxis, railways, and cruise ships—have been lagging in terms the qualities and levels of services required. The degree of competition in coach transportation, railways, and cruise ships has been low.

**Cluster Linkages and Tourism Product Integration**

Both on- and offshore tour operators and travel agents provide a critical link between the tourist and the tourism attraction or component providers (such as the airlines, hotels, taxis, and attractions). Success with tourists depends as much on the services provided by the tour operators and travel agents as on the strength of the product. Managing the relationship between component suppliers and the indirect assemblers calls for a clear understanding of the roles of each and on good communication. Travel agents and tour operators have expectations of what suppliers should give, and the manner in which they should give it.

Figure 2.3 outlines the importance of the tour operators and travel agents as the key link between the tourist and the attractions and component providers.

**FIGURE: 2.3**

**ROLE OF TOUR OPERATORS AND TRAVEL AGENTS IN CREATING TOURISM EXPERIENCES**

Interviews with key tourism stakeholders (TCC Interviews, May 1999) indicated that the linkages between the tourism distribution system (travel agents and tour operators) and direct suppliers or component providers has been hampered by the lack of national co-ordination in marketing efforts, and poor information pooling. Most large component providers have forged their own relationships with the major European tourism...
distributors, at considerable expense. Smaller component providers are less able to invest in developing independent relationships overseas and rely on on-shore distribution systems.

TCC interviews revealed that packaging of tourism components and integrated product offering are greatly lacking in the tourism cluster.

A report by Monitor Company quotes an overseas tour operator’s evaluation South Africa’s capacity as follows:

“Sub-elements are offered in a nice wide product range. But they compete against one another (and) are not integrated into a coherent package. In Australia, provinces do integrated offerings. Everyone sells their area and sub-sells their own product, hoping that their product is strong enough to be selected if the tourist comes to their province….South Africans sell only their own product rather than the range, their own game park rather than all game parks.” (Operations Manager, Thomas Cook Travel)22

Collaboration among tourism component providers, tour operators, travel agents, and public and private service and infrastructure providers around specific package offerings is relatively weak. Trust, communication, and coordination are lacking.

**Economic Foundations for Tourism**

The Economic Foundations box, shown at the bottom of the cluster map (Figure 2.2), represents the soft and hard infrastructure provided by governmental, educational, and private institutions to support tourism businesses and, together, provide the “enabling environment” for tourism firms. The competitiveness of the tourism cluster depends to a great extent on the responsiveness of these institutions to meet the needs of tourism business for a positive business climate, safety and security, skilled and tourism-friendly workers, access to finance, access to technology, and good physical infrastructure. In terms of the competitiveness diamond, these economic foundations relate to “advanced” factor conditions (where “basic” factor conditions relate to the natural endowments of climate, natural attractions, culture, history, and so on.

**Business Climate for Tourism**

Currently, growth in new tourism business and entrepreneurship is still lagging below levels achieved in other countries. Also, the growth engines for entrepreneurship are sorely underdeveloped. In a nutshell:

- Governmentally based entrepreneurial support programs are virtually non-existent;
- What programs do exist are poorly advertised, and take so long to implement that they are of little value.
- Public and private partnerships to support new tourism business development are in their infancy, while

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Few tourism associations provide any effective support to tourism entrepreneurs.23

Much more support will be necessary for new enterprises to survive, and thrive. It is harder than ever for new businesses to survive. A compounding aspect is that the current banking systems tend to have a minimum size of loan that is often too large for the requirements of the entrepreneur.

An equitable, predictable tax and regulatory environment is essential to the growth of a tourism cluster. This consists of a streamlined permitting process and a stable tax structure attractive to business. The future will require judicious balancing between the competing demands, without creating a complicated regulatory and permitting structure that impedes sustainable tourism growth.

South Africa is using the international practice of bilateral aviation agreements that regulate flights country to country. Currently, there is an ongoing debate suggesting that the protectionist South African international aviation policy poses a challenge to tourism growth in that available capacity is falling short of demand. The protectionist regulations of South Africa’s bilateral aviation policy further limits competition on these routes and limits greater accessibility and affordability for South Africa as a long-haul destination. This results in the loss of potential visitors to South Africa due to lack of capacity and competition.

While the airline policy is gradually being liberalised, experiences in areas such as New Zealand, Cancún and Bali point to the benefits that can accrue through more extensive liberalisation (see Appendix D).

Taxation issues such as the bed levy issue between the national and provincial levels need to be resolved. On a more generic level, the whole issue of whom is responsible for what between the Provinces and the National department of tourism requires resolution.

**Safety and Security**

South Africa's tourism is at risk if the country's safety and security issues -- both the reality, as well as the international perceptions--are not handled quickly and effectively. It has been claimed that crime and violence can, more than any other factor, derail the best case scenario for creating jobs in South Africa.24

The actual safety situation is reflected and often magnified in the perceived safety concerns: 53% of foreign visitors still fear for their safety.25

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24 Michael Farr, SATOUR: "If the murder of only one foreign tourist results in 200 people not coming to the country, the loss of revenue to South Africa is about R3,5 million.”

25 Deputy Minister Peter Mokaba, DEAT. Speech September 1997.
Florida's experience, for example, can provide an example of how tourism growth is curtailed by these issues. Canadian tourists were once the largest consumers of Florida's tourism, with one million Canadians flocking to Florida in 1991. However, in a period of six months between October 1992, and March 1993, two Canadian tourists were killed, one in Miami, the other in Orlando. No concerted effort at damage control was undertaken by the Florida tourist industry. Consequently the average Canadian tourist's perception of Florida turned sour, and tour operators stopped promoting Florida as a vacation destination. In 1994, the number of Canadian visitors to Florida was down to 612 000.

**Physical Infrastructure**

A *well-maintained physical infrastructure is crucial to the development of the tourism industry*. Infrastructure incorporates air, surface transport, seaports, telecommunications, tourist information centres, signage, institutional facilities and amenities.

However, "the road network is in decline" and transportation links and services within the country are not sufficient to effectively facilitate the total package concept, as well as being complicated and uncomfortable for international and domestic tourists. Urban taxi services tend to be inefficient, unreliable, unsafe, and corrupt.

*Three international airports and six regional airports owned by Airports Company are in need of improvements.* Even with the recent upgrades, the airports will be inadequate to handle air traffic, especially if this doubles in volume as hoped by the government. Long term airport capacity planning is critically needed.

To further complicate the issue, the resources available to improve infrastructure are stretched thin, and tourism related services are not necessarily a top priority. Therefore, capacity requirements emerging from tourism strategy need to be clarified so that infrastructure does not become a bottleneck in tourism growth.

Currently, the capital investment in physical infrastructure is not sufficient to maintain the standards required of a world-class tourism destination. Unless the investment into capital-intensive infrastructure projects increases, there will be a continual decline in service over the long term.

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26 Moving South Africa : Department of Transport

27 The Moving South Africa report goes on to say that “without a clear strategy emanating from the tourism community, transport will not be able to make the choices it needs to fully support the intended growth.”

28 For more a more detailed description of the challenges and issues of infrastructure funding and development, consult KPMG's *DEAT Review of Infrastructure in support of international and domestic tourism development - Final Report: Tourist Infrastructure Investment Framework* (10 May 1999).
Human Resources

Skilled, adaptive, and innovative human resources have become the single most important ingredient for successful tourism development. As a service industry, the primary requirements for growing the tourism cluster revolve around people, that is, providing high quality services, transport, dining experiences, lodging, and ensuring satisfaction in order to guarantee repeat visits.

However, the South African tourism industry is currently marked by a limited skills base of tourism management personnel, as well as a shortage of well-trained, tourism-friendly workers. In an industry where service provides much of the value-added, this is a critical gap.

To further complicate the issue, South Africa does not possess a well-developed capacity to train, because of widespread functional illiteracy. In addition, the country is faced with the huge challenge of converting education and training provision from 10% of the population to 100% of the population.

The demand for skilled manpower by the industry will amount to 400,000 people by the year 2005, and thus far the training capacity does not even begin to meet this demand.

Fortunately, the training programs required by the service industry are typically relatively brief and cost-effective. The key element that needs to be incorporated into the basic service training is the perception of service as hospitality, rather than servitude.

3.2 National Cluster: Conclusion

What really distinguishes a dynamic, adaptive cluster from a mere collection of industries is its depth, diversity, and above all, the quality of linkages. These linkages are important not only among private companies, but also between the private sector and the public sector, which provides the economic foundations for the cluster. The more linkages that exist and the more responsive economic foundation providers are to the specific needs of the cluster, the more competitive it can become.

Overall, South Africa’s tourism cluster is developing well, however, the degree and quality of linkages between the attractions, component suppliers, tourist distribution system, various sub-sectors, related industries, and the underlying economic foundations (or factors) remain weak.

Interviews with tourism stakeholders overwhelmingly indicated that there is a lack of trust and communication between business, government, and labour at all levels and that tourism stakeholders tended to operate independently rather than jointly.
4. The Diamond and the Tourism Cluster

The model introduced previously of the Porter Diamond serves as a useful analytical tool for understanding certain issues that will impinge upon South Africa’s ability to compete in tourism.

The cluster map has indicated the occupants and linkages that describe the South African tourism cluster from the national perspective. The cluster map in a sense fits inside the Diamond, since it operates within this environment. Just as in nature, the environment can be harsh or easy, and clusters have to adapt to the prevailing conditions. If these conditions are unsuitable, whether for reasons of the cluster economics or for reasons of the prevailing rules of global competition, clusters will not survive. The authorities which influence or control key aspects of the environment described would need to determine which interventions require prioritisation in terms of development and supply side measures, while the private sector would use the tool to effect changes in demand and competition issues.

It has been mentioned that the Diamond is used to elaborate upon the enabling environment within which the cluster operates. The Diamond can be compared to the Diamonds of other, similar clusters, in order to establish the level of opportunity or constraint within which the cluster must operate and this is what the analysis looks at in the following tables.

The following tables summarise how South Africa’s conditions in basic factor endowments and demand compare to world class conditions.

4.1 South African Tourism Cluster: Diamond Analysis

Factor Conditions

Factor conditions are those conditions that provide the foundations (economic foundations) upon which a cluster rests. In the case of tourism
anywhere in the world, this would include the type and quality of attraction within the region, but also transport infrastructure (is there a road or an airstrip or a railway line?), financial services infrastructure (can you get foreign exchange when you need it?). These factors determine whether or not a country can attract the segments desired. For example, a city or town with very poor communications infrastructure will not be very successful in attracting substantial numbers of business travelers.

The analysis indicates that South Africa, outside the urban areas, will have difficulty in attracting tourists for whom convenience is a major factor.

<table>
<thead>
<tr>
<th>World Class Conditions</th>
<th>South Africa’s Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Unique climatic, geographic, cultural or historical attributes</strong></td>
<td>South Africa is World Class:</td>
</tr>
<tr>
<td></td>
<td>• Unique Scenery, Environments and Ecosystems</td>
</tr>
<tr>
<td></td>
<td>• Unique Culture &amp; History</td>
</tr>
<tr>
<td></td>
<td>• World Heritage Sites</td>
</tr>
<tr>
<td></td>
<td>• World Famous Landmarks</td>
</tr>
<tr>
<td><strong>Accessible by large, and/or wealthy populations</strong></td>
<td>South Africa is Potentially World Class:</td>
</tr>
<tr>
<td></td>
<td>• Strong International Transportation and Gateways</td>
</tr>
<tr>
<td></td>
<td>• Distance a current barrier to Long-Hauls</td>
</tr>
<tr>
<td><strong>Smooth physical access to attractions and good communications and finance infrastructure</strong></td>
<td>South Africa is inadequate for some segments</td>
</tr>
<tr>
<td></td>
<td>• Poor access via roads and air (closed skies) and roads not well maintained.</td>
</tr>
<tr>
<td></td>
<td>• Poor communication outside major urban areas</td>
</tr>
<tr>
<td></td>
<td>• Difficult financial rules e.g. Petrol Cards.</td>
</tr>
</tbody>
</table>

**Demand Conditions**

Overall, the demand for South African tourism is growing and remains strong, particularly from traditional European markets (UK, Germany). Tourists are demanding higher service levels. To date, however, South Africa has captured less than 2% of world demand for tourism, hence, there is significant latent demand in European, North American, Asian, and South American markets, yet to be tapped. However, in order to maintain an increase in long haul tourists, South Africa must focus its promotion,
target on specific niches, contend with tough foreign competition, and bring up the quality of its own tourism products and services.

### World Class Conditions

<table>
<thead>
<tr>
<th>Impulse, coordination and analysis of investigation of the tourist demand captured by destination:</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Volume,</td>
</tr>
<tr>
<td>• Seasonal conditions,</td>
</tr>
<tr>
<td>• Origin,</td>
</tr>
<tr>
<td>• Motivation, behavior,</td>
</tr>
<tr>
<td>• Characteristics, satisfaction,</td>
</tr>
<tr>
<td>• Knowledge of the destination,</td>
</tr>
<tr>
<td>• Image of the destination and its tourist products, etc.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>South Africa’s Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>South Africa needs a comprehensive system for permanent market research as well as ongoing basic statistics collection and analysis</td>
</tr>
<tr>
<td>South Africa has to develop a clear market focus with integrated tourism products</td>
</tr>
<tr>
<td>South Africa does not understand target segments. Needs based research is required.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>World class destinations have a clear market focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>World class destinations supply changing market preferences</td>
</tr>
</tbody>
</table>

| South Africa has been one of the tourism success stories of the late 1990s |
| Visitors to South Africa for holiday purposes have driven growth |
| European market (holidays) have reached a plateau |
| Countries preferred as destinations change over-time influenced by fashion, perceptions of safety, promotion, marketing |

| Facilitation of tourist information to the tourists at destination, including the different products and services favoring its use and compatibility |
| South Africa needs a comprehensive system for tourism information |

### Cluster Strategy, Structure and Rivalry

This portion of the diamond review looks at how the network of companies in the tourism cluster adapt to market requirements, the levels of rivalry, the existing barriers to entry and exit, the legal, labor and fiscal structure, the
competitive strategies jointly accepted, the way of organization, the performance of management of the location, etc.

Supporting industries to the South African tourism cluster are generally regarded by industry leaders, both public and private, to require further development and integration to achieve either satisfactory or optimal levels, particularly as they relate to product development, delivery and marketing.

South Africa's tourism industry currently experiences varied but escalating levels of rivalry in key sectors (e.g., generally high in accommodation, transportation, and travel agency sectors, low among tour operators, et al). Industry leaders and cluster participants attribute elevated service and performance levels to such competition when and where it exists. On the whole, investment is apparently in marked decline from 1997 levels, with a current abundance of accommodations and domestic investors awaiting the outcome of gaming tenders and further development.

<table>
<thead>
<tr>
<th>World Class Conditions</th>
<th>South Africa's Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>High levels of rivalry among competing service providers leading to:</td>
<td>Varying degrees of rivalry depending on type of industry</td>
</tr>
<tr>
<td>• Growing numbers of experienced firms</td>
<td>• Limited competition in some key industries (e.g., luxury hotels, car hire) due to the concentration of the industry in a few large companies.</td>
</tr>
<tr>
<td>• Increasingly sophisticated market segmentation</td>
<td>• Higher rivalry and competition among rapidly-growing bed &amp; breakfast, game lodges, tour operators, and gaming industry</td>
</tr>
<tr>
<td>• Continuous upgrading of service provision</td>
<td>Resulting in: limited entry of new firms in hotels, car hire, transportation entertainment sectors, slow upgrading in service provision, and limited diversification in new product/market segmentation</td>
</tr>
</tbody>
</table>

**Related and Supporting Industries—The Cluster**

South Africa possesses a sufficiently strong array of interrelated key and supporting businesses to build future success and development of its tourism cluster. The structure of the tourism cluster has filled out significantly during the past 5 years as new accommodations, attractions and gaming centers, convention centers, and transportation players have entered the market. Barriers to entry into tourism businesses have declined in many tourism sectors, such as bed & breakfast and game lodges.
Overall, the tourism cluster must now address problematic performance and obstacles to growth in some key areas (e.g., accommodation, development of attractions, segmentation and improvement of the tour operator market, and domestic surface transportation). Supporting industries are generally regarded by industry leaders, both public and private, to require further development and integration to achieve either satisfactory or optimal levels, particularly as they relate to product development, delivery and marketing.
### World Class Conditions

A critical mass of interrelated supporting industries:
- Accommodation
- Transportation
- Restaurants
- Entertainment
- Travel Agencies & Tour Operators
- Cleaning, Service & Repair Industries
- Management and Development Services
- Security, banking, communications and postal services
- Other supplier industries

### South Africa’s Conditions

**South Africa is expanding:**
- 10,341 new beds—38% growth since 1993
- Declining occupancy rates.
- 300 private game lodges.
- Guesthouses, B&B, Hostels and self catering holiday resorts are growing
- Deregulation of airlines has lowered prices.
- Competition in car hire has risen the standard of service
- Coach service is increasing in importance for new destinations and emerging markets
- 460 tour operators.
- Need for specialization
- High degree of competition in Travel Agents.
- Linkages between leading and supporting firms are generally inadequate
- Packaging of tourism components are greatly lacking
- South Africa lags behind in service excellence

### Excellent basic services and infrastructure

**South Africa Is Challenged:**
- Services Limited to high-end travelers
- Lack of Supporting Service Culture
- Five Star Services compare unfavourably with world standard
- Strong but Regionally Limited Infrastructure Development and Maintenance

### Ease of arrival and movement within the country

**South Africa is Challenged:**
- Competitive Car-Hires attaining higher service levels, but taxi service and other public and private transportation services still substandard.
- Closed skies restricts growth
5. OVERALL CLUSTER ASSESSMENT AND CONCLUSION

The overall assessment of the strengths and weaknesses of South Africa’s tourism cluster is summarised according to the competitiveness diamond in Figure 2.4.

Overall, South Africa’s tourism cluster is developing well. However, underlying economic foundations (or factors) supporting the development of the cluster remain weak. This is especially true in safety and security, human resources, and the business climate to support entrepreneurship.

Similarly, the degree and quality of linkages between the attractions, component suppliers, tourist distribution system, various sub-sectors, related industries are weak. What really distinguishes a dynamic, adaptive cluster from a mere collection of industries is its depth, diversity, and above all, the quality of linkages. These linkages are important not only among private companies, but also between the private sector and the public sector, which provides the economic foundations for the cluster. The more linkages that exist and the more responsive economic foundation providers are to the specific needs of the cluster, the more competitive it can become.

Interviews with tourism stakeholders overwhelmingly indicated that there is a lack of trust and communication between business, government, and labour at all levels and that tourism stakeholders tended to operate independently rather than jointly.

South Africa’s tourism cluster is large and multifaceted. The combination of attractions and product offerings is diverse and the challenge for tourism stakeholders to collaborate in attracting and meeting the needs of tourists is complex. Some observations emanating from the cluster are:

- In some sub-sectors of the cluster, there is reasonably strong integration between the tour promoter, tour agencies, and component providers. This is especially true for the high-end markets (for example, high-end eco-tourism).

- However, in the lower ends of the market, South African tour packaging has done less well and is not well organised. What is needed for this segment are mechanisms to coordinate related industries in South Africa and sell more directly to customers, or through tour agencies.

- South Africa has enormous potential. The key to tapping this potential is to develop more effective linkages and synergies within the cluster. The critical factor for success is to align all elements of the cluster or sub-sectors of the cluster to strategic tourist product offerings. This requires coordination and cooperation, which is the basis of clustering as shown in the following figure 2.5.
It will be shown in the remainder of the report that clustering initiatives—at the national, thematic, and local levels—have, and will continue to broaden and deepen the linkages within tourism clusters throughout the country. Clustering initiatives serve to bring together tourism stakeholders from all aspects of the cluster, create a good environment for communication and trust building, and help to develop consensus on and implementation of priority actions.
Chapter 3: Tourism Clustering – Activities & Lessons
National Clustering Initiative
1. EXECUTIVE SUMMARY

1.1 History

- In January of 1999 the Tourism Leadership Group—composed of representatives from Government, Business, and Labour—launched a collaborative strategy and action initiative process that would involve more than 1,000 people connected to tourism development throughout the country.

- The national clustering initiative has involved more than 300 tourism stakeholders in five large clustering meetings and more than 30 smaller meetings of strategy and action teams.

- Working together, the national collaborative strategy process has generated over 25 action initiative plans, and 15 are currently being implemented at the national level by champions and action initiative teams.

- The Tourism Leadership Group will continue to oversee the tourism collaborative strategy process during the year 2000–strongly supported by DEAT, SACOB, TBC, Labour, and Provincial Government.

1.2 Lessons Learned

- Success takes time. The leadership need to have the vision and patience to support a process long enough in order that it can deliver results.

- A mobilisation and communications strategy must be clearly defined from the beginning and be implemented throughout.

- The process must be inclusive.

- Action requires collaborative involvement and can be accelerated when key decision-makers are involved.

- Clustering works well when pre-existing initiatives are included in the process (and piggy-backed on), especially at the onset.

- There is a lack of available capacity in the Private Sector at the very senior levels to engage in large processes of this nature. CEO’s must be engaged differently prior to project start and be seen to lend their weight to the work if not their presence.

- Analysis must accompany process, if it does not, time taken will be greater and decision making less coherent.

- Implementation is crucial, will take time and will continue beyond the time frame of the project.

- On-going review of the initiatives and monitoring of the results are needed to ensure the long-term success of the efforts that have been initiated.
1.3 This Chapter

This chapter sets out to describe the process of the pilot tourism clustering activities at the national level as it occurred, its design, and the success and failures of the process itself. This chapter further outlines the progress for these tourism clustering activities, and sets the stage for government, business, and labour to sustain implementation of tourism clustering initiatives in 2000 and beyond.

It includes the following sections

- Objectives of the National Clustering Initiative
- The National Clustering Process
- Strategic Learnings from the National Process
- National Process Roll-Out for 2000 and Beyond

2. NATIONAL TOURISM CLUSTERING

2.1 National Objectives

The main objectives of the initiatives at the national level were to:

- assemble and harness the energies of the top tourism players in business, government, labour, and civil society to work on priority opportunities and challenges facing tourism development.
- complement other major tourism development activities already underway (including work by SATOUR, the Tourism Business Council of SA, the Tourism Forum, and other agencies).
- bring in new, non-traditional tourism players at the national level, and others who have not been typically included in tourism development forums.
- bring a focus on the important trade-offs between international competitiveness and social mandates of restoring balance for the previously disadvantaged groups.

2.2 National Clustering: Process Issues

Through the tourism cluster process, tourism stakeholders from business, government, labour, education, and the community-at-large wrestled with fundamental question about the future of South Africa tourism. Some of the issues they had to consider are:

- What is happening with South African tourism?
- Where does it want to go from where it is currently situated?
- How can it get to the “destination” that it wants to get there?
The national process had five (time-based) phases and three fundamental trajectories that characterized the interventions during this 12-month project. All activities were orchestrated with the aim of stimulating job creation, improving industry competitiveness, and fostering black economic empowerment in South African tourism. Figure 3.1 shows diagrammatically the development of the initiative.

**FIGURE 3.1**

**Phases of the Tourism Collaborative Strategy**

- **Nov 1998**: Preparation
- **Jan-Mar 1999**: Mobilisation
- **Apr-Jul 1999**: Implementation
- **Aug-Oct 1999**: Activating Continuity
- **2000 & Beyond**: Roll Out

**Fundamental Trajectories**

- **On the Origin of the Species**: It depends on the Competition
- **Building New Teams from previously inscribed groups**: Innovation
- **Transfer of ownership from Consultants to DEA&T**: Continuity

**Black Economic Empowerment, Job Creation, Industry Competitiveness**

### Designing the National Process

The design of the national process included:

- The identification of a list of more than 1 250 key tourism players (and potential players) at the national level. These were then invited to a series of national meetings.
- Ensuring there was effective participation of previously excluded groups, e.g. black and female empowerment groups, SMME representatives, and others in all processes.
- Interviewing more than 50 leaders from the business sector, government, education, and community organizations on their current perceptions; which were then evaluated.

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29 Refer Appendix C-1 for more detail on the project design.
interviewees were then simultaneously briefed on the cluster process.  

- Giving presentations in order to introduce the project to all known SA tourism organisations operating at a national level.

A profile of the tourism industry cluster was prepared based upon existing information. All relevant existing studies that were available at the time were reviewed and used as a basis for the preliminary platform report. The primary purposes of this report were to set the scene for cluster discussion and action, and highlight gaps in information for decision-making.

As the overall project design developed, it reflected the framework for a multilevel collaborative process, based on three levels (national, thematic, and local). The national process was set in motion with the aim of aligning the strategies and actions at these three levels.

**National Meetings**

At the national level, five consecutive meetings (known for convenience as “N1”, “N2”, “N3”, “N4”, “N5” in date order) were held in order to bring together diverse stakeholders from the tourism sector to: identify common issues and problems, develop a shared statement about a preferred future, identify key strategic directions, and develop action initiatives.

The first two national meetings engaged large numbers of existing participants from the tourism sector and related fields, and generated controversy, information, consensus around vision and the development of specific strategies. All the national meetings were given Ministerial support and this assisted substantially to confirm the credibility of the process in the eyes of the participants at the national meetings.

In these meetings, participants and consultants identified a set of strategies and prioritized concrete action initiatives that related to the strategies. The five basic strategies, which emerged from the tourism clustering meetings, are:

- Attract long haul tourists to SA
- Develop and align specialized economic foundations
- Develop and integrate tourism cluster
- Support growth of existing and new business
- Develop domestic and sub-regional (African) tourism

All these strategies require simultaneous attention.

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30 Refer Appendix C-1 for results of perception review.

31 Refer Appendix G—Bibliography and Appendix A—National Profile Report. The absence of good market segmentation information for South Africa’s domestic, regional and international markets hampered decision making in certain initiatives.

32 Refer Appendix C-1 for project design detail.
By July, meeting participants working together had generated 15 action initiatives that related to these five basic strategies (see Box 3.1). Each had an implementation plan, a “champion,” and a group of volunteers interested in moving forward. The “champions” were the people and organisations interested in developing and implementing the idea.

Some of these initiatives had been in formal existence prior to the inception of the cluster initiative, and joined with the initiative in order to escalate activity for their initiative or to garner more support. This strategy met with varying degrees of success, with some pre-existing initiatives realising very little additional support from the cluster process.
### Box 3.1

**NATIONAL INITIATIVES FOR TOURISM**

#### National Initiatives to Develop and Integrate the Tourism Cluster

1. **Rolling Mass Action** (Cluster Development) - Rapid replication of local cluster processes, widespread communication of the tourism clustering process.

2. **“Say No to Bad Service”** (Cluster Development) - Targeted ad campaign to increase awareness, attitudes, and behaviour of South African consumers and providers of service.

3. **Integrating Community-based Tourism Initiatives in Mainstream Tourism** (Cluster Development) - Establish a forum of tourism stakeholders to develop and promote initiatives for community-based tourism taking into consideration international best practices.

#### Initiatives to Support the Growth of Existing and New Business

4. **Small Business Tourism Opportunities Audit—Mpumalanga** (SMME Development) - Design and implement an audit of existing tourism small and medium-sized enterprises using Mpumalanga as the pilot region, and use pilot as basis to use in other provinces and regions.

5. **SIYAYAVAYA! Policy Framework and SMME Involvement** (SMME Development) - Develop a Tourism Growth Plan as per the imperatives of the Tourism in Gear Strategy and Tourism White Paper.

6. **Tourism Supplier Development** (BEE) - Development of comprehensive system for measuring industry-wide corporate empowerment commitment utilising corporate-SME relations as initial test criterion.

7. **BEE Government Procurement** (BEE) - Develop and implement a coherent empowerment government procurement policy leveraging government’s large role as tourism customer.

#### Initiatives to Develop and Align Specialized Economic Foundations

8. **Mobilizing Tourism Investment** (Finance) - Develop a clearing mechanism for matching demand for finance by tourism businesses with suppliers of funding.

9. **Tourism Education/Skills Gap Workshop** (Human Resources) - Establish forum of tourism stakeholders around human resource issues to identify gaps in education and training using industry input and develop collaborative solutions.

10. **HITB Learnership in the Four Local Clustering Pilots** (Human Resources) - Establishment of tourism learnerships in the four local pilot areas of the tourism clustering project.

11. **Linking Stakeholders to Policing Forum** (Safety & Security) - Linking stakeholders with South African Police Services at local level, to indicate the safety needs of tourists. Tourism safety to be part of the community policing forums’ agenda.

12. **Tourism Ambassadors** (Safety & Security) - Involve the youth of South Africa in helping to create a tourism safety and security awareness in their regions.

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33 Primarily a DEAT initiative, refer Dr, Sayeed Bayat, DEAT Pretoria.
#15—*Physical Infrastructure Audit for Four Local Pilots* (Physical Infrastructure) Align the development and maintenance of tourism-related physical infrastructure in the local pilot areas with tourism requirements.

**Initiatives to Improve Tourism Domestic, Regional and International Marketing**

#12—*Inter-Provincial Marketing Partnership* (Market Development) Strategically align the marketing approach of Provinces through joint Marketing Actions, Branding, Marketing and Market Intelligence.

**Initiatives to Develop Domestic Tourism**

#11—*Tourism Month*\(^{35}\) (Marketing) Creation of national and regional tourism events monthly designed to increase awareness of tourism and benefits that it brings to the economy and to promote national pride.

Between N2 (May 1999) and N3 (July 1999), most action initiatives teams (specified in Box 3.1 above) met two or three times, with consultant support, to further define and develop the initiatives and, in some cases, to begin implementation.

A key issue raised at the end of N3 was how to sustain the momentum that has been developed with the tourism cluster at a national level.

Between N3 (June) and N4 (October), the champions of the initiatives developed final business plans. In the process, several action initiatives from the local and thematic clustering processes were grouped into the 15 major initiatives.

At the N4 meeting, the Minister of Tourism and Environmental Affairs Valli Moosa was given an overview the initiatives and their status with the champions, many of which had already identified their resources and were moving forward with implementation.

N5, held at Rustenburg in November, saw the finalisation of the preliminary roll out plan. There was consensus that the South African tourism clustering process should continue.

The first initiatives have started to bear fruit, and are in some cases beginning to create the right conditions for a second set of initiatives to ensure that the mobilisation of the Tourism Stakeholders at the National Level, does not fade into nothing.

For example, the acquisition, management and dissemination of a suitable information system for South African Tourism, though not specifically addressed in the set of initiatives chosen for the first stage of implementation, remains important and will have to be carried out.

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\(^{34}\) The Tourism Ambassadors initiative—an existing initiative—linked itself with the portfolio of initiatives of the Tourism Clustering project. Refer DEAT, Pretoria.

\(^{35}\) Tourism Month is an existing initiative developed by SATSA and TBC, successful in its own right, that joined the portfolio of Tourism Cluster initiatives. Refer Gail McCann, SATSA.
Initiatives are lacking to ensure that the development of domestic tourism, is dealt with in such a way as to begin achieving results in this area. Indeed, even the question of who is responsible for all aspect of Domestic Tourism and Regional Tourism, remains unclear.

Finally, we must identify, on an on-going basis whether the initiatives under-way are sufficient to meet the objectives that have been set. A plan to achieve this has been developed, and is in the early stages of discussion within the TLG.\textsuperscript{36}

It is important to stress here the need for on-going monitoring of the implementation process itself, as well as the monitoring of the results achieved.

Communication of the results and successes from implementation will provide the stakeholders who have expended time and energy to the process with the rewards they need to feel that their efforts paid off, and will convince others to join.

Key next steps include:

- Complete the implementation of the 15 initiatives
- Check that some actions identified as necessary in the diagnostic report (like getting better statistics) will be undertaken also.
- Put in place a structure that will follow-through the implementation process.
- As implementation progresses, a review process has to be organized.
- Few of the champions for initiatives coming out of the first year are likely to have the interest or support to become lead staff or chairs of initiatives throughout the second year. These will have to be replaced.
- A communication strategy remains essential

Although there are 15 action initiatives underway at the National Level\textsuperscript{37}, the number and quality of the initiatives that are currently underway are not sufficient to implement the vision and strategy. More work will be required to ensure that the five strategies above are more fully addressed.

Overall, the tourism clustering process at the national level successfully created new momentum by tourism stakeholders and generated new priority action initiatives. More than 1 250 tourism stakeholders have been involved in this process in some way. By October 1999, 15 national action initiatives were launched to stimulate tourism development.

The Tourism Leadership Group has expressed concern to The Cluster Consortium that they believe that the clustering process at the national level has not been as successful as originally envisioned and hoped. While we

\textsuperscript{36} Refer Appendix C-1 for Roll Out Plan.

\textsuperscript{37} Refer Appendix C-1 for Action Initiative detail.
(the TCC) agree that greater and more rapid success would have been desirable during 1999, the results of these clustering activities must be observed over a period of several years. Very few, if any, clustering initiatives that have not been implemented continuously over a period of two or more years have been highly successful. During 1999, a handful of good initiatives have been initiated. The ultimate success of these initiatives can only be determined later.

Labour’s observations of the national meeting process give another perspective to the work undertaken at this level.38

The ultimate success of the national clustering process lies in
- whether or not these initiatives are successfully implemented,
- in the level of improvement of collaboration amongst Tourism Stakeholders, and
- the range of new stakeholders brought into play in the Tourism Economy.

The high intensity, consultant-driven intervention has drawn to a close,39 but the national tourism clustering process itself is just beginning to develop. It is now the responsibility of the players in the tourism economy to use the lessons in collaborative action, their new networks, and their access to new resources, to sustain the initiatives into the future.

3. National Clustering: Strategic Learning

Drawing from the lessons learned in carrying out the clustering process at the national level and from experiences internationally, a number of strategic observations are offered. These lessons provide a checklist of what needs to be taken into account in extending the national process and in other clustering efforts (within the tourism industry; and for other industries).

- **Success takes time** - Initial skepticism must be overcome through results. The leaders who participate need to have the vision and patience to support a process long enough in order that it can deliver results.

- **Bringing the right leaders into the effort is key to success** - Although the national meetings were reasonably well attended, it was clear that the participation among leading tourism business Chief Executive Officers (CEOs) was inadequate. The transition for individuals and organizations to a deeper level of collaboration, is often painful. Some are wary of endless, feel-good meetings or “collaboration for collaboration’s sake”, while others push for immediate results, minimizing the importance of

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38 Refer Appendix B for a detailed report written by labour about the national process.

39 This project ran from November 1998 to November 1999.
building a foundation of collaboration and new relationships required to sustain change. Persistence is critical to help people move to the new collaborative mindset. Leaders have to persevere through much skepticism that people would not or could not collaborate.

- **Leadership must be leveraged** - There is a lack of available capacity in the Private Sector at the very senior levels to engage in large processes of this nature. CEO’s must be engaged differently prior to project start and be seen to lend their weight to the work if not their presence.

- **Ongoing communication and credibility building are central to success** – As communication efforts were enhanced and the visibility of the tourism cluster increased, more top-level CEOs and decision-makers from business and government were willing to engage and commit to the process. A failure to allocate sufficient resources to effective and ongoing communications reduced the impact of this initiative, and it thus delivered less value for the resources of time and money invested in the project. This cluster process did not allocate sufficient resources to the project for communications and awareness building—despite the best efforts of the contracted public relations firm. This impacted negatively upon the results of the project.

- **A communication strategy can help to broaden private sector participation** - A key lesson from the process is that a communications strategy must be clearly defined from the beginning and be vigourously and effectively implemented throughout all phases. The initial phase was especially important.

- **Analysis of tourism requires good information** - The analysis of South Africa’s tourism identified the need to collect and distribute more, and timelier, information. This is the responsibility of the government sector, and businesses themselves as separate entities, but there are areas of information gathering and analysis, such as domestic, sub-regional and international market segmentation on an ongoing basis, which are better developed and implemented in partnership.

- **Understanding the trade-off between international competitiveness and social mandates is important** - The national tourism cluster highlighted important trade-offs between international competitiveness and social mandates, especially that of restoring balance for the previously disadvantaged groups.

- **Involving people in the problem definition helped generate motivation for taking action** - Problem definition helped educate the tourism community about the real situation facing tourism. Stakeholders were motivated and more able to engage and take action effectively.
Cluster works well when pre-existing initiatives are included in the process, especially at the onset. The national process became a useful platform for additional work on a number of pre-existing initiatives (including safety and security, human resources development, and marketing). In this way the clustering process gained momentum by piggy-backing on pre-existing initiatives and, at the same time, offered new support and visibility to these initiatives.

Maintaining an open (inclusive) process is important - The process to facilitate openness to new participants, ideas, and process modifications—which allowed some innovative ideas the time to develop, attract support, and link to other new ideas.

Ensuring good cooperation of all stakeholders is not easy - The project had multiple leadership (government, business, and labour), and this was difficult to manage. Nonetheless this full participation was essential to collaboration and constituency/individual buy-in.

Choosing the right champions is critical - The national initiatives are presently driven by “champions”. The more strongly motivated and effective the champion, the greater likelihood of successful implementation of the initiative.

Acknowledge self-interest of participants - Enlightened self-interest is an important stimulus to action. Self-interest balanced with public interest leads to successful initiatives.

Support and encouragement of cluster process leaders and participants is critical to sustaining momentum. People have to be motivated to participate, and given ownership. As results are achieved, it is very important to maintain the momentum by creating opportunities to celebrate these results and thank participants for their contributions.

Criticism is natural and has to be overcome appropriately - People are naturally wary of new ways of working together, especially if they have been successful using a different approach in the past. It is hard to let go of outdated but comfortable competitive views and move towards a more collaborative approach.

A sustainable process requires flexibility, adaptability, and renewal - Flexibility is essential, both in terms of who participates in the process, and what people do. To avoid getting stale or rigid, the clustering process must focus on selectively generating new initiatives, as well as getting results with, discontinuing, and merging existing initiatives; and not over-extending itself.
Process Values—Collaboration and openness of the process were key to success. As with the strategic development process, it is essential that implementation also be organized as a collaborative effort.

The inclusivity of the process adopted in the initial phases of the project

- helped to establish a consensus on the issues,
- helped motivate the stakeholders and
- to transfer ownership of the initiatives.


The Tourism Leadership Group (TLG) must continue to nurture and support the South African tourism cluster initiative, albeit in a changed form and with a different mandate.40

Although all parties have expressed commitment to the continuance of the South African tourism clustering process, and various modes of moving forward have been suggested, this is a very delicate time. Without a strong leadership group to take the place of the Consultants at this time in moving forward into Phase Two of the clustering process, the process is likely to falter and die.

At the national cluster meetings at Rustenberg on November 11, 1999 and at a subsequent TLG meeting, the national cluster executive group discussed possible continuity mechanisms to support the initiatives. Key points debated included:

- That the initiative working groups focused on specific outcomes and actions. In most cases these issues are being addressed at a national level in their broader context.
- The cluster working group initiatives however should be viewed as a subset of the broader generic issues and the Leadership Group should focus on how best to ensure that these specific objectives are met. Much of the debate resulted from the fact that this distinction was not always clear.
- The terms ‘ongoing responsibility’ and ‘driving partner’ were also the subject of debate. It was agreed that ‘ongoing responsibility’ refers to the creation of an enabling environment.
- Clustering is about specific initiatives that people want to implement and should not be driven top down.

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40 Refer Chapter 1 for preliminary roll out plan.
Success is also highly dependent on factors in the environment and as a starting point there needs to be a clear understanding of the demand factors.

Alternative implementation mechanisms to sustain and propel the tourism clustering initiative into 2000 are currently being discussed and debated. It has been determined that the Tourism Leadership Group will continue to oversee the tourism collaborative strategy process during the year 2000 - strongly supported by DEAT, SACOB, TBC, Labour., and Provincial Government.

National initiatives and their champions will continue implementation with the support of appropriate and willing institutional “homes” (such as DEAT, IDC, DBSA, and MIPTEC). Table 4.1 outlines some of the preliminary suggestions about possible institutional support for selected national initiatives. This table reflects the “thinking” that was done at Rustenberg; no real hard decisions were taken.
Table 4.1

Possible Institutional Support for National Clustering Initiatives

<table>
<thead>
<tr>
<th>National Initiatives</th>
<th>Ongoing Responsibility</th>
<th>Driving Partners</th>
<th>Key Support Partners</th>
<th>Champions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cluster Development &amp; Integration</td>
<td>The ‘new’ Tourism Leadership Group</td>
<td>SACOB, TBC</td>
<td>Local councils</td>
<td>David Wigley</td>
</tr>
<tr>
<td>Mobilising Tourism Investment</td>
<td>TBCSA</td>
<td>Business Trust, Banking Council</td>
<td>ISA, DBSA, IDC, Khula, Ntsika</td>
<td>Kamil Karrim</td>
</tr>
<tr>
<td>Human Resource Development</td>
<td>DEAT</td>
<td>HITB/SETA</td>
<td></td>
<td>James Parker, Dr. Sayeed Bayat</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>President’s Office</td>
<td>DEAT</td>
<td>DoT, Public Works</td>
<td>Kingsley Sehularo</td>
</tr>
<tr>
<td>Safety &amp; Security</td>
<td>DEAT: Tourism Safety Task Group</td>
<td>Local Government NIDS</td>
<td></td>
<td>Ntogoleng Mogotsi</td>
</tr>
<tr>
<td>SMME</td>
<td>DEAT</td>
<td>NBI</td>
<td>DTI, SACOB</td>
<td>Erik Sonnichsen Hakim Malagas</td>
</tr>
<tr>
<td>BEE</td>
<td>IDC</td>
<td>HILG</td>
<td></td>
<td>Letsema</td>
</tr>
<tr>
<td>Community Involvement</td>
<td>DBSA</td>
<td>SACOB, Comm-based Tourism Assn’s</td>
<td></td>
<td>Victoria Clarke</td>
</tr>
<tr>
<td>“Say No to Bad Service”</td>
<td>SATOUR</td>
<td>DTI</td>
<td>HITB/SETA, SATSA, TBCSA</td>
<td>Ken Small</td>
</tr>
<tr>
<td>Inter Provincial Marketing Partnership</td>
<td>MIPTEC</td>
<td>Provinces</td>
<td></td>
<td>Sylvan Golden</td>
</tr>
</tbody>
</table>

It was recommended at Rustenberg that bilateral or small work groups, under the nurturing guidance of the new TLG, should continue to be created as needed to carry through implementation, and some mechanism for feedback and communications to the national tourism clustering stakeholders must be developed and implemented rigorously.

Potential exists for the new TLG to work under the auspices of NEDLAC,\(^{41}\) which is itself a collaborative body representing all the social partners. However, the TCC cannot over-emphasis the absolute necessity for the clustering process to be business-driven. Care should be taken not to hamper TLG action with overly bureaucratic procedures.

*Implementation must be organized as a collaborative effort* if it is to succeed. Resources are too thin on the grounds for any one player, no
matter how important, to be able to turn South African Tourism around alone. All of us have a major role to play in implementation.

_The right leadership is key to the success of the process._ However, in this first stage of South Africa’s Tourism Clustering development, ensuring the participation of business leaders other than as sponsors, has been difficult.

If Business does not engage more substantively, offering its commercial expertise and decision making capability in the next cluster phase, there is a real chance of cluster failure at the National level. Working on implementation in small groups, and _focussing on specific tasks where business can reasonably be expected to have a benefit from participation_, (as opposed to large workshops) may be a solution.

The transition from the present champions to new champions will require attention. The challenge of transition from early champions to permanent staffing for those initiatives which are long term and critical to the South African Tourism Cluster’s success, should not be underestimated.

Finally, _implementation has to be monitored and the results tracked_. To date, TCC project team consultants have taken responsibility for all aspects of project coordination and execution. As the process moves into further implementation, _permanent staff dedicated to the project will have to be put in place to move the initiatives_ from start-up to sustainability.
Chapter 4: Tourism Clustering - Activities & Lessons Thematic Clusters
1. **EXECUTIVE SUMMARY**

1.1 **History**
- In February 1999 the Tourism Leadership Group—composed of representatives from Government, Business, and Labour—launched a collaborative strategy and action initiative process that would involve more than 1,000 people connected to tourism development throughout the country. Part of this initiative was the decision by the TLG to pilot two thematic clusters, that is, clusters focussed upon a particular tourist segment or segments.
- The segments identified in the White Paper and Tourism in Gear were reviewed and the Eco Tourism and Heritage Tourism themes were agreed upon as the two thematic pilots.
- The thematic clustering initiative has involved more than 150 tourism stakeholders in six large clustering meetings and more than 30 smaller meetings of strategy and action teams.
- Working together, the thematic process has generated 5 action initiative plans currently being implemented by champions and action initiative teams. Detail of the action initiatives and the champions can be found in the thematic appendix C2at the end of this report.

1.2 **Lessons Learned**
- Intervention at the thematic level enables an industry to start collaboration around specific market segments
- This kind of clustering lends itself best to collaborative marketing efforts, and focus on specific issues of interest to a tourism sector. For example, issues of Land claims and community involvement in the Eco Tourism sector, and issues of Heritage ownership and management in the Heritage Tourism Sector.
- There is an urgent need to define and develop our South African Heritage assets in line with our cultural history. This may require that existing descriptions of our history and culture are revisited.

1.3 **This Chapter**
In this chapter we cover the following, inter alia:
- We discuss the selection criteria and objectives of the thematic pilots and how the two themes, eco-tourism and heritage tourism, meet these objectives.
- We provide a cluster map for tourism at the thematic level, which indicates all the sectors identified in GEAR and provides
an overview of the stakeholders and linkages at a market segment level for the tourism industry.

- We discuss the merits of clustering at the thematic level and the learning that has emerged from the process itself. As a direct result of this intervention, we have developed a two step process model that we believe will improve the potential for success for future interventions at this level.
- We have developed an analytical framework and checklist for evaluating cluster initiatives at a thematic or market segment level.
- Finally the chapter covers both specific recommendations for each of the themes based on the outcomes of the initiatives.
- Generic recommendations are given for the development of product in the second phase.

2. THEMATIC CLUSTERING

2.1 What is a Theme cluster?
Themes are strategic segments, where alignment of experiences, attractions and other tourism products along the value chain work in synergy to provide a destination experience. An example of this as a broad theme could be “Sports Tourism”, where the value chain is aligned to provide a sports experience, or on a sub theme level, an aligned product offering a “fly fishing experience”.

Themes or segments can and do cross all geographical and political boundaries and are critically dependent upon the value chain participants collaborating to form a “package” of some kind. Today, limited collaboration often results in deficient and uncompetitive experience products for the tourist and lower levels of competitive capability and advantage.

2.2 Thematic Tourism Cluster Map
The map at Figure 4.1 provides an overview of the stakeholders and linkages at a market segment level for the tourism industry.

42 Refer ‘Terms and Definitions’ list at the beginning of this report.
FIGURE 4.1

2.3 Objectives of the Thematic Pilots

The thematic intervention aimed to:

- Identify key policy issues that need to be addressed by stakeholders, but mainly Government, to improve the enabling environment.
- Assist in breaking down the ‘silo approach’ created by the various departments, associations and institutions and build synergies between tourism and conservation organisations, academic institutions and communities.
- Prioritize issues that need to be addressed at a thematic level such as authentic versus pure commercial destinations and experiences, commercialisation versus preservation, involvement and exploitation of communities, standards, etc.
➢ Share learnings across provinces.

➢ Extract underlying issues important to participants within the process, especially sensitive issues which have potential to derail implementation if they remain unspoken.

➢ Provide a platform to inform and assist related current tourism initiatives, in particular the international marketing initiatives.

2.4 Thematic Cluster Review

The themes as clusters found it substantially easier than any other level to agree on the focus issues for action, primarily because the individuals and entities engaged in these groups are working in the same strategic tourism segments. The “Eco-tourism cluster” was in entire agreement around the issues for action, and the “Heritage cluster” was in full agreement that it was too early in the course of debating South Africa’s heritage, to begin debating heritage tourism. In a very real sense, the issue of what is and what is not South Africa’s heritage is still highly politicised and requires definition. As a result, the following were notable characteristics of the theme clusters:

➢ The classical clustering approach, at a segment or theme level, requires adjustment to suit the inherent structure and dynamics of the theme and the South African environment.

➢ Clustering around a theme differs to clustering at a national or local level in its approach, time scale, focus and stakeholders involved and presents a unique set of challenges.

➢ In order to deliver on the thematic pilots, a two step market segment model was developed to deal with these idiosyncrasies.

➢ A checklist was produced which served (and will serve in the future) to facilitate thematic interventions. Clustering within strategic segments needs to be managed at two distinct levels as the points here and the subsequent Figure 4.2 show:

- **Level 1**: Creation of the enabling environment
- **Level 2**: Product and market development initiative by implementation of specific, tangible projects around a sub sector of the theme
FIGURE: 4.2

Thematic clustering needs to be at two levels:

Enabling Environment

Level 1
- Generic definition
- Inclusive - cross cutting
- Build network
- “What’s in it for us?”

Level 2
- Narrow definition
- Implementation oriented
- Tangible / Products
- “What’s in it for me?”

Product and market development

The two levels can run concurrently but the speed and success of the second level largely depends on the speed and success achieved at the first level.

In identifying any thematic cluster, there is a need to develop a diagnosis of the thematic cluster in order to maximise potential for success.

As an outcome of this cluster process the following checklist was developed which will be useful to ensure that key supporting variables are well understood and implemented. Key variables affecting the success of implementation are different and the weighting of the variable depends upon the nature of the themes/segment, and the level of its development.

- The percentage ownership in the cluster stakeholders of the public and private sectors
- The percentage of small versus large stakeholders in the cluster
- The geographical concentration of the stakeholders
- The level of present activity in the cluster at present
- Size
- Growth
- Position in the lifecycle of the “product”
- Degree of previous collaboration
- Strength of existing networks
The Cluster Consortium - Strategy in Action

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- Availability and currency of information
- The size of the empowerment opportunity
- The capacity of the cluster – availability of key players, time and money
- The capabilities of the stakeholders in the cluster
- The existence and sophistication of the physical infrastructure
- The degree to which the intervention requires the collaboration of different government departments

The answers to the checklist above will affect the following, which will greatly impact on the success of the process:

- Development or seed money required to kick start projects
- The need for matching grants to support the implementation of specific initiatives
- Defining the resources, capabilities and expertise which will be needed
- The level and degree of external consultant intervention required
- The setting of expectations and deliverables
- The setting of realistic time frames in which to expect benefits and/or progress
- Determining the level and seniority of the sponsor or project owner
- The need for a competent secretariat. At a thematic level this requirement is intensive.
- Content requirements to facilitate and speed up the learning
- Case studies that could be applicable to the South African situation
- Experiences from related industries and initiatives

Creation of the enabling environment: Level 1

The focus is primarily on the creation of an enabling environment for the theme. Definition of the theme must be broad enough to include as many sub-segments as possible that might share common goals and obstacles.

From a process perspective the aim was to identify all the possible common opportunities and obstacles in the enabling environment and then to solve or take advantage of them through collaborative action.

At all times participants must be able to answer the question “What’s in it for us?” The emphasis is on the “us” because the link between effort and direct benefit is not readily measurable.
Two distinctly different types of champion are needed for the first and second levels in thematic clustering. The ideal champion for level one, which is primarily concerned with the creation of the enabling environment, is a government official with the authority to draw on the necessary resources and effect changes to policy. This champion should be supported with co-champions from the private sector.

**Product and Market Development: Level 2**

Focus in level 2 is primarily on product and market development. The mechanism for such development is through the implementation of specific, tangible projects around a sub sector of the theme. Definition of the sub sector must be specific and narrow, for example photo safaris as a sub segment of eco-tourism. The ideal champion is a private sector person with the necessary drive, commitment and leadership qualities. This champion should have much to gain from the process.

### 2.5 Selection of the Thematic Pilots

Unlike the national tourism process discussed in the previous chapter, where participants selected the action initiatives for themselves, only two of many themes or segments could be selected for pilot purposes in this project. This was because of a lack of project resources to handle more than that.

The selection criteria for the thematic pilots needed to take into consideration the full potential of the industry sector over the long term and not simply focus on short term deliverables.

The criteria for selection were:

- One of the pilots was required to be a theme mentioned in *Tourism in GEAR*. The themes articulated in this policy document are consistent with global segmentation practice.
- A clear opportunity for Previously Disadvantaged Individuals (PDI) to participate all along the value chain in terms of equity, management, training, jobs, entrepreneurial and SMME opportunities.
- Potential to contribute to the economy at a national, provincial and local levels.
- Provide an opportunity for strategic learning that would be applicable to narrower, more niched themes.
- Have major international and domestic investment potential.
- Involve a number of provinces, and in particular those provinces that were not selected for a local level clustering initiatives (see next Chapter).
- Have the ability to extend into Southern African Development Community (i.e had a strong intra-regional and development focus).
After careful consideration the TLG chose the following two themes/segments:

- Ecotourism – the development of dormant assets
- Heritage tourism.

3. **The Thematic Cluster Pilots**

3.1 Eco-Tourism: The Development of Dormant Assets

*What is Eco-Tourism?*

Within the tourism sector, a trend described variously as nature-based and eco-tourism has emerged as a strong segment over the past few decades.

The term 'eco-tourism' was originally defined as:

> Travelling to relatively undisturbed or uncontaminated areas with the specific object of studying, admiring, and enjoying the scenery, its wild plants and animals, as well as any existing cultural manifestations found in these areas. (Caballos-Lascurain 1988).

The National Eco-tourism Strategy of Australia defines ecotourism as:

> Nature-based tourism that involves education and interpretation of the natural environment and is managed to be ecologically sustainable.

It recognises that 'natural environment' includes cultural components and that 'ecologically sustainable' involves an appropriate return to the local community and long-term conservation of the resource.

There are many other definitions sprinkled throughout the literature and an academic industry that has thrived on the analysis of the 'Eco-tourism' phenomenon. In the tourism industry as a whole the terms 'ecotourism' and 'nature-based tourism' are almost always used interchangeably and indiscriminately.

Eco-tourism and nature-based tourism can form part of many types of travelers' experiences, varying from a few hours of nature-appreciation, through to intensive long-duration tours of a month or more.

*Summary of the Eco-Tourism Sector Prior to the Cluster Intervention*

From the outset it was clear that a number of issues would make development a slow and involved process. Among the most important problems were 0:
The perception that this segment is a “white” industry and that the established stakeholders had a vested interest to discourage the empowerment of new entrants.

Friction between the national and provincial government and tourism bodies regarding the authority and control over policy and assets.

The legislative and bureaucratic quagmire surrounding this segment especially when it involved the fast tracking of land usage and community involvement.

Lack of communication and synergy between the private sector, particularly the larger players, and the national and provincial parks’ boards.

Selection

Eco-tourism clearly met (especially in terms of the development of the dormant assets) all the selection criteria. This theme is generally seen as one of the most successful and well-developed tourism products of the country and the region.

With its proven track record and existing infrastructure the theme represented a clear opportunity for addressing PDI participation through investment, and for substantial community involvement.

Building on the success of this segment by fast tracking the development of dormant assets through public-private-community partnerships is regarded as the optimum option for moving forward.

In addition, this course of action makes it possible for the theme to contribute to the economy at a national, provincial and local level by tapping into international, regional and domestic tourism markets.

On a global scale this theme also addressed the issues of the “Green Globe” initiative, the WTTC “Agenda 21” format and ‘Trans-Frontier Parks’ for Southern Africa.

Overview of Eco Tourism Cluster process

The eco-tourism cluster process was one of the most focussed of the clusters chosen for this project. This was because the cluster did not deal with eco-tourism per se, but with eco-tourism only in the context of the development of dormant assets – consequently consensus was easy to achieve. However because the cluster activity was so easy to define, and because the networks were set up so early in the process, it became evident that there was insufficient challenge to keep this cluster together on other issues. This is also partly because the safari / game / conservation entities have been working together on certain marketing issue already for some time, and this exercise was not a new approach for them.

The following observations were made:

Ownership: Eco-tourism products are dominated by the public sector as far as ownership is concerned. A significant number of state owned assets, particularly those in the hands of the...
provinces and the Departments of Defense, and Water Affairs and Forestry can be classified as dormant assets. The private sector plays a significant role with hundreds of registered reserves privately owned.

- **Composition of stakeholders:** The percentage of large players far exceeds the percentage of small players.

- **Geographical spread:** Participants in the cluster were from all over the country, which created logistically problems.

- **Current activity:** This theme represents one of the most successful segments of tourism in South Africa. The level of present activity in the theme at present indicates a significant growth opportunity.

- **Capacity:** From the continued commitment and participation by senior executives and officials it is clear that the inherent capacity of the cluster is quite high. The gap between effort and measurable reward in the initiative (typical of a ‘level 1’) has however led to a decrease in capacity, and that is expected to continue. The capabilities of the stakeholders are exceptionally high and are a major asset at this time.

- **Empowerment opportunity:** Eco-tourism represents major empowerment opportunities and represents an area that Government can effectively implement policy associated with the upliftment of communities.

- **Collaboration:** The degree to which the intervention requires the collaboration of different government departments proved to be one of the main issues requiring attention in this initiative. The departments of Environmental Affairs and Tourism, Agriculture and Land Affairs and, Trade and Industry are directly involved with core policy issues. The departments of Defence, Public Enterprises, and Water Affairs and Forestry hold many of the dormant assets. The departments of Public Works, Safety and Security, Education, Foreign Affairs, Labour, Communications, Health, Transport, and Home Affairs all play roles in the foundations for tourism. The department of Provincial and Local Government, and the provincial governments also all play critical roles.

**Eco-tourism: Evaluation and Strategic Learnings**

The key factor emerging from the eco-tourism cluster is that the development of dormant assets is a developmental issue requiring policy review and intervention. Due to the fact that this initiative is presently mainly a ‘level 1’ initiative, focussing on the enabling environment, much more attention should be given to the facilitation of activities which would further this aim.

Government in particular, having primary responsibility and authority, must ensure that it has the capacity needed to ensure availability and
commitment. Engagement between public and private sectors is of crucial importance.

This means an iterative process of meetings, investigations, more meetings, drafts and recommendations, implementation and follow-up. This requires time, dedication and commitment from stakeholders.

Development or seed money required to kick start projects is not critical but modest amounts are urgently needed.

The need for matching grants to support the implementation of specific initiatives will become more critical as the efforts of the initiative focus more on ‘level 2’ activities. At this stage the involvement of PDIs and SMMEs will also become more prevalent.

The initiative has a core of capabilities and expertise needed to fulfil its ‘level 1’ objectives but needs some financial resources to implement some of the investigative and facilitation requirements.

**Next Steps**

Some of the task teams formed by the eco-tourism cluster have been able to secure funding through the Development Bank of South Africa to implement their action plans.

Formal and informal networks have been formed and cross-pollination on many issues has taken place.

Government and the private sector have begun to form a co-operative relationship. The enabling environment for this theme has been explored and many challenges and opportunities have been identified.

The participants in the process have indicated that the initiative should be continued under the auspices of the Development Bank of South Africa.

Centers of excellence should be developed at educational institutions to advance the understanding of this market segment.

Government and the private sector should develop joint efforts to enhance the effectiveness of the enabling environment, especially as far as land issues are concerned.

Once the enabling environment allows for accelerated sustainable development of dormant assets (which it does not at this time) a change in focus of the initiative will be evident. The focus will shift from the enabling environment to the development of specific market segments such as eco-tourism and more specific tangible products and projects.

### 3.2 Heritage Tourism

**What is Heritage Tourism?**

Heritage Tourism has been identified as the vehicle for providing tourists with the unique ‘South African experience’. It provides the substance of the tourists’ visit, in terms of the unique South African-ness of the tourist experience.
The following definitions for heritage were used as a framework for this process.

“Heritage is our legacy from the past: what we live with today and what we will pass onto the future.”43

“Heritage tourism is where there is a story or interpretation. It is about creating an experience…”

“It is about the construction, packaging, transmission and consumption of images and representations of society and its past.”

This working definition incorporates cultural tourism (arts, crafts, dance, music, ceremonies, etc.) which in some classifications may be defined as ‘special interest’ tourism.

Summary of the Heritage Tourism Sector Prior to the Intervention

This collaborative strategy initiative was the first time that all the key stakeholders met to discuss tourism. To date efforts to promote heritage tourism have been highly fragmented and there is no overall framework for driving tourism around heritage attractions.

The two heritage Acts passed in the first half of 1999 will start to provide a framework for this sector in terms of the management, protection and promotion of national heritage sites.44 Widespread knowledge of these Acts is however still limited even within government.

Whilst there is some information on heritage sites this is scattered amongst various institutions and organisations. There is little information on heritage tourism and virtually no information on revenue potential, primarily because much of this sector is private and informal, and because the definition is extremely broad.

The interaction between Government departments on heritage tourism issues has been limited. The national and provincial governments and local authorities have also tended to work in isolation from each other (A contributing factor to this has been the lack of resources.)

The degree to which such an intervention requires the collaboration of different government departments has proven to be one of the main issues requiring attention in this initiative. The departments of Environmental Affairs and Tourism, Department of Arts, Culture, Science and Technology, Agriculture and Land Affairs, and Trade and Industry are directly involved with policy. The departments of Defence and Water Affairs and Forestry hold many of the dormant assets. The departments of Public Works, Safety and Security, Education, Foreign Affairs, Labour, Communication, Health, Transport and Home Affairs all play roles in the foundations for tourism. Legislation and policy coming out of these

43 UNESCO definition.
departments does not always take cognisance of the need to promote and build tourism.

It is also important to note that community involvement has been ad hoc around specific projects. Lastly there has been little interaction between conservation authorities and tourism agents - the degree of networking has generally been confined to particular sub sectors and the associated bodies within these sub sectors.

**Selection**

In spite of the lack of quantifiable data on heritage tourism in South Africa there is a wealth of research internationally that confirms that this is a growing motivator for tourists. In addition, heritage tourism offers the following advantages over all other segments:

- It is the easiest point of entry into tourism for SMME’s.
- It is the foremost job creator.
- Heritage and cultural tourism spreads wealth to local communities as travellers move around the region. It boosts investment and, with careful planning, promotes sustainable development.
- It provides insight and learning for themes where the stakeholder base is very broad.
- Heritage tourism can, and should, piggyback on other tourism initiatives and drawcards, such as eco-tourism destinations and packages, hotels and resorts, etc.
- It can capitalise on the UNESCO initiatives around “World Heritage Sites”, which in future will become a quintessential representation of a country’s natural and/or cultural heritage.
- It is the most effective in the development of sustainable economic opportunities in rural areas, for smaller communities, and is by definition, community-owned. This segment therefore was seen as an opportunity to begin exploring the potential for community ownership of an involvement of the tourism asset, namely, our living heritage as opposed to simply tourism ‘plant’ and physical assets.

**Overview of Heritage Tourism Process**

Given that this segment was relatively fragmented, the consultants undertook a broad scan of local and international case studies that could provide a framework and help to kick start the process.

It was also clear from the beginning that many underpinning issues around heritage tourism had not been addressed prior to the institution of the cluster. This meant that many participants were unable and/or unwilling to begin the discussion around heritage tourism while key issues around our South African heritage, remained in their view, to be addressed. Such issues included questions of:
“Whose heritage is it?”
“How should it be defined?”
“How should heritage be managed?”
“What images are we portraying and are these acceptable?”

Since the participants felt that these fundamental issues had not been addressed, little progress was made in moving towards the issue of heritage tourism.

It also became evident that there needed to be more direct intervention from the consulting team and that the aim of this intervention should be to get agreement around one or two particular issues, which could be used to kick-start a collaborative process.

The process was modified and at the second workshop in July 1999 a two-prong approach was proposed as a way forward:

- first was to address the enabling environment. (The Australian Heritage Association was presented as a possible model.)
- second was to identify a theme that the provinces could use as a pilot for working together and which would enable them to develop joint strategies, develop benchmarking standards and build on each other’s experiences and learning.

**Heritage Tourism: Evaluation and Strategic Learning**

The key learning to emerge from the heritage tourism cluster was that this segment was in fact at a pre-clustering phase and that more time was needed: resources (time and money) were required to broaden the stakeholder base, as well as to flesh out the issues and opportunities.

An evaluation of this segment against the checklist clearly indicates the contributing factors. In addition it has highlighted the need for additional resources when dealing with segments that are highly politicised and emotive.

- **Ownership is dominated by the state:** Most of the assets are owned at a national level, but in many cases are administered at a provincial level. Whilst there was general agreement that this policy was highly effective from a protection and conservation perspective, there was some debate about whether it promotes and encourages tourism and whether or not it allows for community participation.

- **Composition of stakeholders:** This segment is dominated by government owned departments and organisations for example, South African Heritage Resources Association, National Monuments and Museums, and the World Heritage initiatives under DEAT. The number of private sector players is virtually impossible to quantify because of the very broad definition.
Geographical spread: Whilst certain sites, for example paleo-archaeological sites, are concentrated within particular geographies, one of the reasons for the degree of fragmentation in heritage tourism is that it has no geographic boundaries.

Current activity: To quantify the level of activity one would need to look at specific sub sectors such as museums, monuments, world heritage sites, natural sites, anthropological and paleontology sites, cultural villages, etc. where one can measure the number of visitors and revenues. At a broad theme level there is no statistical data that could indicate the value of heritage tourism relative to other types of tourism.

Opportunity for empowerment: The recurring cry throughout this process has been the need to facilitate community involvement and ownership. Of all the segments heritage tourism is the foremost job creator in that it does not take people out of their environment, but brings employment to the people. Heritage and cultural tourism spreads wealth to local communities as travelers move around the region, it boosts investment and with careful planning, promotes sustainable development.

Capacity: One of the stumbling blocks to collaboration in this sector is the lack of capacity in the cluster. Outside the formal sector the skills and capabilities of the stakeholders are somewhat limited, particularly in terms of marketing and financial management, which are critical success factors. Even the large state owned heritage sites such as museums and monuments suffer from a lack of adequate resources, especially financial.

Infrastructure: The existence and sophistication of the physical infrastructure is not seen to be a constraint at present. It was also mooted that infrastructure should be in keeping with the attraction, for example, access via donkeys.

Next Steps

This sector will not take a quantum leap forward without the development of an overarching framework for heritage tourism. This relies almost entirely at this point in time upon the co-operation of government departments at the national, provincial and local levels, before private sector involvement can develop in any major way. Roles, responsibilities and revenues are critical aspects of implementation that still require definition and finalization. Without such intergovernmental collaboration, we will find certain aspects of our heritage remaining permanently under funded and as a result, deteriorate at a faster rate. Some recommendations, based on best practices internationally, are:

(a) Mobilisation and Support for Communities:

A critical question as yet unanswered, but which the cluster is still working on, is how best to mobilise and enable communities to take a lead role, both
in terms of identification and preservation, as well as promotion and tourism.

Community led tourism initiatives tend to ensure the protection and maintenance of sites, whilst at the same time creating wealth and jobs for the community. Communities should also play a key role in determining what aspects of their heritage should be preserved and how they should be portrayed and marketed. The adage ‘use it or lose it’ certainly applies to heritage (and cultural) tourism.

On the other hand, for this community involvement to take place, Government needs to provide the policy framework and, more importantly, create an enabling environment in terms of capacity. At a minimum this should be advisory support for tourism initiatives, i.e. sources of and access to funding, market information, presentation and packaging, etc.

A direct result of this intervention is a research project to facilitate community based heritage tourism development. This will be jointly commissioned by DACST and DEAT\(^{45}\) who will investigate funding a tertiary institution to undertake the work early next year. The project will focus on localised community development for nation building. The outcome will be recommendations regarding what mechanisms will effectively assist communities to become players in heritage and cultural tourism.

(b) Funding and Incentives:

Funding remains a critical issue. A number of mechanisms can be considered, including:

- Local heritage fund assistance
- Fee waiver for development applications
- National Estate Grant Programs
- National tax incentives
- Public-private partnerships
- International grant funding
- Rand-for-Rand grant funding provided by provinces
- Free advise to heritage property owners and technical support for applications for heritage funding
- Access to seed funding for feasibility studies.

(c) Establishing Heritage Advisory Services\(^{46}\):

This would include mechanisms specifically focussed on promoting tourism to provide coordinated support to provinces and communities.

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\(^{45}\) Refer Appendix C2 for detail of research to be commissioned.

\(^{46}\) Refer Appendix D for Australian Case Study.
These aspects could be incorporated into the current heritage councils to include capacity building and support services such as:

- free architectural advice
- assess recommendations from previous heritage studies and encourage implementation as appropriate
- review/address the heritage educational needs for local community leaders, local planners, local professionals and tradespeople, schools, and the community in general
- establish community heritage committees which would support and strengthen the decision process for management and tourism opportunities of heritage items and sites.

(d) Collation and Dissemination of Heritage Tourism Information:
The following aspects need to be taken into account:

- provide simple, easy to understand information about provincial/national government heritage legislation, initiatives, and programs
- compile a register of local heritage suppliers and heritage consultants
- commission or conduct surveys of heritage tourism assets
- distribution of information to assist the local communities to understand and conserve heritage items

(e) Development of a Shared Vision for Heritage Tourism
Government inter departmental agendas need to be aligned and reviewed holistically and resources jointly deployed. For example, conservation policies should not be at the expense of growing tourism. Top down approaches need to be replaced with broad based citizen participation. Communities and the private sector should be involved in helping to design and carry out preservation and tourism programs that will serve their own economic and social interests.

(f) Formation of Heritage Tourism Charter or Association
The proposal arising from the final national heritage workshop was to explore the formation of a National Heritage Tourism Association. An interim recommendation was to develop a charter for heritage tourism, which could provide the framework and guidelines for the development of heritage tourism products.

The research that DEAT and DACST plan to commission will indicate whether this is in fact the best way forward. There is also some concern about creating another association at this time, given the recent Acts.
3.3 Conclusion: The Future of Thematic Tourism Clusters

Clustering at a thematic level is relatively complex and in some aspects the gains made at the thematic level, and in particular in heritage tourism, did not match the progress that was achieved at a local level.

This was partly due to the fact that heritage tourism is almost a completely undefined and as yet unexplored phenomenon in South Africa, in most communities. Eco-tourism is well defined, but narrowly bounded by few products.

The model checklist that has been proposed should facilitate the development of these and new clusters at a market segment level. These pilots concentrated on the need for a national framework and enabling environment, which by its very nature must be Government led (and therefore tends to take longer). The ultimate goal for any segment / cluster however is to advance to ‘level 2’ - namely the development and implementation of tangible products and projects.

It must also be remembered that the rollout of tourism clusters at a local level will naturally include eco and heritage tourism products - even in the absence of a national framework.

It is stressed that:

- Public private partnerships are key to product development
- Linking of academic institutions with local communities is vital in order to stimulate and revive some of our traditions and to ensure sustainability and authenticity of Heritage tourism.
- Linking professional communications and public relations companies with provincial and local authorities, heritage associations and communities is needed to ensure that our presentation and marketing approaches are world class.
- Ensuring that the development of products is undertaken within the context of international and domestic market needs and wants is a critical factor.
- Instituting an appropriate accreditation system for heritage and eco-tourism attractions will assist enormously in the effective commercialisation process.
- Instituting at a national level significant competitions and award programs for eco and heritage tourism attractions will stimulate achievement in this segment.
- The concept of taking a product or theme that a number of provinces could use as a pilot for inter-provincial cooperation was generally accepted as a sound approach and should be pursued.
Chapter 5: Tourism Clustering - Activities & Lessons Local Cluster Initiative
1. **EXECUTIVE SUMMARY**

1.1 **History**

- In January 1999, as part of the Tourism Clustering Process, it was decided that two local tourism communities would be chosen in a process of technical selection, to demonstrate clustering and its effects for local tourism. Ultimately, four local clusters were chosen as pilots to maximise the learning potential for the local work.

- These local clusters were Khayelitsha, Fish River, Valley of the Oliphants, and Magaliesberg. The local pilots chosen all demonstrate different conditions and starting points for the development of a local tourism cluster.

- At this early stage, many local communities across South Africa have not yet succeeded in developing the tight teamwork and linkages that have supported local tourism clusters elsewhere in establishing their strong competitive positions. Others do not have either the requisite tourism asset/s or the will to develop a tourism economy.

- Work began with formal meetings out of which action groups came into being. Consultants spent considerable time between formal meetings, mentoring and facilitating the key cluster groupings.

1.2 **Lessons Learnt**

- In each of the four local pilot initiatives undertaken in 1999, new linkages have been developed and an Action Agenda is underway driven by the cluster stakeholders, outlined in the Appendix at the back of this report.

- The strategic learning from developing these four pilots, along with the work done at National and Thematic levels, has provided part of the base for the development of a ‘How To Manual’. This comprehensive manual is available to assist others in accelerating the development of their local tourism clusters.

- The essence of the learning from the local pilot clusters is discussed in the chapter in detail but ultimately it is clear that clustering has major use as a tool at the local level.

1.3 **This Chapter**

Pilot clustering initiatives were undertaken in four very different localities. This Chapter on the local clustering initiative:

- Introduces ‘local clusters’
- Identifies the objectives of the local demonstration pilots,
- Describes the selection process to identify four pilot sites,
- Gives a comparative overview of the locations,
Chapter 5  Tourism Clustering Activities and Lessons Learned - Local  Page 96

- Summarises the action initiatives underway,
- Brings together some of the strategic learning from the pilots, providing a framework for replication into other communities.

2. LOCAL TOURISM CLUSTERS

2.1 What is a Local Cluster?

The concentrations of game lodges in Mpumalanga, Bed & Breakfast facilities in the Cape’s winelands and craft outlets along the Midland Meander have developed through natural market forces. Whilst the origins of these clusters differ, there are a number of common aspects to their development and this is the focus of this report.

An active Tourism Cluster is...firms and others within a concentrated geographical area co-operating towards common goals, and establishing close linkages and working alliances to improve their collective competitiveness. 47

Clustering is particularly relevant at a local and community level. At this level, the multitude of social, family, ethnic, church, school and professional relationships helps build the social capital. It is this social capital - the trust, dialogue, informal and formal linkages - that in turn facilitates the necessary team approach to the development of a community's wealth.

Tourism in particular is a linked activity. The visitor’s experience comes from interaction with a wide range of participants in the local cluster.

Together these separate elements influence the length of stay and the likelihood of the visitor subsequently recommending the location. They also influence the decisions of tour operators in selecting locations to promote, and potential investors.

2.2 Objectives of Local Pilots

The objectives of the pilot demonstration cluster initiatives were defined as follows:

- To test an approach to local tourism cluster development in four different environments which drew on best practices internationally.
- To make a sustainable difference to the development of tourism in the four locations.
- To develop a framework for replication in other South African communities, sharing the learning across all provinces, through the preparation of a “How To Manual”.

47 This definition is based on ‘Clusters as a Vehicle for Small Medium Enterprise Development: an alternative perspective’ Small Business Project, Johannesburg, 1999
➢ To generate interest in other communities in following a similar clustering approach.
➢ To develop the linkages between initiatives at a local, thematic and national levels.

2.3 The Local Clustering Process

The pilot process was based on the concept of action initiatives within a strategic framework. The emphasis was firmly on engaging the role players or stakeholders in the area in action, not report preparation.

The ultimate aim of the exercise was job creation and local wealth generation. This was achieved in part through increasing the numbers of initiatives that the cluster stakeholders are prepared to work on for the benefit of their own organisation as well as the wider common good.

The aim was not to finish a strategic plan prepared by consultants with no ownership by the industry stakeholders. It is only by sweating through the issues in workshops and small working sessions that industry stakeholders develop the strategies, and more importantly, the ownership of the action.

As initial excitement is built through the process, the cluster participants are able to select issues that have meaning for them, and then action initiatives to address the those issues. The strategy which emerges from this process isn’t always elegant, well researched Business School style – it is appropriate at the time for those who developed it and for the location. (see figure 5.1 below).

FIGURE 5.1
Over time the issues and means of addressing them evolve to reflect changing circumstances.

Each of the four local pilots started with a similar process – identified in Figure 5.2 - but very quickly each local cluster developed its own personality and dynamics.

A common aspect was moving from the initial secondary analysis of the cluster to forming a self-sustainable initiative as soon as it was practicable.

FIGURE 5.2

Initial Interviews
Form Leadership Group
1st Workshop
Mentoring
2nd Workshop
Self Sustaining

Information to form the basis for Workshops
Management of initiative
Champions
Issues selected
Initial workplans
Refined workplans
Confirmation of issues and action plans
Upgrading strategic agenda
Institutionalising cluster initiative

Once the initial enthusiasm died down more intensive mentoring was usually required to work through the action plans. In some pilots 3-4 mentoring meetings took place over the 3-4 months; it is not unusual at this stage of the clustering process to have meetings even more frequently.

The pilots, as they unfolded, created a platform for ‘action’. The speed and nature of the uptake has been different between each locality. Each of the pilot initiatives has already provided a forum for new linkages to form, particularly between the publicly funded infrastructure and the private sector.
In each pilot action was initiated which would not have occurred without the clustering project. The desire to make a difference, rather than produce a wish list for others, was the center-piece of each pilot.48

The four pilots now have a focussed and energised team in place. With one of the pilots, Khayelitsha, a new team that has been formed; in the other three pilots the clustering initiative has brought more closely together stakeholders from a geographically wider community. Given continued commitment and resources they should continue to move forward.

2.4 Selection process

The initial bid from The Cluster Consortium proposed the development of two 'Regional Pilots' alongside the National clustering initiative. When the consultants undertook their first site visit and reviewed their bid some nine months later (when the contract was signed), it was suggested to TLG that six demonstration pilots should be developed, four local and two thematic. The reason for this was to extend the base for learning by choosing a range of pilots, and to reduce the vulnerability that comes with a very small sample.

International experience has shown that clustering initiatives can simply fail to take off within an initial six-month period, the operational timeframe of the project. The reasons for this include other priorities at the time amongst key stakeholders, the lack of social capital, the absence of champions particularly from the private sector, or the simple fact that business is booming, and capacity at all levels stretched.

The selection criteria for the local sites were approved by the TLG in February 1999:

- Identification of the location in previous studies
- Tourism identified as a major contributor to the local economy, or as having recognised potential
- Ready availability of information
- Local tourism structures and champions in place
- Providing an opportunity for strategic learning

In February each of the MEC’s were requested to submit nominations for four local pilots. They were asked to substantiate their nominations in terms of given criteria, which were based on:

Technical Criteria – what factors should be present in terms of cluster methodology.

Empirical Criteria – factors identified from proven case studies internationally.

48 Refer Appendix C3 for detail of action initiatives for each pilot.
In total 14 nominations were received from 8 provinces, with Gauteng not submitting a nomination. These were evaluated in terms of how well they met the given criteria. Additional inputs in the evaluation process were the consultants who referred to the KPMG report, ‘Review of Infrastructure in Support of International and Domestic Tourism Development: Identification and Prioritisation 1998’. In addition, Dr. Mike Fabricius of DEAT and a South African tourism consultant contributed to the process.

The Labour, Government and Business representatives of the TLG were asked to weight these sites to accommodate the needs of their constituents. Labour asked to abstain from the weighting but indicated that they would not object to the final selection.

The four sites chosen as pilots were:

- Fish River SDI – Eastern Cape Province
- Magaliesberg and Surrounds – North West Province
- Khayelitsha – Western Cape Province
- Valley of the Olifants – Northern Province

The TLG agreed that in the event of the process being unable to proceed in any of the above regions, the following two sites were to be replacements:

First reserve: Qwa Qwa - Eastern Free State
Second reserve: Nqutu District - KwaZulu Natal
3. The Four Pilots – Comparative Review

Figure 5.3

The table that follows gives a comparative review of the four locations, and summarised the issues and status of each clustering initiative as at October 1999:

<table>
<thead>
<tr>
<th>1. Cluster Background</th>
<th>Fish River</th>
<th>Khayelitsha</th>
<th>Magaliesberg</th>
<th>Valley of the Olifants</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pilot Locality</strong></td>
<td>Port Elizabeth to East London &amp; inland to N2</td>
<td>Township east of Cape Town Airport</td>
<td>Sun City/Lost City; Hartebeespoort Dam; Rustenberg</td>
<td>Lowsfeld region of Northern Province.</td>
</tr>
<tr>
<td><strong>Population</strong></td>
<td>2-3 million</td>
<td>700,000</td>
<td>1,5 million</td>
<td>1 million</td>
</tr>
<tr>
<td><strong>Current Tourism Activity</strong></td>
<td>Predominantly domestic, family oriented</td>
<td>Minimal, some drive through international tourists</td>
<td>Gauteng day trippers, &amp; internationals to Sun City</td>
<td>Gateway to Kruger for internationals and domestic</td>
</tr>
<tr>
<td><strong>Local Economic Significance of Tourism</strong></td>
<td>Potential to be THE job creator, international growth</td>
<td>Tourism &amp; related activities could be major job creator</td>
<td>Already significant driver, after mining and agriculture</td>
<td>Increasing significance as minerals are depleted</td>
</tr>
<tr>
<td><strong>Local Tourism Organisations in Place</strong></td>
<td>Tourism PE; Tourism EL &amp; CTAs e.g. Port Alfred</td>
<td>Tourism Tygerberg - but barely active in Khayelitsha</td>
<td>Rustenberg Regional Tourism Association</td>
<td>Lethaba, Phalaborwa, Byadladi, Giyani and</td>
</tr>
</tbody>
</table>
2. Clustering Process

| Local Sponsor          | Alfred Khayelitsha Association, Eastern District Tourism Committee | Giyani and Bushbuck Ridge CTAs & Valley of the Olifants |

Key Issues Identified

| Local Sponsor          | Alfred Khayelitsha Association, Eastern District Tourism Committee | Giyani and Bushbuck Ridge CTAs & Valley of the Olifants |

Leadership Team Status

| Leadership Team Status | Chair: Pepi Silinga (Nqura IDZ) Facilitator: Malibongwe Yokwe (CIMEC) | Cllr Mqobozi, with M.Hugo (WCT) Leadership Group appointed by MEC and headed by Charles Ndabeni | Elected Chair: Terry Bengis (Eastgate Airport) |

Government endorsement

| Government endorsement | MEC involvement | Deputy Minister involvement | Strong MEC participation | Watching brief |

Other Comments

| Other Comments | Leadership Group slow to formalise | Clustering initiative parallel to Look Out Hill development | Action focus firmly at nodal level | Strong private sector leadership in place |

4. Local Tourism Clusters: Strategic Learning

A number of clustering assumptions drawn from best practices internationally were applied in structuring the process for the four pilots and these were thoroughly tested in the pilots.

The key elements of the learning are identified here. These aspects provide a checklist of what needs to be taken into account in replicating the pilot initiative in other communities.

The check list has been expanded in the “How To Manual” to provide a guide for others facilitating the development of their local tourism clusters.
4.1 Learning Points:

*Clear leadership from Day One*

Substantial delays occurred followed the Fish River workshop due to uncertainty as to the Champions' identity. Earlier resolution would have significantly sped up the process: momentum was lost after the workshop, and this took time to rebuild.

*Early Political Support a key...*

Participation by senior politicians at three of the initial workshops - the Deputy Tourism Minister at one and two provincial MECs at others - greatly assisted the early stages of the initiative. Participants valued the commitment of the politicians to the project.

*Followed by Private Sector Leadership*

Leadership needs to move as soon as possible from the initial politicians/officials sponsoring the initiative to the private sector. There is a danger in clustering initiatives being positioned as 'government initiatives'. Well-respected business leaders need to take charge - to visibly be the champions.

*Strong Leadership, or Sink*

The champion is an implementer, moving in influential national circles and shaking free any hindrances to the group’s objectives. Having a champion of stature brings additional resources to the table, eg sponsorships, access to SATOUR board members, etc. A happy coincidence of self-interest sustains a group. Without strong leadership, supported with executive capacity, clustering initiatives will wither.

*Confirming Authority - Empowering*

Participants in one cluster faced early difficulty as they carried no formal authority/papers and at times in their community were met with suspicion. More substantively, they were also unclear as to their role - were they advisers or implementers? Clarity of purpose, supported by appropriate documentation is needed.

*Building Capacity*

The Khayelitsha pilot demonstrated the effects of limited capacity within the community as well as high levels of commitment. There was very limited business experience to draw on. People in disadvantaged communities have little experience in preparing project plans, marketing, forming links with outside agencies… therefore there is a need to be much more proactive in supporting/facilitating the development of clusters in such communities.
Generating Local Rivalry

In Magaliesberg competition played a significant role in stimulating each node to move forward to action plans. Each node convenor played on the competition with other nodes and between the other pilots to produce credible action plans for the final workshop. This rivalry between the local groups was a positive factor but must be managed. In other situations rivalry can be induced by simultaneously driving a number of local clusters at the same time, for example tourism and horticulture.

Neutral Corner

The neutral corner offered by a national initiative provided a forum that opened dialogue and set events in motion.

Without the national clustering initiative the Valley of the Olifants organisation would not have happened. The original organisation had characterised itself as enthusiastic amateurs and acknowledged their frustration at not being able to progress on the issue. There was a tendency, not entirely overcome, for the Community tourism organisation to protect patches and narrowly define their interests. It took the offices of The Tourism Consortium as neutral facilitators to unlock a stalled process.

At each of the workshops, speakers made reference to the number of plans yet lack of action within their locality.

Maintaining Momentum - can be a struggle

Some important and difficult issues (such as safety in Khayelitsha) have not been picked up and the initiatives are in suspension. It is not always easy to maintain momentum...a key is developing bite sized chunks and empowering / motivating participants to take responsibility for those chunks.

Early Action

During the first months of the Fish River and Khayelitsha pilots there was not substantive momentum in moving from strategy to action. Stakeholders lose interest when an initiative fails to offer the potential of early benefits.

Early benefits motivate the teams to achieve even greater results. Allied to achieving early benefits is the practice of initially aiming for small modest results, which can be achieved early.

This aspect is contrasted nicely between the Rustenberg and Hartebeespoort nodes. In Rustenberg they went for small achievable results (eg shebeen tours) whereas Hartebeespoort went for a large rail project. Initially the Hartebeespoort group stalled and at the second meeting its progress contrasted poorly with the progress made by Rustenberg. At the second workshop Hartebeespoort reaffirmed commitment to the rail project and developed a plan to take it further.
Defining the Cluster’s Boundaries

Within a local tourism cluster, the boundaries could well be primarily determined by a 2-3 hour travel time. Further than this, participants may find that regular meetings are too difficult and therefore the linkages between participants remain thin. The geographic scope of the cluster needs to be sufficient to provide critical mass for addressing the key issues. Cluster boundaries can often stretch across provincial and other political boundaries. Not unsurprisingly, political borders and cluster boundaries frequently fail to coincide.

Pro-Active Black Empowerment

The ownership of the tourism assets, most especially the knowledge of how to engage and the business skills to do so, are almost entirely vested in the white participants in the local areas. A special effort must be made to include and hear the issues of black participants, and to ensure that new levels of equity are achieved in the tourism economies at a local level. Building linkages across all members of the local cluster is a first step in establishing the necessary trust and cooperation.

Cluster Benchmarking – Opening Eyes

To date two of the four pilots have engaged in benchmarking exercises:

- Magaliesberg visited the shebeens of Soweto prior to developing its own shebeen tour.
- Eastern Province's Sunshine Coast, part of the Fish River cluster, undertook a study visit to the much more developed Queensland Sunshine Coast.

Such benchmarking activities provide a collaborative learning experience for the team engaged on the exercise, and are useful in understanding the key levers that can be applied in moving to a higher level of performance.

Terminology Clarity

Buzz words and some of the strategic jargon introduced by the consultants failed to communicate. At times the consultants were not sufficiently responsive to the client base. It became clear, for example, that the term ‘Project Plans’ for a clustering initiative is understood, the term ‘Business Plan’ was confusing.

Broadening Social Capital

An understated roadblock to the development of high performing clusters is an absence of social networks. In three of the pilots there was social cohesion between a few stakeholders but minimal involvement by the majority. Communities have historically been split along racial and economic lines and this is particularly evident at the local level. A multiplicity of linkages support high performing clusters. The paucity of such linkages was very noticeable within the four pilots.
For example, the pre workshop meeting in Fish River provided for the first time the opportunity for the local high school and local Technikon to meet and talk about the graduation of pupils from one institution to the other.
Chapter 6 BLACK ECONOMIC EMPOWERMENT AND TOURISM

1. EXECUTIVE SUMMARY

- South Africa is facing the challenge of balancing the need to achieve international competitiveness and to integrate historically disadvantaged persons into the economic mainstream.
- Black economic empowerment is advanced at many levels, including ownership, operational control, employment equity, staff development, small business development, corporate social responsibility and corporate governance.
- The tourism industry has a fundamental interest in social stability and thus in a principled engagement with black economic empowerment.
- There are, in addition, a number of direct commercial reasons for the tourist industry to engage with empowerment, including product and customer differentiation, stakeholder support, cost-cutting and efficiency and ensuring quality.
- Government is a specific empowerment driver inasmuch as it affords a range of business opportunities through procurement programmes, concessions, licenses and finance, for enterprises that demonstrate a commitment to empowerment.
- Tourism however is a complex industry. The position of a company in the industry determines the nature and extent of its engagement with empowerment initiatives. The table contained in this Chapter shows the relationship between positioning within a tourism sector, the relevant empowerment drivers and the resulting empowerment initiatives.
- Across the industry, a major strategic gap in empowerment initiatives exists at the level of corporate governance, specifically in the need to develop an institutional mechanism for comprehensive empowerment reporting by large companies.
• A further gap exists in the need to develop corporate-emerging small business linkages both downstream for the provision of unique and diverse African products and upstream in enhancing the supply chain.

• Black economic empowerment has been integrated in the national tourism cluster process at all levels and in all outcomes.

• Two specific initiatives have emerged from the national empowerment strategy group, which initiatives seek directly to address the strategic gaps outlined above. These initiatives relate to corporate governance and business linkages.

• Figure 6.1 shows the Chapter Overview

2. **Introduction**

This Chapter of the Report includes the following:

- Section 3 contains a broad definition of Black Economic Empowerment (BEE) and situates it within a tourism industry context.

- Section 4 briefly mentions the various levels on which empowerment can be advanced in companies. A fuller examination of the strengths and weakness of various empowerment benchmarks is contained in an Annex to this Chapter at the back of Report. It provides an analytical
framework for assessing the differential empowerment responses of tourism corporates in different tourism sectors.

- Section 5 highlights a range of social and commercial drivers or motivators that underlie the empowerment strategies of tourism corporates. A fuller exposition is contained in an Annex, where detail is given as to how these drivers overlap and combine in different ways according to the specific imperatives of different tourism sectors.

- In section 6, we sketch the methodology on which the research into the empowerment profile of tourism corporates was based. We set out the full list of empowerment indicators and considerations utilised in an Annex.

- Section 7 contains a summary of the field research in the form of a table. The detailed research is contained in an Annex. The research is presented by way of a series of case studies of corporates located in different tourism sectors – gaming, hotel (leading, smaller, franchise), eco-tourism, travel and merchandising, support services and the state sector. Case studies highlight specific illustrative empowerment strategies, the empowerment drivers underpinning these strategies, possible gaps for further and deeper empowerment commitment and constraints facing empowerment initiatives. The case studies are assessed against empowerment strategies of other sector players.

- Section 8 draws out the key learnings from the study, pointing to emerging empowerment themes, constraints and opportunities. It reassesses sectoral differences and the viability of industry or even sector-based empowerment initiatives.

- Section 9 provides a summary of BEE in the cluster process by way of an introduction to section 10 which is a summary of the BEE initiatives emerging from the national cluster process.

### 3. Defining BEE in the Tourism Context

Tourism has been designated as critical to meeting two key and interrelated social and economic objectives – increasing South African economic competitiveness in the global market, on the one hand, and advancing BEE on the other. We define BEE as creating opportunities for the integration of historically disadvantaged people into the economic mainstream. BEE embraces the need to improve the conditions of life and livelihood of previously disadvantaged South Africans, to provide meaningful opportunities for black economic advancement through the equitable distribution of jobs, skills and income and through ownership of capital. BEE is a call for the equitable restructuring of the South African economy.
4. DEBATES AROUND BEE

Having defined BEE broadly as a process of creating opportunities that enhance the position of historically disadvantaged people in the mainstream of the economy, we take the view that there are a number of levels through which this process can be facilitated in companies. Some of these empowerment facilitation mechanisms, equity ownership for example, have elicited considerable debate. We deliberate these mechanisms in detail in Annex “A” to this Chapter contained at the back of the Report. We highlight their particular emphases, advantages and in the case of the ownership benchmark, its shortcomings. We draw extensively on the many lessons that have emerged from empowerment strategies in practice. The levels at which empowerment can be facilitated include:

- Shareholding
- Management Development
- Staff Development
- Affirmative Procurement Programmes
- Business Restructuring Processes and Special Initiatives
- Social Responsibility Programmes
- Corporate Governance

5. BEE DRIVERS IN TOURISM

There are a number of drivers that serve to shape the empowerment profile of individual corporates within tourism sectors and the empowerment profile of sectors themselves. These drivers are arranged along a continuum of objectives extending from the predominantly social to the predominantly commercial. We capture this continuum in the diagram below. Empowerment drivers should not be viewed as discrete categories, nor as operating in isolation. Rather they overlap considerably and combine uniquely to produce specific corporate empowerment strategies. It is possible however, to identify a leading empowerment driver underpinning each empowerment strategy. To the extent that empowerment drivers are overlooked, or underplayed, gaps emerge, which if taken can considerably deepen empowerment strategy. In general, the most sustainable and successful of empowerment outcomes will be the product of a balance of focused social and commercial considerations. Drivers (see Figure 6.2) in tourism, in order of social to narrow commercial to more sophisticated commercial, include:

- Social Responsibility
- Social Stability
- Stakeholder Support
- Differentiation with Government
- Cost Cutting and Efficiency
We discuss in Annex “B” of Appendix E, the various ways in which these drivers overlap and combine according to the specific imperatives of different tourism sectors.

FIGURE 6.2

6. METHODOLOGY

From our empowerment framework, we have extracted a range of empowerment indicators to assess, on a sector-by-sector basis, the empowerment strategies of tourism corporates. We set these strategies against the range of drivers already enumerated. The driver analysis provided the means of assessing strategic empowerment opportunities and constraints. The case studies detailed in Annex “E” of Appendix E are drawn from a review of company literature and in-depth interviews with company representatives, which were conducted around these indicators. Such indicators include:

- Ownership and Control
- Small to Medium Business Development
- Affirmative Action
- Capacity Building
- Community Engagement
- Corporate Governance and Empowerment Disclosure
We append the full list of empowerment indicators and underlying considerations in Annex “D”. Naturally, satisfaction of all or even most of the empowerment criteria utilised, by any single corporate entity, is unlikely. Strategic choices have to be made in developing and implementing empowerment initiatives with priority given to those initiatives that provide the most appropriate response to the key sector drivers. In addition corporates have to contemplate possible impact and the ease with which strategies can be implemented. Our conclusion will be that specific drivers operate differentially in different tourism sectors and hence give rise to an array of diverse and largely sector specific empowerment initiatives.

7. Tabular Summary of Case Study Findings

As indicated, the detailed research case studies appear in Annex “E” of Appendix E while the following table 6.1 presents a summation of these findings by sector, drivers, strategies and gaps.

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>BEE DRIVERS</th>
<th>BEE STRATEGIES</th>
<th>STRATEGIC GAPS</th>
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<td>Hotel</td>
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• Upstream SME development  
• Employment equity  
• Training  
• Corporate social responsibility  

• Downstream SME  
• Cross learning  
• Linkages between groups  
• Disclosure  
• Co-ordination  
• Economies of scale  
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<th>Franchise</th>
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<th>Stakeholder support</th>
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<th>Mainly equity ownership</th>
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8. **Themes and Strategic Challenges**

- The tourism industry constitutes a complex cluster made up of a variety of sectors and sub-sectors whose economic drivers are determined by their position in the industry.

- Given this diversity and complexity, the drivers of empowerment differ considerably across the industry. The emphasis placed on one or other strategy depends largely on specific social and commercial drivers relative to the specific industry sector. The diverse and fragmented nature of empowerment initiatives is testimony to the complex nature of the tourism industry.

- Consequently, this study has not been able to provide a comprehensive quantification of the degree of empowerment that is taking place in tourism, but is rather aimed at understanding the levers that will facilitate further empowerment in the industry.

- Of note is that empowerment in tourism is by no means restricted to the ownership benchmark. For example, many types of BEE strategies have been implemented by large tourism corporates. We have discovered differential commitments to shareholding, operational/managerial control, affirmative or corrective action, staff development, small business development through affirmative procurement, in- and outsourcing and social responsibility programmes. The international franchising model shows considerable promise in enabling both ownership and operational empowerment at a medium sized business level.

- A major unifying driver of empowerment in tourism is the role of government as concessionaire, customer, regulator and facilitator of an enabling environment. This has created the basis for a culture in tourism where companies undertake empowerment initiatives despite the absence of immediate commercial drivers. Rather, such initiatives are undertaken out of a recognition of the importance of a committed partner in government providing a stable social environment for the industry and releasing concessioning opportunities for industry growth.

- A major gap was discovered in the governance of empowerment processes at a corporate level. Although corporates are reporting on their empowerment initiatives, this reporting is not being done in a comprehensive manner, nor is there any evidence that the empowerment project has been adopted at the heart of the company’s governance system. Systematic reporting will not only allow for improved management planning, but will also demonstrate to stakeholders the company’s achievements and thus contribute to building support for the company and for the industry as a whole.
Gaps were also identifiable at specific levels of small business development within the industry:

- All players interviewed regardless of their position in the cluster agreed that there is a need to develop downstream businesses that will contribute towards the development of a diverse and African experience.

- At a corporate level, there was little evidence of initiatives to create cross linkages between corporates to facilitate new opportunities for small companies developed through insourcing programs. Small business development often entails no additional job creation, merely providing opportunities for new emerging players to provide goods and services at the expense of existing employees. It is imperative that small businesses established through insourcing programs are given real opportunities to grow if the initiative is to move beyond the above shortcomings.

- Little evidence was also discovered of mechanisms to facilitate cross learning between corporates.

- At a medium sized level where hotels were focused on providing selected services, although there are many outsourcing opportunities, companies did not have the strong empowerment related business required to establish specialised small business support programmes.

The variety of downstream small business initiatives that have emerged or have been driven by local cluster processes indicate the extensive opportunities to unlock small business potential in the industry. In the Kayelitsha local cluster the importance of a tourism centrepiece to small business promotion was recognised. The initial project focus was on the development of the Look Out Hill facility that is to serve as a primary panoramic site. In addition it is to function as a tourism information centre, connecting tourists to small business offerings such as arts and crafts, shebeens, guesthouses, tour operators and transport. The facility itself will provide a wealth of small business opportunities and will be connected to a walk that will facilitate access to a range of craft activities. In the Magaliesburg local cluster opportunities for small business development around heritage sites have been identified. Initiatives such as the Mankwe Cultural Heritage Centre at Mogwase and the Maikgantsho Living History Project at Phokeng are up and running. The local cluster reports provide numerous additional examples of the relevance and viability of emerging business stimulation, both in providing a unique and diverse African tourist experience and in providing support services for that experience.
9. BEE AND THE CLUSTER PROCESS

- BEE concerns have been pivotal to the cluster process, which is premised on the requirement that stakeholders attempt to develop a common and comprehensive BEE vision for tourism and that BEE considerations be integrated at every level and in every project initiative.

- The first national cluster meeting served to begin a process of identifying industry players wishing to play a leading role in advancing BEE in the industry and stakeholders that would recognise and reward that commitment. It served more generally to begin a process of building support amongst key stakeholders around a common BEE vision.

- Focused BEE strategising was undertaken by a national BEE strategy group formed at the first national cluster meeting. It met subsequently both at and between national cluster meetings. Out of this group emerged specific BEE cluster initiatives. These initiatives are detailed below.

- The cluster process encompassed extensive information gathering around the state of BEE in the industry and has served to identify opportunities and constraints in implementing an empowerment vision.

- Empowerment was relevant at the level of procedure as well. Consultants endeavoured to capacitate participants through workshops and training sessions.

10. CLUSTER INITIATIVES

10.1 SME development through corporate linkages

- Small to medium-sized empowerment enterprises face enormous barriers to tourism market entry. Many large players are committed to entering relationships with emerging companies but do not know how to access these players and/or how to structure the relationship.

- An initiative was developed to create sustainable and structured opportunities for small businesses to systematically enter the mainstream economy. The initiative sought to rely on SME development models aimed at building supplier relationships and more complex partnerships between emerging SME’s and established tourist corporates.

- The long-term goal of the initiative was to be the creation of an institutional mechanism - a small business centre - to facilitate the building of both these kinds of business relationships. The centre was to be run according to linkage models developed by a specialist NGO in the manner captured in Figure 6.3 below.
During the initiative development process it became clear that small business development carried implications for jobs and broader empowerment that were not immediately apparent. These concerns have been mentioned elsewhere. In addition, corporates in the initiative’s target sector had already put in place SME development programmes and were perhaps not yet convinced of the need to co-ordinate efforts.

These learnings will inform the future direction of the initiative, which may require a new regional focus. The existence of functioning linkage agencies may shift the emphasis from institutional linkage mechanism to linkage model or programme.

**FIGURE 6.3**

**A Business Linkage Process Model**

- **Tourism corporates**
  - change attitudes
  - review and develop systems
  - supply from emerging SMEs
  - strategic partnerships

- **Emerging SMEs**
  - explore new business opportunities
  - business skills development and finance
  - incentivisation, motivation and self-development

- **Business linkage catalyst**
  - identify supply and partnership opportunities with corporates
  - identify and help build capacity for emerging SME suppliers and potential partners
  - formal accreditation
  - develop business linkages
  - develop linkage database
  - monitoring and evaluating
  - reporting

**Key Learning**

A key learning from the initiative is the importance of building clusters locally, from the ground up. National processes are complex, involve a multitude of stakeholders and can be policy **rather than action oriented.**
10.2 Corporate governance - monitoring empowerment commitment from within listed companies

- A further initiative entails developing institutional and other mechanisms within companies to ensure adequate empowerment disclosure. As figure 6.4 indicates, empowerment disclosure serves many key purposes.

FIGURE 6.4

The Cycle of Disclosure

Disclosure
- Inform
- Match needs
- Differentiation
- Managing transformation
- Enhancing governance

Stakeholders
- Government
- Employees
- Shareholders
- Business partners
- Communities
- Broader society

Empowerment Governance
- Board Committee Code /Policy
- Statements Empowerment
- Audit & Report

Empowerment Strategy
- Empowerment ethics
- Equity ownership
- Operational control
- Employment equity
- Staff development
- Small business development
- Social responsibility programmes

Feedback
- Trust
- Buy-in
- Reward
- Further incentives
- Information re empowerment needs
- Deepens empowerment strategy

- Disclosure mechanisms that have been contemplated include an empowerment committee accountable to the board, an empowerment code to govern empowerment policy/strategy, an annual empowerment audit and an empowerment report to be disseminated compulsorily along with the annual report.

- These disclosure mechanisms have been discussed with CEO’s of major tourism corporates with a view to principled buy-in.

11. Conclusion

In conclusion, we re-emphasising that while there is a degree of empowerment dynamism in the tourism industry, initiatives remain fragmented and sometimes of uneven benefit. Different tourism sectors and players demonstrate differential empowerment responsiveness and sophistication in relation to different commercial and social drivers. There remains a significant strategic challenge in relation to the development of small businesses that would contribute towards generating a diverse and African experience. If there is a common denominator, all initiatives suffer from a lack of visibility. From our research both in the industry and of specifically devised initiatives, we have reached the conclusion that
empowerment will be catalysed through a commitment to adequate monitoring and disclosure. It is essential to make empowerment an issue of corporate governance not corporate happenstance.
Chapter 7: Conclusion – Overview of Learning
1. EXECUTIVE SUMMARY

1.1 Background

- The recommendations set out in this chapter are *those which have arisen in the course of this project*, as a result of the work undertaken by the individual task teams and the background case work undertaken by TCC to assist the groups.

- The recommendations therefore are not intended to be interpreted as a final and comprehensive strategic plan for the South African Tourism Industry based upon primarily quantitative methods, as this is beyond the mandate of this work.

- The options and recommendations are informed by the three levels of the project itself as well as by the necessary content and case work undertaken by the TCC to support the work of the cluster.

1.2 Lessons Learned

- The extensive demands on time and commitment of leadership for this project were not able to be fully met by the TLG. The levels of commitment that would be required had not been fully understood at the beginning of the process and the process itself occurred in an election year. Future processes of this nature would benefit from a counterpart group with the capacity (time, resources etc) to fully manage and lead the process.

- The results of the process at all three levels at this stage of its development indicate good outcomes so far. There is little doubt nonetheless that a key finding from this project is that clustering from a tourism perspective will be most effective for South African tourism when focused on locally controlled clusters.

- National issues do require a collaborative approach, since tourism is systemic by nature, but will be better tackled by small groups of decision-makers, focusing on specific issues such as international marketing and appointed for that purpose⁴⁹.

- The roles and responsibilities of the public sector, the private sector and some of the national bodies within the tourism sector are not clearly understood by all those involved and this has been the source of much “fragmentation” within the industry. This fragmentation is well addressed through a collaborative approach to planning and development, whether such development is

⁴⁹ Such as the International marketing partnership working within the SATOUR framework
undertaken by the Public sector the private sector or ideally, the two working together.

- Simultaneously, many larger national issues will benefit from being broken down\(^50\) into many smaller tranches so that cluster working groups which have a direct vested interest in the outcome, can engage and resolve some of the problems. It was clear from the work undertaken at a national level in some cases that the problems would be better addressed locally.

- Cluster participants in both the Public and Private sectors expressed a need for greater predictability and focus in the Tourism policy environment as a precursor to improved investment flows for the tourism sector.

- This clustering process was to a degree inhibited by the removal of the originally conceived information portion of the project \(^51\). Clusters in general need information input to begin to take decisions for action, only some of which is available at a local level.

- A central bank of information for South African tourism should be accessible for clusters through a central library system, using electronic access. This would mean that those with no access at home could still make use of the information, which is now known to and reserved for only a few. A bibliography of case work and reports has been gathered by this process which could serve as the seed for such a facility.

- In the shorter term, market segmentation work is urgently needed into domestic, regional and international markets in order to ensure that we are driven by demand and not by supply. Market Segmentation is essential to identify new markets for the future and to increase our understanding of what our Tourists need right now.

- Tourism clusters overall, large or small, will benefit from attention given to issues of financing, funding and capital access through appropriate incentives. It is clear that the future ability of smaller firms to enter the tourism economy and to operate there will be largely driven by access to resources such as small capital amounts and good information.

- The cluster found that access to international/global players in the distribution channel, especially for previously excluded South Africans, is another key driver for faster track success that is often neglected. Ensuring that international distributors are made aware (and that emerging businesses are helped to make them aware) of new products on an ongoing basis will help to open up the current

\(^{50}\) Safety and Security issues would benefit from a local community approach

\(^{51}\) The International Market Segmentation work, originally conceived as part of this process, was split away from the project at the beginning, leaving the process with very limited access to much needed market information
tourism economy to new entrants. The highly competitive nature of the international tourism sector itself will ensure a quick learning curve for local product developers regarding what is internationally acceptable.

1.3 What the chapter will do

- This chapter outlines the learning, issues and recommendations which were articulated by the cluster participants in the course of the work as well as offering an overview of what was learnt in this process in terms of project and process management and implementation.

- The chapter also contains a discussion of aspects of project management and process management which posed problems for the process and which should be handled differently in the future.

- Issues of leadership, roles, levers for action, linkages and communications are reviewed in the context of the project.

- We integrate the commentary from previous chapters in the report to offer an overview of the clustering process learning across the board.

- We summarise the integrated learning across the various clusters. The summary is entirely informed by the participants in the process, the TLG, the consultants and all other working stakeholders.

2. Introduction

2.1 The National Tourism Cluster Process: in Context

Subsequent to South Africa’s 1994 elections, and born out of the government’s tourism policy interventions (Tourism in GEAR and the Tourism White Paper), various initiatives were seen to be necessary interventions in order to begin practically building South Africa’s tourism economy.

The original initiatives, put in place by DEAT with the help of its strategic partners (business, labour and, provincial and municipal government), focussed upon working and consulting towards a consolidated strategy to implement the policies specified in both policy documents. This clustering process is seen as one element of government’s “implementation” plan.

In this context the tourism clustering process is not viewed as an endeavour to produce an entirely new basket of empirical research, to reinvent policy, or even to make policy recommendations. Instead it is seen as a process which primarily sought to dynamically integrate itself with the existing and potential objectives as articulated by Government.
3. OVERVIEW OF LEARNING FROM THE PROCESS

The focus of this section is to make explicit the general learning gained - from the perspective of “process”. It is hoped that the learning derived from the events and situations that influenced and changed the trajectory of this intervention be used to as tools to enhance all future cluster projects where the objective is growth achieved through partnership and collaboration. Five broad areas are examined:

- the application of clustering methodology
- the role of leadership
- project management issues
- stakeholder involvement in clustering
- different levers necessary for “action”.

3.1 Application of Clustering Methodology

A pivotal learning from this initiative is that clustering, in the context of the tourism clustering initiative, generates most value when applied at a local level, although collaborative planning is needed at all levels and on an ongoing basis. Local level clustering seemed to bring a more immediate sense of clear personal benefit for the participants, which acted as a powerful motivating force to continue working.

At a local level, there are certain actions that small groups of individuals can take that add value or change something immediately. People feel and are empowered to make an immediate and measurable difference to their own situations.

The focus at a local level was very much more on the real and practical short, medium and long-term benefits that could be derived for the members of the cluster. Getting to “action” on tasks is far quicker and so are positive results.

While there are some clear benefits in using clustering to consider crosscutting issues at a national level it was not without its problems. Often the participants at the national level were more interested in affecting the policy environment on behalf of their constituencies rather than initiating action on the ground. This is clear from the nature of the tasks they chose to engage in, and the way in which they engaged. This is not to say that collaboration between stakeholders around focussed drivers for tourism is not desirable - on the contrary, it is essential.

However, clustering initiatives per se planned from the top down across the nation are less likely to be as effective in mobilising the tourism economy as a multitude of small local efforts accruing towards a concerted national effort. TCC supports the TLG plan of focusing tourism clustering attention at a local level.

At a national level, blockages and policy issues are best tackled by a select group of decision-makers from all constituencies, with a mandate to take decisions.
The fundamental principle behind the clustering approach, that the cluster working groups themselves must be empowered to act within the resources available, is re-emphasised.

For example, action around tourism safety is possible for clustering initiatives when the participants can exercise direct control over the implementation of a set of smaller scale actions for smaller problems. Where no empowerment for action exists, or cannot exist for structural reasons, the cluster will not engage or if it does, will not sustain the effort.

The levers for empowerment at the local cluster level mentioned earlier, access to funds, information and expertise, should be well understood and simultaneously addressed if sustainable success is the objective.

In summary, TCC would urge that clustering working groups be given access to decision making power, (via the decision-makers in the cluster) access to funds, markets and to information. Once this has been put in place, a system of support for the local clusters as per the TLG roll out plan will assist in moving the clusters forward until they are self sustaining.

### 3.2 Roles of Leadership

#### A Common Vision for the Tourism Leadership Group

Like many process oriented projects, the tourism cluster initiative was subject to a wide brief, with many possible interpretations. It was necessary for the consultants to spend considerable time with the TLG in order to develop a TLG view relating to:

- the roles and responsibilities of the consultants, and of the social partners involved in the project;
- what each of the constituencies wanted from the project, i.e. their visions.

Consensus around the above, it was expected, would result in more valuable project outcomes.

At the beginning of the project, the TLG was unable to find time to spend together as a team. As a result it took longer to develop a shared view of required outcomes than was originally envisaged. Some initiatives were already well underway in spite of the fact that a common vision had not been developed. Decisions had to be made on a decision-by-decision basis rather than from a shared platform.

The importance of a common view and consensus within the consulting team and between the consulting team and the counterpart group can not be over-emphasised, particularly when the processes are as flexible and transparent as those prescribed by collaborative action and partnership.
Leadership & Project Management Issues

The following are the issues that a group managing a process of this nature will need to agree upon:  

- An overview of the resources that could be brought to bear on the process: - political, financial, knowledge and information
- Consensus as to the level of commitment required from the leadership (and its individual members), and an agreement around delivering on this.
- An understanding on how the role players would be expected to work together.
- An agreed project plan.
- A set of agreed outcomes that are measurable.

Future initiatives should ensure that leadership is aware of the time and commitment which process based initiatives demand, which is normally far in excess of the commitment required of the client in standard research based projects.

Without the issue outlined above firmly bedded down from the beginning, a process will become unstructured.

Leadership Changes

With certain exceptions, there was almost a complete absence of continuity in the leadership and management of the process – at TLG level. This had negative consequences for the project in that it retarded the process of developing a shared view of outcomes.

The decision-making capacity of the TLG was substantially slowed down by the non-attendance of some of the key social partners at some of its meetings which meant that the process could not proceed until the representative had been located and agreement reached on moving forward.

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52 These aspects must be agreed by the “new” TLG as it rolls out the Tourism Cluster into Phase 2

53 A number of things contributed to the continuity problems experienced by the TLG. The matters that contributed to this include:

- the elections: the national elections (June 1999) proved to be extremely disruptive to the clustering initiative – both before and after the elections. In the pre-election period the labour constituency spent considerable time in the election campaign. In addition many DEAT officials were also required to handle higher than normal workloads because of the elections. Then after the elections considerably more time was spent in briefing new role players. There was a new Minister and Deputy Minister, and senior bureaucrats were replaced.

- constituency representatives to TLG changed significantly: Labour’s and some business representatives were changed / dropped out. With government the changes in personnel were dramatic. The DEAT replaced both of their representatives – including a change in the chair of the TLG; the DTI and the IDC both changed their members of the TLG.
TCC would recommend that under fast changing circumstances such as these, the transfer of responsibility be a pre-determined and agreed process, with responsibility for such transfer required of the relevant person on the appointed leadership group. Another option would be to ensure co-representation in a practical way, so that in the event of a key person leaving the process management team, there is another able to take her/his place.

### 3.3 Project Management

**Logistics and Event management**

An important feature of this clustering project was the major logistical component. Ensuring that all potentially interested persons were made aware of, and then kept informed, of the initiatives of the project was a massive undertaking. This mammoth communications task was completely underestimated by TCC and the TLG. The diverse availability of communications technology (fax; e-mail; etc.); the absence of any central lists of parties that should have been involved in the process / aware of the process; the geographic spread, all exacerbated the massive logistics requirements – a requirement which had not been adequately planned for.

**Engaging Leaders**

Collaborative efforts typically depend heavily on securing active participation from stakeholders. Many business and labour stakeholders who could have been expected to involve themselves in the project did not, either because they had insufficient time available or, at a more senior level, because they wanted to debate less around generic issues and more around specific opportunities and options. In many cases heads of businesses and unions either delegated involvement to junior officials and employees in their organisations or to industry association or federation representatives.

There is a shortage of executive time available for process engagement in the business / investment / union leadership of the South African tourism cluster. There is a limited number of persons with the expertise and decision making power who have the time to participate in broader, or even focussed task based work outside their own diverse business / union interests.

For future cluster projects, more efficient use should be made of participation by top echelon business and labour leaders. When the material is available for strategic decision making, these individuals should engage, rather than in the broader agenda setting phases of sector development. From a decision making and budget perspective, limited chief executive officer participation can be expected at the larger public discussion forums.

**Different Stakeholders**

During the course of the intervention, it became clear that a key difference exists between stakeholders and budget holders. Stakeholders are necessary to ensure that the mandates upon which participants act are representative of the broader society, or a footprint of the process. Budget holders, to a
greater or lessor extent, depending on the innovative capacity of the community, enable the mandate to be carried out.

In general, there was potential for an uneasy relationship to unfold between budget holders and the stakeholders in the tourism cluster. Stakeholders without budgets (usually at a local level) generally operate from a lower power base than stakeholders who are also budget holders and this substantially constrains their ability to act out their own, local agendas.

Where the budgets are totally controlled outside the cluster, the process can become corrupted, with budget holders seeking to initiate agendas and actions within the community which the community does not necessarily want.

In such cases, the prognosis for the success of the action clusters is not good. It is for this reason that other regions of the world, when embarking upon such processes, frequently make use of some kind of matching grant scheme, which runs side by side with the mobilisation initiative (clustering), enabling and empowering the local clusters to act on their own agendas. Such a device also serves to prevent budget holders from seeking to leverage their power and use the attractive, transparent and collaborative clustering initiatives in ways that are not congruent with the aims of those engaged in the cluster.

It is crucial that no attempt is made to run a cluster on an exclusive basis. Inclusivity and representative participation are critical to ultimate sustainable success. Without true representation, cluster initiatives often turn into lobbying exercises which seek to perpetuate the status quo.

3.4 Stakeholder Involvement

Public Sector Role in Tourism

“The development of industrial strategies will be tackled by, amongst others, facilitative processes such as sector and cluster collaborative initiatives designed to help firms meet the new challenges in collaboration with the constellation of players in their sectors.”

The public sector participants in the South African tourism sector typically have strict mandates for development, capacity building, and shifting the equity balance in the tourism industry. Coupled with this critical social focus, these mandates often require such entities to set in place and effectively implement policies to enhance the enabling environment for the private tourism sector. This has to happen in such a way that the private sector is empowered to deliver on such Tourism in GEAR targets as

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54 For example, New Zealand and Ireland have instituted matching grant schemes when clustering in the tourism sector. They have empowered the stakeholders through access to financing independent of other agendas. The only criterion (after the technical criteria) was that each cluster applying for financial assistance should also put up the first 50% of the grant requested.

55 Paragraph 3.3.2.4 - “Economic Transformation” - Resolutions from the 50th National ANC Congress
increased contribution of tourism to Gross Domestic product, increased foreign exchange earnings, etc.

In many countries around the world, public sector officials achieve this delivery through a process of shared planning and collaboration with private sector players. Such a collaborative/clustering approach facilitates delivery at a faster rate than could be achieved by planning in isolation. Speed of response to change in global competitive forces is enhanced through working partnerships with the private sector players.

(a) Tourism Investment Promotion
A sound infrastructure plan to encourage tourism development has been developed focusing upon areas of maximum potential which can form the basis of a planned collaborative approach to infrastructure and superstructure development. Spatial development Initiatives which have identified tourism as a central opportunity, such as the Wild Coast, have found that road and air access are critical precursors for success, and no expectation can be held of substantial tourist development without such prior commitment to infrastructure.

As well as basic infrastructure, adequate public services must be in place before the private sector will engage in investing in the superstructure of hotels, restaurants, entertainment and other attractions. This too can be the basis of a collaboration.

Given the risk averse nature of investors and the investment profiles of South Africa at this time, coupled with the high perceived risk of tourism investment generally, it is likely that government intercession in order to break the chicken-and-egg investment situation will be necessary.

The cluster task teams at all three levels believe that this requires an incentivisation strategy.

(b) Development, Planning and Supervision - PPPs
It is argued by the cluster that, initiated by the Public sector and assisted by the private sector, government plays a major role in developing, planning and supervising the use of South Africa’s tourism assets to ensure that they are not irresponsibly used and ultimately destroyed, and to ensure that the economic benefits are maximised.

A major concern of the clusters, especially relevant in the thematic clusters, Heritage and Eco Tourism, was the setting of the pace for tourism development – especially to protect against over-development. This balance between the pace of development and the earnings for the economy in terms of jobs, income and foreign exchange earnings was seen as a public sector function with private sector input on the planning issue and the balance needed.

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56 Refer KPMG infrastructural development report (1999)
57 Public Private Partnerships
In terms of development and planning best practise internationally suggests that the emphasis has shifted in such matters to a collaborative effort between the participants in the tourism economy, focussing on clear objectives.

(c) Protection of Communities

Frequently in the clustering exercise, especially in the local and thematic clusters, the issue of exploitation and “responsible tourism” was brought up. The cultural and social impact of tourism on an area can be negative as well as a positive. Tourism can and does contribute substantially to social problems regardless of where it occurs.

For example where the mass tourism option is taken less adaptation to local mores and culture is likely and more standardised services and structures as well as food etc, are likely to be required. If the tourists are “wealthy” compared to the locals, this can and does attract criminals or stimulate criminal behaviour, etc. Increases in thefts and muggings are common. In areas where gambling stimulates tourism growth, prostitution and organised crime often follow. Certain countries which have more relaxed laws on sexual behaviour attract tourists for sexual encounters (Bangkok, India, Philippines).

The tourist often demands instant culture, with limited time to experience a new destination. This requires “staged authenticity”. In this way, culture can become trivialised such as in Hawaii, where tourists are greeted and welcomed to the island no longer with fresh flower wreaths, but with plastic wreaths. Local artefacts (arts & crafts) are also sought, often this leads to mass production of poor quality pieces of work and can encourage the freezing of local arts and crafts in a pseudo traditional form.

(d) Regulatory Control and Supervision

The cluster focussed attention upon the need to protect and sustain South Africa’s heritage and related assets. In order to restrain undesirable growth, to facilitate the required growth, to maintain quality standards, to match supply and demand, and, to protect tourists, control and supervision of our eco and heritage assets will be needed.

Some mechanisms suggested were the use of planning permission (its refusal or granting) and expanding or not expanding infrastructure. These

58 Relationships between „Hosts“ and „Tourists“ are usually transitory, superficial and unbalanced, with the local in the position of continuously serving the holiday making tourist. Sometimes locals are exploited as “tourism objects”. An extreme example of this is noted in Thailand, where Burmese refugee women in Chiang Mai – the “long necks” are displayed to visiting tourists. In Kenya’s Masai Mara, the Masai extract payment for photographs of themselves.

59 Dean MacCannell: 1989

60 Timing can be used effectively also. In Germany, there is a rota system, where the States are required to take their holidays on a rota system basis. Factories, schools and businesses all plan their closures in accordance with the rota. France divides the country into three zones, each of which takes the Summer Holiday at a different time.
measures are often only partially successful since tourists will go where they want, and refusal to expand infrastructure can backlash on local residents.

Some working members of the local clusters raised a concern that as tourism grows, its organisation, if uncontrolled, can result in the tourism economy being dominated by a handful of large firms. The Competitions Board, as it pertains to tourism, was seen to be the necessary watchdog in this regard.

Cluster participants felt it important to find a mechanism for safeguarding the nations heritage (cultural, natural and built) in such a way that it is protected from abuse, exploitation and decay.

(f) Organisation
The cluster sees the overall organisational responsibility of the public tourism sector to be a crucial factor in the effective use of resources - often effected and implemented through a national board.

Case material in the Appendices refers.

Economic Foundations
The various cluster working groups and task teams which dealt with the economic foundations aspects of the cluster itself, articulated the following needs:

1. The need for a clear and comprehensive policy environment with focussed development objectives. A clear and predictable policy environment is perceived by the cluster to be a necessary prerequisite for investment in tourism.

The ability of the private sector cluster participants to predict government action and to rely upon government planning assists, according to the cluster, in minimising the risks associated with tourism investment in superstructure, and essentially ensures that the government acts as a partner in the investment.

2. A need to engage more at all levels in the planning of tourism, involving the production of guidelines and objectives for the development, growth and management of tourism, and designing strategies to achieve those objectives. This is in turn dependent upon having the essential data provided by appropriate research and ongoing statistics.

3. A need to understand the tourism focus priorities for investment in developing and maintaining infrastructure, as well as in upcoming investment opportunities. Added to this (for almost all of the smaller payers in the tourism economy) is access to development and project pre feasibility
financing, where, it is suggested, Government could focus the sectors attention on key areas by incentivising action in those regions.

**Private Sector**\(^{62}\) role in tourism

Much of today’s tourist industry is made up of sophisticated organisations engaged in global strategies and it is in the development of globally competitive tourism that the energies of the private sector are mainly vested. South Africa has a number of firms already capable of and currently competing on a global basis.\(^ {63}\)

Global competition has forced private sector tourism to move more and more towards economies of scale in operations, forcing a process of integration. Larger size is seen as lower risk by many, able to offer a better price to the consumer, and large carriers as well as large hotel groupings are in a better negotiating positions when negotiating routes than smaller ones. Integration can be one means of growth (albeit not always successful) which allows companies to increase market share.

The South African Tourism cluster is by definition itself made up of many different sectors, notably accommodation, transport, banking, retail shops, catering, taxis, arts and crafts, and more. The tourism product or offering of some combination of transport, accommodation and attractions, man made and natural ultimately results in the provision of a destination which will compete with other destinations for the Tourist spend.

The ability to continue to attract tourists to the tourist plant invested in by the public and private sectors, is a matter of making the right marketing, distribution and service decisions as a grouping of such, and being able to provide tourist destinations competitively. Around the central distribution system of tourism producers, wholesalers, and retailers, there are many other services such as guiding, financial services, trade newspapers and journals et al.

As a result, the concept of tourism clusters working together on marketing issues is one which is growing very quickly in the international competitive arena.\(^ {64}\) In such a marketing relationship, independent companies can work together to gain economies of scale with marketing brochures, or even mass advertising. This type of collaborative effort is especially useful for smaller to medium firms or regions in South Africa with limited individual resources.

Collaboration through clustering and through co-operative planning or both is crucial, since the ability to offer a selection of integrated packages (needs based) on the part of the private sector to the tourist is the essence of success.

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\(^{62}\) Private sector in this context is used to mean all non-public sector players including organised labour, NGOs, etc.

\(^{63}\) Sun International, Southern Sun, Fedics, Tourvest are some examples

\(^{64}\) See Canadian and other case studies in Appendix D
However, at a National level, the notion of co-operating to compete is usually confined to the creation of packages and routes, rather than taking place in a more sophisticated and more meaningful way in order to increase South Africa’s overall competitiveness.

This is one key rationale behind TCC’s and TLG’s argument that clustering in tourism for South Africa is more likely in the shorter term to be successful at a local level, since there is more motivation to collaborate at that level.

**Linkages in the Tourism Cluster**

It is acknowledged throughout the tourism clusters working in South Africa today that growth in tourism in the private sector will come about through an ability to deliver competitive and innovative product to customer needs, competing against the best in the world in destination marketing and management. Currently the linkages between the private sector players themselves as well as the interaction between the public and private sectors, are weak in many areas.

Increasing competitiveness on an ongoing basis will require real collaboration as opposed to lip service, and continuous upgrade of offerings. Business’s input into tourism strategy could be weighted heavily to issues of planning, marketing and evaluation of segments and products likely to deliver value. Business structures could, through a process of commercially focused clustering, seek to engage government at a local level to develop products and services.

The national South African tourism industry per se is poor at information sharing within itself, not to mention with others, as far as information about markets and products and trends is concerned. The information is held closely as it is believed that it offers competitive advantage. Areas of collaboration are often limited to negotiation with government or transport providers or to membership in the relevant association.

The industry is not as integrated in its use of resources and collaboration within the sector as it might be. Many opportunities for collaboration exist, in order to improve the competitive offering of a region, or of a product line, but due to many reasons, some of them historical, such collaboration does not take place and the offering is weakened.

Most collaborative tourism industry activity is at this time association based and focused on lobbying/representation behalf of members, rather than on collaboration for improving effectiveness.

Examples of associations are: the Hospitality Industries Leadership Group (composed of hotels) the Association of South African Travel Agents (ASATA) (travel agents) and so on. Cross pollinating linkages are required that go beyond monthly meetings under an umbrella organisation such as the TBC.

Clustering is needed among players for the development and effective implementation of marketing, distribution channel management, technology
upgrade and product development. This means structuring new kinds of working relationships and linkages.

Integrating new entrants into the tourism economy can be facilitated through a collaborative action process, as has been shown in the BEE task team working group of the National cluster process. The commercial development of SMMEs in tourism can be supported through the implementation of strategies such as outsourcing, mentoring small firms and financial aid. (refer Chapter 6)

A success world wide of the collaborative approach has been the setting up of what can be termed primarily marketing consortia which are theme and product based. The success of these collaborative efforts is especially noticeable in the commercial eco tourism sector, which has been collaborating for some time prior to this initiative on marketing issues, to the benefit of the entire cluster. (refer Chapter 5)

Some specific collaborative opportunities exist for the tourism sector players in terms of collaboration around socio economic objectives. These include:

- Business engaging with rural communities in the tourism arena in a way that develops new methods of equity sharing beneficial to local communities (refer Eco tourism model)
- Business developing strategies to improve Black Economic Empowerment in the Industry. The BEE working group (refer BEE Chapter 6) has developed some specific strategies for use by the tourism private sector in this regard.

There is a substantial opportunity for the South African tourism private sector to work together more effectively to deliver more globally competitive product along the value chain. Undertakings such as benchmarking costs and quality of South African service delivery against global players, for example, is something the private tourism sector might look at undertaking for itself in critical success areas, e.g. booking technology, tour packaging, distribution capability, etc.

The weaknesses referred to in earlier chapters of the South African Tourism cluster are in part a function of the relatively low levels of collaboration to be found within the cluster nationally, reducing the competitiveness and effectiveness of the cluster overall.

3.5 Different Levers for Action

Communications and Outreach

The “communications and outreach” portion of the work is critical for many reasons but perhaps the most critical is the function of engaging broader society in the learning and action process - thus stimulating learning and other self started initiatives. The resources put at the disposal of the communications and outreach portion of the cluster process were inadequate for the task.
The importance of the communications campaign in a transparent and participative process can not be over emphasised. In hindsight, the lack of public relations budget and the corresponding poor levels of awareness surrounding the process impacted negatively on the participation achieved and hence the overall success of the project.

**Information**

Throughout the process it was noticeable that few participants, even seasoned veterans of the tourism sector, knew where to find the information that they needed to evaluate potential opportunities, or to compare themselves against other, successful product developers, or even simply where to get information to help run their businesses.

Communications from the point of view of information dissemination for the tourism cluster is critical. However it is not working efficiently at this point in time. There are problems with data sourcing (the “what”), data management, (where to source it) and the dissemination of standard statistics down to the level of the tourism entrepreneur.

In the past few years a number of studies have been conducted, at great expense to the South African taxpayer, which will be of immeasurable benefit to the players in the tourism sector. However no central list of research reports / studies exists other than in the bibliography attached to this report, and repetition or overlap of studies occurs. Furthermore there is often no information fed through to the entrepreneurs in an area that certain tourism related projects are underway in which they can participate.

There is a clear need for an effective information sharing system, which will include updated information of projects happening nationally, incentive schemes, reports and studies available and where to locate them, and ongoing statistical updates of relevant information. Provision should be made for those who have no access to technology to hear of such activities and opportunities through media such as community radio or through local library access electronically.

**Funding**

One of the key issues which emerged at all levels and in all cases throughout this process was the importance of having access to financial and other resources for the clusters; and, even more basically, for small and emerging enterprises engaged in the tourism economy.

A coherent picture of what is actually available as a portfolio of options for the tourism entrepreneur from a funding and financing point of view is required. This is not only a product availability problem, but also a problem of effective communications on the part of the entities involved.

Once the entrepreneur has located a source of funds, s/he is then required to develop a business plan. This is beyond the capability of many entrepreneurs to handle to the satisfaction of the funding entities, indeed, the application procedures are unnecessarily complicated and onerous and often no assistance is available in the preparation of such applications.
Finally, once application has been successfully made, there is a clear necessity in many cases to ensure that in the delicate start up period, the entrepreneur is assisted to consolidate her/his business skills.

If this does not happen, a return may not be made and the funding entity’s perception of risk will increase, limiting future investment in the section of the tourism economy that needs it most.

An important issue related to funding is the need to fund Local Economic Development. Without funding measures in place to support local tourism development initiatives such as clusters, LED, capacity development and the need to factor tourism related skills into communities at a fundamental level, there is real potential for a problem at the level of delivery direct to tourist.

Packaging the Effort

In the case of the local clusters, it became clear that packaging the intervention as part of a greater nationally driven scheme had value in terms of achieving participation at the local level. The local pilots were all removed from the heart of political and economic power located in Gauteng.

The intervention connected the local pilots directly to the source of decision making and budgetary control and packaging the initiatives as having strong links to the national tier had a positive effect in terms of mobilising participation. The concept of “lighting a thousand fires” - creating many initiatives throughout the country - will motivate other initiatives to start.

Duplication

Many participants of the cluster process were critical about the issue of duplication of efforts and initiatives within the industry. However, the duplication of effort aids in raising the levels of awareness in the industry and helps to “light a thousand” fires and mobilise clustering across the sector.

Part of the need to allow duplication was to ensure that individuals who had not historically participated in the tourism economy were able in this process to re-visit the foundations and basic structures of the industry. Many of these individuals indicated excitement and satisfaction at the opportunity to learn more. This process may have proved frustrating for the existing incumbents of the Tourism industry but was seen as essential by the newcomers and potential entrants.

The focus on tourism as a key economic sector is of fairly recent origin in South Africa. As a result many of our institutions and entities were approaching the sector for the first time and curious to learn more about its potential as an engine of economic growth.

The clustering process itself allowed for the development of a heightened awareness on the part of the general public in many areas around tourism and its potential, - as a result new tourism clusters began spontaneously in certain areas.
Finally, many people objected to the “Talk Shop”. Getting to “action” is critical, but so is preliminary talking, especially when there is such a substantially diverse range of experience and knowledge in the tourism industry.

Since one of the major objectives of the clustering process as per the brief was to ensure that previously disadvantaged people were given the opportunity to access information about the industry, talking and re-looking at the industry became a critical first component of the process. The issue here is to know when to reduce the talking and increase the action.

This phased approach of information presentation, followed by discussion, followed by planning and then “action”, was part of the project design (refer Appendix C1 for detailed design) and is typical of cluster processes.

**Economic Development through Clustering**

Clustering processes are in general supply side measures. In this particular case, application of the methodology has resulted in steps being taken towards: developing projects (local pilots), transferring capacity (local pilots), make available funding (mobilising investment and funding working group) and sharing of information throughout the project.

The demand side levers for growth were not tackled by the clustering process.

**Building New Teams & Extending Participation**

One of the greatest positive impacts from the process has perhaps been the development of partnerships and allies. The tourism cluster process has seeded numerous different teams made up of people that would not otherwise have networked together.

Part of the mandate for this process was to demonstrate the potential for clustering as a methodological approach to extend the participation to South Africans who had been previously excluded from the tourism economy. Specifically mentioned in the mandate were black South Africans and women.

The composition of the clusters at a local level, and the national working groups as well as the composition of the heritage theme group, serves as a demonstration of the inclusive power of clustering.\(^65\)

Many individuals either outside of the formal tourism sector arena or completely uninformed as to the potential for them to engage in the tourism economy at all, were engaged by this process. Specific mechanisms were

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\(^65\) Refer Participant lists for all working groups and Local Clusters in Appendix C3
reviewed and identified to improve aspects of black economic empowerment in tourism.\textsuperscript{66}

The Roll Out plan, the plan for sustaining existing clusters into the future and the strategy for the future articulated by the cluster participants \textsuperscript{67} are the drivers of this process into the future.

\textsuperscript{66} Refer Black Economic Empowerment, Chapter 6.

\textsuperscript{67} Provided as separate reports.
Appendix A National Profile Report- Executive Summary

1. **South Africa’s Tourism Challenge:**

- Government, business, and labour have embraced tourism as one of our national priorities, as one of the quickest routes to the creation of sustainable jobs and revenues.
- The fundamentals of the international long-haul tourism market are exceptionally positive for the embryonic South African tourism industry.
- However, South Africa’s emergence as a tourism destination could be threatened by some fundamental weaknesses in the country’s economic foundations as well as other, compounding factors consistent with social and economic transformation.
- Will South Africa overcome internal constraints as well as external perceptions and gain a growing share of the world’s tourism market in the future?
- Are tourism stakeholders—from business, national and provincial governments, labour, and communities—prepared to meet this challenge?
Appendix A National Profile Report Executive Summary 140

South Africa’s
tourism is at a
crossroad
Our growth in
overseas arrivals is
slowing
Yet our competitors
are increasing their
tourism traffic
The response is
within our collective
hands

South Africa’s
current share of the
global long haul
market is so small
that growth is not
market-constrained

South Africa is at a crossroads. The country is immersed in a profound
change process, defined by the need to rebuild the foundations of
international competitiveness while simultaneously providing real and
immediate improvements in the living standards of all citizens.
In the context of the country’s economic and political transformation,
tourism has been accepted by government, business, and labour as one of
the key “drivers” for job growth, wealth creation, and economic
empowerment. The government has pinpointed tourism as one of its thrusts
to reverse a sluggish economy, unemployment, and the lack of job creation.
This choice makes sense because tourism is internationally recognised as
one of the world’s fasting growing industries. Now, after years of
isolation, South Africa has emerged as a highly attractive tourist
destination, full of promise and potential, and is striving to position itself
within this high growth global industry as a world-class contender.
South Africa’s post-1994 tourism growth has been impressive, jumping
from 735 000 overseas tourists in 1994 to 1,2 million in 1995✪. In 1996 the
numbers rose at a slower rate to 1,3 million. During 1997, South Africa
received 1,57 million visitors but preliminary figures for 199868 suggest that
growth in overseas tourist arrivals will either stay static or fall to around
1,4 million (see Figure1).
FIGURE 1: LONG-HAUL ARRIVALS TO SOUTH AFRICA

Long-Haul Arrivals in Millions

1.8
1.6
1.4
1.2
1
0.8
0.6
0.4

1994
1995
1996
1997
1998*
* 1998 figure is range of estimates based on Jan – Sept arrivals

In response to this rise in demand after 1994, many existing and new
tourism businesses have expanded capacity, developed new products, and
are attempting to become increasingly competitive. However, the
slowdown in tourism growth is raising many questions about the constraints

✪

68

WTO, 1997
1998 data not available at time of printing
1999 The Cluster Consortium - Strategy in Action


to further expansion. Are they internal or external (demand) constraints? The evidence indicates that the constraints are more internal than external.

International tourism markets, particularly the key origin markets of Europe and the U.S.A., remain strong.\(^69\) Long haul tourists in those countries have the world to choose from for their holidays, and an increasing proportion are interested in visiting the Southern Hemisphere. For many of these intending tourists, South Africa is likely to remain an “aspirational destination” for some time in the future.

Because South Africa currently has a global long haul market share of under 1%,\(^70\) tourism growth in South Africa is clearly not limited by market constraints.

The demand is there. Such constraints as there are to tourism growth for South Africa are within our collective control. The key to growth lies in our ability to reach affluent travellers, convince them to visit our shores, and provide them with a memorable world class experience while they are in the country.

### 2. Lessons from Global Best Practices

As global competition for the long-haul tourist becomes increasingly more demanding, the need to stay abreast of trends, events, and techniques in other locations becomes more urgent. The report contains a series of case studies from successful destination marketing efforts world-wide. The following is a synthesis of some of the most relevant best practices that South Africa can adapt and emulate:

- A strategic, integrated and systematic marketing planning approach is increasingly followed, rather than a fragmented and short-term approach.
- Establishing and getting buy-in into a shared vision is regarded as fundamental for successful marketing.
- Destination marketing strategy formulation is increasingly based on a thorough analysis and interpretation of market, competitive and macro trends and developments.
- Effective marketing segmentation, target marketing and customisation are increasingly regarded as keys to successful destination marketing.
- Diversification of the tourism product offering and establishing specific product-market matches is becoming the rule rather than the exception.

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\(^{69}\) See later chapters for detailed statistics

\(^{70}\) WTO
New technology-based promotional vehicles (e.g. internet) are increasingly being utilised as key elements of destination promotional strategies.

Destination branding and competitive positioning is increasingly regarded as critical for longer-term marketing success.

Increasingly, a regional approach to destination marketing is followed to capitalise on the collective attractiveness of destination, and

Successful regions are forging strategic public-private partnerships in order to co-ordinate effort and optimise the benefits of tourism.

3. CONSTRAINTS TO TOURISM GROWTH

The internal constraints to further tourism growth are now more significant than external ones. Many of these challenges are driven by the after-effects of the policies of the past.

Crime and violence pose a major threat to the country’s tourism industry. Not only the reality, but also the international perceptions of South Africa’s safety must be addressed.

The country’s workers are inadequately trained for service industries and overall the country lacks a tourism-friendly attitude. This lack of training and education, at all levels, has prevented aspects of the South African tourism industry from becoming internationally competitive due to a perception that it does not reach international expectations in product quality and service levels.

An effective funding mechanism for destination marketing for the long term is needed for the tourism industry. At this critical period for maintaining South Africa’s presence in key origin markets, destination marketing funding is being part supported by the NBI for a specific period only. A long term viable funding mechanism must be found.

Tourism infrastructure is not up to the demands being placed on it. Tourism-related infrastructure and capacity gaps in some key areas (e.g., public transportation, road infrastructure, liberalisation of airspace) constrain growth of domestic and international tourism.

Public-private collaboration in tourism is relatively weak, and lack of clarity around the long-term strategic direction of tourism threatens the industry. Government blames business for being short-sighted and opportunistic, while business criticises government for confusion and indecisiveness.

Confusion over the provincial governments’ role in the tourism arena is threatening overall public-private partnerships in the effective development of the opportunity. Provincial governments can play a pivotal role in stimulating local efforts to improve infrastructure, product development, and service delivery.
In summary, the functioning of and lack of alignment in the country’s basic economic foundations—in human resources, technology, capital, physical infrastructure, regulatory environment, and quality of life—impose constraints to tourism growth.

### 4. STRENGTHS

In contrast, there are some major strengths operating in South Africa’s favour which can facilitate further growth in tourism.

- National tourism assets of incomparable quality in certain segments.
- South Africa has a depth and diversity of tourism products, especially adventure, eco-tourism, and cultural attractions.
- Exceptional value for money relative to key competitors, in part due to foreign exchange rates.
- Positive global perceptions of peaceful political transition in South Africa.

But…. The lack of a single, agreed coherent and effectively co-ordinated tourism strategy is perceived by many stakeholders to be a major stumbling block to the sustainable take off of tourism as a growth industry with significant job and profit creation opportunities.\(^7\)

### 5. MEETING THE CHALLENGE

With the end of the post-1994 tourism boost, South Africa is entering into new era of tourism development in a globally competitive context.

South Africa’s challenge is to be internationally competitive in attracting tourists.

South Africa has world-class tourism resources (natural beauty, wildlife, geography) and some of its tourism products (e.g., Cape Town, Sun City, Game Parks) are operating at world-class levels.

However, much more needs to be done to convert more of South Africa’s potential into internationally competitive tourism offerings—in terms of infrastructure, tourism-friendly culture and attitudes, and safety and security.

At the same time, South Africa’s challenge is to create a stable society that will be attractive to tourists.

Tourism as an industry is largely dependent upon the socio-political-economic environment. Tourists like to holiday in politically and economically stable environments. Because tourism is so dependent on these conditions, it requires high levels of industry cohesion and a strong

\(^7\) TCC perception review, February 1999
relationship with government, especially given the important role of
government in helping to create jobs and ensure political stability. Spain,
Bali and Miami have all demonstrated how such measures can ensure
strong tourist flows even in the face of a stream of violent incidents.

In South Africa, we are dealing with a diverse and complex industry, on the
one hand, and with an as yet finally undefined relationship in Tourism
between industry, Labour and the government, on the other.

It will be necessary to establish more initiatives that optimise the synergies
between the industry’s objectives and those of the other social partners in
order to build a bridge between the entities.

**In Sum, South Africa’s tourism challenge is to be both internationally
competitive and socially responsive.**

At the same time that the tourism industry addresses its competitiveness
issues (quality, costs, service standards, productivity), the industry must
concomitantly address social responsibility issues (such as job creation and
Black Economic Empowerment) as part of its role as responsible corporate
citizen.

### 6. Competitiveness-Social Mandate

<table>
<thead>
<tr>
<th>Competitiveness Mandate</th>
<th>Social Mandate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing</td>
<td>Job creation</td>
</tr>
<tr>
<td>Cost reductions</td>
<td>Black economic empowerment</td>
</tr>
<tr>
<td>Service quality improvement</td>
<td>Community involvement</td>
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**Initiatives with Synergies**

- New tourism products with high community involvement
- Affirmative procurement programs (re both suppliers and customers
- Improved and effective skills development and worker upgrade programs
- Safety and security (e.g., create Tourism Police)
- Tourism education and training

| Increases tourism demand | Creates jobs and BEE |

As tourism businesses achieve greater social accountability, trust by
government in business is built, and the public-private partnerships can be
extended to achieve greater competitiveness (e.g., by expanding joint
marketing, cutting red tape and regulations, co-ordinated infrastructure
development, etc.). Labour is a critically important partner in this process.
7. STRATEGIC TRADE –OFF

The process of building public-private partnerships in such a way as to become effective implementation instruments indicates that it is possible there will be a need for some uncomfortable trade-offs in the nearer term. It will be as important for us in South African Tourism to decide what it is we will not do, at least for now, as it will be to decide what we will do.

However, while the diversity of the Tourism Sector can create real co-ordination and consensus management issues, such diversity is also a source of multi-faceted opportunity. As such, it is likely that many differing agendas can be met. An example of this can be found in the Saïdia resort in Morocco, where partnerships fostered by a cluster process overcame long-standing bureaucratic inertia to initiate a Cancún-like resort on the Mediterranean Sea.

8. CREATING A POSITIVE FUTURE WITH TOURISM

Tourism stakeholders have taken recent measures to create a more collaborative structure to guide priority actions: in particular, the creation of the public-private Tourism Forum and the Business Trust with its marketing, training, and enterprise development thrusts for the next 5 years. The restructuring of SATOUR and its subsequent development of a clear international branding and promotion strategy is particularly encouraging.

Yet, the tourism community remains (in its own view) less than optimally clear about the future, concerned about the perceived lack of a coherent strategy, and uncertain as to levels of risk in pursuing specific growth strategies.

How South Africa’s tourism stakeholders—business, government, labour, and communities—address the overall weaknesses in the country’s economic foundations as well as the central issues of strategic direction, and clear and committed actions will determine the future.

If we continue along the same trajectory as today, growth could continue to be limited to enclaves of development as is the case with the current, implicit and as yet finally unarticulated strategy. Tourism will therefore be unable to play the role envisaged for it in combating unemployment and contributing to foreign exchange earnings.

However, South Africa can create a positive future for companies and the country in tourism if tourism stakeholders organise an effective collaborative culture for developing a new strategic dialogue industry-wide and take responsibility for shaping their future. Stakeholders can create a South African “Tourism Miracle”—a dynamic, multi-nodal, culturally diverse tourism destination. Under this scenario, tourism can and will substantially stimulate development of jobs, income, and stability throughout the country.
9. A SHARED VISION AND COMMITMENT

The Tourism Clustering Initiative is a collaborative strategy process. During 1999, The Cluster Consortium (TCC)\(^72\) will help to launch a process among key tourism stakeholders from throughout the industry and country. The collaborative process is designed to enable the tourism industry to join together and create a vital cycle between markets, businesses, and economic foundations. In 1999, the Tourism Collaborative Action Initiative will create cluster working groups at the national, thematic, and local levels which will identify and begin the implementation of priority action steps toward enhancing the competitive prospects of tourism. *Now is the time for South Africans to pull together to develop a shared vision for the future of tourism and make the commitments needed to create a successful future.*

\(^{72}\) TCC The consultants managing the Collaborative Action Process
Appendix B Trade Union Participation in the South African Tourism Collaborative Action Process

Prepared by Gary Phillips & Mark Bennett
1. **Introduction**

The South African Tourism Collaborative Action Process took place during the 13 months from October 1998 until November 1999. A number of trade unions affiliated to those union federations that are active within NEDLAC - COSATU, FEDUSA and NACTU - participated in the tourism cluster initiative. Their participation took place at many levels, via the:

- sub-committee running the Fund for Research into Development, Growth and Equity
- tourism leadership group
- tourism cluster labour workshops
- national tourism working groups
- thematic working groups
- local demonstration pilots

This report will look at labour's participation in some of these above mentioned processes / bodies. In addition it will also look at the functioning and role of the "labour intern" who was employed to enhance the capacity of labour to engage in the initiative. Labour hopes that this self critical report of its involvement in this initiative will for the future allow labour to improve its participation in other tourism (and other sectoral) collaborative action initiatives / processes.

The structure of this report is as follows:

- brief background to the tourism cluster
- general overview of clustering process and labour’s participation therein
- labour in the tourism leadership group
- labour intern
- labour workshops

2. **A Brief Background To The Tourism Cluster**

The Cluster Consortium (TCC) was contracted to facilitate an initiative that would use the government's tourism White Paper (1996) and the Tourism in Gear document (1998) and other existing studies to guide tourism policy implementation and to, more importantly, facilitate “action” (this was not supposed to be a research project). The main activities undertaken, under the "guidance" of the TCC, included:

- a review of existing tourism and tourism related studies and data
- the facilitation of broader participation in tourism strategy development
the use of "grass roots energy" to initiate "action"

the building of new and sustainable (broad) tourism networks for business development

ensuring concrete actions in different spatial and thematic locations

the generation of pilot initiatives whose processes could be duplicated in the future

the provision of training to ensure that long term capacity is built.

The project design focussed on initiating “action” and the building of “action” capacity at three levels. The “national”, “thematic”, and “local” levels.

The National processes aimed to bring together key stakeholders from government, labour and business, to provide a forum for developing national strategies and generating new “action” initiatives.

The Thematic processes featured two pilots that were to become models for addressing strategies and market development issues in specific tourism markets. The pilots chosen were “eco-tourism” and "heritage tourism".

The Local processes aimed to provide models in applying "clustering" methods to building a stronger tourism communities in four specific geographic locations. The areas chosen were the greater Magaliesberg area (North West province), Khayelitsha (Western Cape province), Fish River (Eastern Cape province coastal area), and the Valley of the Olifants (mainly in the Northern Province).

When the clustering process was put out to public it was an original condition of tender that the successful tenderer tender (tender awarded to the TCC) would be required to produce a researched market segmentation analysis. The main aim of this research would have been to identify those parts of the SA tourism industry that would have offered the most growth in the short, medium and long term. Upon this research platform the successful tenderer would have been required to roll-out the "clustering" process. This would have ensured that the exercise was not only a theoretical one - but one that would have real beneficial economic consequences. If there was one part of this “action” orientated initiative that should have been researched it should have been the market segmentation analysis.

The segmentation analysis was never produced due to a range of reasons. Labour was particularly concerned about this as it was effectively only consulted about the decision to drop the segmentation analysis after the fact. This should have never have been allowed to happen. In labour's view collaborative action processes would work best with a consensus orientated approach - not one where some parties take unilateral action; or where groupings gang together and vote a particular direction; or where political considerations are taken into account. There was a certain degree of "unilateralism" in the process which from time to time certainly annoyed labour.

Other proposed thematic initiatives were considered but not taken forward.

Other proposed regional initiatives considered, but were not taken forward.
Cutting across all three levels were efforts to address issues such as of black economic empowerment (BEE), small business development, human resource issues, tourism investment, etc. A graphic explanation of the entire "cluster" is shown hereafter.

Initially about 70 initiatives - each "run" by their own working group - were identified. These are currently in the process of being integrated and consolidated and it is envisaged that for the future between 15 and 20 initiatives will continue to function to further the work endeavours already taken so far once the TCC contract terminates in November 1999.

The methodology chosen by the TCC in its workshops generally included four stages:

- **Development of a shared vision:** Participants were to develop “vision statements” for their pilot area, these were then put together to form an overarching vision.

- **Identifying key challenges:** The blockages, existing problems and unmet needs that lay in the way of the achievement of that vision were identified.

- **Development of shared strategies:** Participants would identify the “stepping stones” required to meet the challenges and overcome the blockages to achieve the vision.

- **Implement “action” initiatives:** Working groups are formed to implement the strategies.

The action initiatives are formed on the basis of the workshop voting on which issues they want to focus on. Voting, labour believes was an inappropriate way to resolve the issue (see footnote 1 above).
3. General Overview of Clustering Process and Labour’s Participation Therein

The tourism "clustering" initiative was a massive process that at its work peak involved close to 60 working groups (see Annex "A") spread around the country - each dealing with different issues.

The sheer number of working groups made it difficult for labour - even with the valuable assistance of a labour intern - to be involved in all working groups. The following were just some of the problems that were encountered:

- many COSATU unionists couldn’t make the “N2” meeting because they were active in the election campaign;
- senior SACCAWU personnel couldn’t attend the human resources working group meetings because of retrenchment negotiations at a major hotel chain;
- SACCAWU had no capacity in the Phalaborwa area to send people to a Valley of the Olifants workshop;
- union representatives in different provinces could not attend local clusters in Fish River or Khayelitsha because of head office commitments, recruitment campaigns, etc
Should future collaborative action processes be initiated - even outside of the tourism sector - it will be necessary for the labour unions to set themselves more modest goals. It may be best for them to identify just those areas where it sees strategic advantage and involve itself only in those areas. It should then ensure that the objectives that it has set, some of the processes to achieve them, and the results obtained are permeated throughout other groups operative in the entire process. With this initiative, because of the problems encountered by labour in being able to be active in many groups, labour would have to remain “neutral” in its endorsement of outcomes of many groups’ endeavours.

From labour’s point of view the results gained from the clustering process would have been far greater should more attention have been given to:

### 3.1 Developing Clearer Objectives / Visions

Labour is of the view that more work should have been done within the constituencies involved in the process in order to develop clearer objectives and visions. This criticism will apply to labour as much as it would to other groupings involved in the process. It is felt that some parties set particular objectives / visions because it was politically correct to do so, or they were the mantra’s of the times, or because they did not want to offend other parties. Surely it is only when all parties in a process declare their real interests and visions – no matter how unpalatable they may seem - that clustering stands a better chance of succeeding.

In the future before any cluster process starts – especially those that are guided by consultants - a great deal of work would have be done in order to elicit what each party’s own objectives and visions are.

### 3.2 Misconceptions of the role of unions

Labour is of the view that many of the constituent parts of the tourism clustering initiative did not really understand what the role of trade unions was going to be in the process.

The perception that labour’s main contribution in the initiative was to provide for tourism investment by using its associated investment companies was especially annoying. The failure to understand labour representatives as being there to further the interests of the workers (and the poor) through ensuring that tourism contributed meaningfully to their upliftment through quality job creation and skills development was a repeated frustration.

Further the “economic approach” was seen as problematic by labour for it at times did not take into account the interests of working people and poor. For example:

- job creation and development were viewed as a trade off against competitiveness development
- privatisation was uncritically accepted
- a perception that certain problems were shied away from - e.g. dealing with structural problems in the hospitality industry and
blockages to development and job creation – because they would rock the boat.

In future clustering endeavours unions will have to be more robust in ensuring that these are not dealt attended to.

3.3 Trade union reluctance to release people for the process

From the outset, labour attempted to get a broad spectrum of unions affiliated to the Federations represented within NEDLAC to participate in the cluster process (a list is attached in the Annex). While some unions, particularly the COSATU trade unions, were keen to release people to participate in the endeavour this was not a case with unions affiliated to other. A number of unions were reluctant to put resources into a process where they could not see a clear and direct benefit for their members.

Unions for future initiatives, given their scarce resources, will have to quickly assess the priority of initiatives within a clustering process, and also the extent to which they can exert influence in tripartite structures or processes that “run” initiatives.

3.4 Structural limitations in trade unions

Trade unions do not have separate departments that deal with wage bargaining work and policy work (except at federation level where they have set up units such as the National Labour Secretariat, and the research institute, Naledi). Therefore senior officials and shop stewards who lead bargaining initiatives are also expected to provide leadership in policy work, which the cluster would form a part of.

This is a serious structural limitation to trade union participation. Often trade union participants would only be able to attend Cluster meetings if a company negotiation was postponed. Even at the TLG level, Herbert Mkhize’s work was split between providing leadership on the Cluster and overseeing wage bargaining. The result was that labour participants were over-stretched and could not always justify attending a Cluster meeting when workers’ needed assistance in wage bargaining.

3.5 Reliance on Consultants

Labour is of the view that there was too much reliance on the consultants involved in the process. As a consequence – and no matter how hard the consultants endeavoured to avoid it – the process in many instances became consultant drive. [It was interesting to note that it was often the consultants who had to give reports to the FRIDGE Committee in order to secure their next tranche of funding rather than a constituency member of the counterpart group.]

There could be many explanations for this. From constituency parties being overworked with their normal work endeavours; to the fact that constituency representatives lost interest in the process.
For future cluster initiatives – especially for those where consultants are involved - it will be critical for the role and functioning of the consultants to be carefully defined and monitored. It is one thing for consultants to hold their clients hands; its another thing when they become the hands, feet and sometime heads of the clients.

3.6 Future plans

It was disturbing that it was only near the termination of the mandate of the project consultants that consideration was really given as to how the processes could be continued. Clearly, in many instances, if the clustering endeavour (with the assistance of the TCC) had worked then many initiatives would have been able to set-up sustainable autonomous “homes”. However, it could have been envisaged that some would have needed assistance / nurturing for some sub-projects / initiatives for some time to come.

Should future consultant led endeavours be launched in the future consideration should be given to this.

4. Labour In The Tourism Leadership Group

The TLG met about every six weeks and was made up of representatives from organised business and labour, and the government. Representatives included came from:

- three government departments (DEAT, DoT and DTI),
- the FRIDGE fund (the body which was responsible for managing the funding to the project)
- NEDLAC
- Tourism Business Council of SA, and SACOB
- Labour (represented by SACCAWU (a COSATU affiliate) Deputy General Secretary and Labour Convenor of the NEDLAC Trade and Industry Chamber (Herbert Mkhize), alternated by Mark Bennett)

Participation within the TLG was, from labour’s point of view, fraught with two major problems. These are:

1. Availability to attend meetings: Both Herbert Mkhize and Mark Bennett had a wide range of other responsibilities over and above their commitments to the tourism clustering process. This made it difficult for them – and Herbert Mkhize in particular – to make sufficient time available to attend to all issues and meetings. The fact that the country had its second democratic election during the middle of the initiative (which most COSATU affiliates were heavily involved in); and that unionists had to deal with massive retrenchments that took place throughout 1999 also place additional burdens on the unionists that operated in the TLG.
2. **Strategic use of the TLG:** Labour is of the view that the TLG could have provided a much greater strategic focus to the entire clustering initiative. In the final analysis labour believes that ultimately the TLG merely became a vehicle whereby reports were received from the consultants, and then recommendations were made to the FRIDGE sub-committee to pay the consultants. Labour is of the view that the TLG could have been used more strategically. Labour would contend that as the TLG drifted towards really only handling administrative matters that many of the strategic people initially involved in the process failed to attend TLG meetings.

In future clustering endeavours should “executive” structures similar to the TLG be set up it will be important for to make better strategic use of them. Administrative type decisions should be taken by an administrative sub-committee - which should then make recommendations to the TLG. More policy orientated discussion and decision making should take place within the apex type structure. To facilitate this there some ground rules would have to be set – especially relating to how decision are arrived at. Consensus type approaches should be developed.

5. **Labour Intern**

The Labour intern had the following functions:

1. Vehicle for dialogue between Labour and the TCC
2. Facilitator of Labour input into the Cluster
3. To learn about Cluster methodology and policy implementation

The Labour Intern (an employee of the Trade Union Research Project) was employed by the TCC for 5 days per month to fulfil the above functions. A project management plan for the Labour Intern can be found in Appendix A. In particular, the function of the Labour Intern was fulfilled in the following way:

1. Organising and facilitating Tourism Cluster Labour Workshops
2. Attending SATCAP meetings and demonstration pilots
3. Informing trade unionists of, and preparing them for, SATCAP meetings
4. Co-ordinating Labour input into TCC documents
5. Acting as an information office for trade unionists through faxing, phoning and briefings
5.1 Key learnings

Labour is confident that TURP has deepened its service capacity to the labour movement through this process and would be able to offer a more effective service in the future. In particular, the key learnings relevant here include:

1. **Cluster methodology:** TURP would be in a position to advise labour in the future about the pitfalls and opportunities in clustering, in particular the best form of participation and gains that can be expected. TURP would also be able to train trade unions on basic clustering.

2. **Project management:** TURP would be able to offer future services in the co-ordination of multiple trade union input in such processes in a more effective manner from an increased understanding of cluster processes. A key aspect of co-ordinating trade union participation would be to get increased commitment from trade unions (in terms of releasing people).

3. **Capacity transfer:** the five Labour Workshops organised during the cluster process were greatly beneficial to the participants who have expressed that they are in a stronger position to participate in future such initiatives. This is encouraging and labour would argue for the inclusion of such processes in future clustering initiatives. In future such workshops would include participants more closely linked in the actual clustering process. It can be a powerful forum for knowledge development and TURP would be in a strong position to ensure that in future that this is exploited to a fuller extent.

4. **Tourism industry:** TURP has previously participated in tourism policy development with the KwaZulu Natal Economic Council (1994) but not to the extent as in this process. TURP will now have a much clearer understanding of the threats, opportunities and challenges presented to labour in tourism development and would be able to offer a competent information and advice service in this regard in the future.

5.2 Problems and Frustrations

Although the process has been a beneficial one in the long run, there were some frustrations in the process. Despite the frustrations expressed below, however, the idea of a Labour intern is a positive one and the comments below should serve to strengthen such a role in the future and are offered with such an intention.

1. **Communication with TCC:** The labour intern had the instruction to facilitate dialogue between the TCC and labour. This did not always work properly, sometimes because of unavailability of labour people, sometimes because of a lack of clarity by the intern of labour’s positions, and other times because of confusing signals from the TCC. A further
frustration was that the intern was not always informed of meetings happening in the cluster.

2. **Lack of clarity around the labour agenda:** It was not always clear what labour wanted from the process; this was critical because the Labour intern became the sole conduit for dialogue. This was exacerbated by the unavailability of labour representatives when the TCC requested labour input although it became less of an issue as the process developed. More discussion before the process started and better briefing would have combated this.

3. **Lack of time:** Because of the huge size of the process, the labour intern at times struggled to have the time to give attention to all aspects. This could in future be avoided through greater support from the consultants or from more time being set aside for the intern.

4. **Inability to realise a strong labour presence at cluster meetings:** Despite attempting to get labour people to meetings this did not happen to a significant degree (for reasons already discussed).

5. **How the intern fitted into the process:** At times it was confusing as to how the intern was seen: as a labour representative to the TCC, as a sub-contracted consultant or as a stakeholder. This was problematic because it meant that at some stages the Intern’s time would be paid for and at other times not.

### 6. Labour Workshops

Five labour workshops were held during the process. The objectives of these workshops were as follows:

- To develop labour’s understanding of tourism
- To analyse the tourism sector from a working class perspective
- To inform the Labour movement of the cluster development
- To strategise around improving labour relations in tourism sectors
- To strengthen links between unions in different industries and federations

#### 6.1 Summary of learning from the Labour Workshops

Although less than half those who were invited attended the workshops, the participants showed commitment to the process and consistently participated throughout. The TCC also showed commitment to the success of the labour workshops.
The labour workshops were designed around the action pilots in the cluster and so the discussion and knowledge developed was supposed to feed into trade union participation there. This was largely not the case because of poor participation in the other cluster meetings. This was a constant frustration expressed by the participants. However, the workshops did serve the following purposes:

- Discussion to assist and bolster the efforts of the labour representatives on the TLG
- A point of contact with the TCC
- Greater inter-union discussions and cross-learning from the different sectors represented
- Greater direction to the role of the labour intern

Had there been greater trade union participation in the broader process, the workshops might have played a stronger role. The key learnings included:

1. **Understanding tourism:** the participants were provided with numerous inputs on tourism and grappled with the issue of how to use tourism for development purposes.

2. **Guidelines for trade union participation:** a summary document of guidelines for trade unionists participating in the Cluster was developed, this assisted those trade unionists who were interviewed for the process and those who participated in the Cluster meetings.

3. **Development of knowledge on Clustering:** the participants have a deeper understanding of the clustering process, and the challenges, threats and opportunities that clustering opens to workers. They feel that they are better informed to participate more meaningfully in future such processes.

### 7. ACRONYMS

- **COSATU**  Congress of South African Trade Unions
- **FEDUSA**  Federation of Unions of South Africa
- **FRIDGE**  Fund for Research into Development Growth and Equity
- **NACTU**  National Council of Trade Unions
- **NALEDI**  National Labour and Economic Development Institute
- **SACCAWU**  South African Commercial catering & Allied Workers Union
- **TCC**  The Cluster Consortium
- **TLG**  Tourism Leadership Group
- **TURP**  Trade Union Research Project
Annex A Unions That Participated In
The SA Tourism Collaborative Action Process

A key strategy was to involve as broad a selection of trade unions in the collaborative action initiative since tourism covers a variety of sectors of the economy. All the unions that participated in the process were affiliates of South Africa's three largest trade union federations - COSATU, FEDUSA and NACTU (these federations are the ones that are active within NEDLAC.

7.1 Accommodation, leisure and gaming sector
SA Commercial, Catering and Allied Workers’ Union (a COSATU affiliate)
Natal Liquor & Catering Trades Employees’ Union (NACTU)

7.2 Car hire, and private sector commercial passenger transport
Transport and General Workers’ Union (COSATU)

7.3 Public transport (aviation, rail and ocean travel)
SA Transport and Allied Workers’ Union (COSATU)
Salaried Staff Association (FEDUSA)
SA Footplate Association (FEDUSA)

7.4 Aviation (fixed wing, helicopters, commercial and freight)
Airline Pilots’ Association of SA (FEDUSA)

7.5 Home affairs (immigration), customs
Public Services Association (FEDUSA)
National Education, Health and Allied Workers’ Union (COSATU)

7.6 Finance, foreign exchange
SA Society of Bank Officials (COSATU)

76 Participation in the process was however dominated by the accommodation and transport unions. Should further initiatives in this sector be proceeded with it will be necessary to also involve more actively other unions - depending on the issues being dealt with.
### 7.7 Wine estates, catering

Food and Allied Workers’ Union (COSATU)

**Annex B Cluster Meetings Attended By Labour Intern**

The Labour Intern attended the following Cluster meetings:

#### 7.8 1st Valley of the Olifants local demonstration pilot

This was held in Phalaborwa on 4 May 1999. The Valley is characterised by “sunset” mining industries and the intern focused on getting the local action pilot to be considerate of the need to retrain ex-mine workers for tourism. A meeting was held with the local NUM in Phalaborwa but they were unable to attend or get involved. In any case, the intern’s five votes counted for nothing in the setting up of working groups for the Cluster.

#### 7.9 2nd National Forum meeting

This was held at Caesar’s Gauteng on 20 May 1999. Participation was focused in the human resources working group.

#### 7.10 National human resources working group

The intern was a chief organiser, together with James Parker from the Hospitality ITB, of a human resources workshop that would focus on human resources issues. A key issue for Labour was the inclusion of labour relations issues onto the agenda because they linked so closely with skills development. This was also a key area where Labour has been able to put its objectives of centralised bargaining, skills development and quality jobs on the agenda.

#### 7.11 2nd Heritage Thematic meeting

This was held in Durban on 20 July 1999. Together with another Labour representative, the intern’s participation focused on inputting towards the development of a national heritage association. This was with the aim to ensure that an association was more than a business association but played a developmental role ensuring and monitoring job creation.

#### 7.12 Formation of a national heritage association working group

Trade unionist Leela Reddy became the champion for this working group and the intern has participated in it. The plan is the organising of a workshop that raises the idea of the formation of a national heritage association.
7.13 Other meetings and activities

The intern also attended other Cluster meetings including: organising a meeting between Letsema Consulting and Labour on black economic empowerment and other TCC meetings.

The intern provided numerous updates and correspondence to trade unionists including sending 95 faxes and making 255 telephone calls in the first seven months of the project. Documentation was drawn up and distributed to the trade union participants.

Annex C Labour Participation In Cluster Meetings

Trade union participants in cluster meetings were mainly those who participated in the labour workshops. Labour participated in the following meetings:

7.14 1st National forum

Attended by Herbert Mkhize (SACCAWU) and some trade unionists from TGWU (for part of the day). Although labour raised many important issues these were lost when the workshop turned to voting. Mkhize was the only one at the workshop to vote for centralised bargaining, for example.

7.15 2nd National forum

Attended by Mark Bennett, the labour intern and Arthur Vilakazi (TGWU). This meeting focused on the working groups and the labour representatives were able to focus on the Human Resources working group to push its concerns of skills development, centralised bargaining and confronting casualisation.

7.16 3rd National forum

Participation at this meeting was limited to working group leaders and TLG representatives. As such, labour was represented by Mark Bennett.

7.17 Fish River local demonstration pilot

Victor Poswa (SACCAWU) attended and was elected to the pilot’s leadership group.

7.18 1st Valley of the Olifants local demonstration pilot

Attended by the labour intern and someone from the NUM Printing Co-operative. Discussed earlier in the report.
7.19 Magaliesberg local demonstration pilot
Jacob Modimoeng (SACCAWU) took a couple of trade unionists to participate both in leadership group meetings, some working group meetings and the second general Magaliesberg local meeting.

7.20 2nd Heritage workshop
Labour was represented by Leela Reddy (Natal Liquor) while the labour intern also attended. Participation focused around the formation of a national heritage association as was discussed earlier.

7.21 Human resources working group (National)
Participation here was mainly through the labour intern but also included Mark Bennett and Mafa Dlamini (SACCAWU).

7.22 Formation of a national heritage association working group (Heritage)
Leela Reddy took on leadership of the working group (the “champion” in the jargon of the custer) in an attempt to ensure that the heritage association is more than a business association but is a tool for quality job creation and development.

7.23 Education, training and awareness (Valley of the Olifants local)
The labour intern participated in this group but communication from the local was very poor and participation was limited to the first workshop.

Annex D Labour Workshops

9. ATTENDANCE

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9. CONTENTS OF THE WORKSHOPS

9.1 Agenda for 1st Labour Workshop
1. Opening – Herbert Mkhize, TLG labour representative
2. What is Clustering methodology – Josie Rowe-Setz
3. What is the Tourism Cluster about – Josie Rowe-Setz
4. The role of the Labour Workshops – Gary Phillips
5. The action pilots in the Cluster process – Josie Rowe-Setz
6. The objectives of government in the Cluster – Patrick Fitzgerald
7. Labour caucus

9.2 Report of the 1st Labour Workshop
The workshop served as a ‘bringing-up-to-speed’ workshop for the participants. Patrick Fitzgerald was not available so government did not speak at the workshop. Other speakers provided their inputs. Josie’s presentation was circulated amongst the workshop participants. A fruitful one-hour labour caucus was held.

9.3 Agenda for the 2nd Labour Workshop
1. Reportback on national and local meetings – Josie Rowe-Setz
2. Labour caucus.
9.4 Report of the 2nd Labour Workshop

Participation was better at this workshop with most participants having a background to the Cluster. A very fruitful labour caucus was held on the Cluster process and methodology, communication of the Tourism Cluster within union structures and between the labour intern and the unions, and key issues arising out of the Cluster meetings.

9.5 Agenda for the 3rd Labour Workshop

1. Reportback on national and local meetings – Josie Rowe-Setz

2. Input from Tourism Business Council of SA – Veronica Motepe

3. Job creation in rural South Africa: the experience of the Mineworkers’ Development Agency – Madoda Vilakazi

4. Tourism SETA and the Tourism Learnership Programme – James Parker

5. Labour caucus

9.6 Report of the 3rd Labour Workshop

The focus of the workshop was to hear various inputs to inform Labour positions and increase information to deliberate on. All three speakers provided their inputs. In addition to the inputs being discussed at length, the caucus focused on ways to improve Labour’s participation in Cluster meetings. Participation at the Labour Workshops was also discussed. It was decided that the next workshop would focus more closely on the national Cluster meetings.

9.7 Agenda for the 4th Labour Workshop

1. Update on the Tourism Cluster – Mark ten Have

2. Summary of Labour Workshop discussions – Gary Phillips

3. Preparation for 21 July TLG meeting – group work

9.8 Report of 4th Labour Workshop

The previous Labour Workshop decided to use the 4th workshop as a platform to prepare for the TLG meeting on 21 July. The participants have become focused and feel much more armed to deal with tourism issues. Key threats and opportunities have been outlined and framed discussion on the working groups that have developed in the Cluster. The participants also deliberated on how to take forward the learning and participation in tourism issues at a national multi-union forum beyond the life of the Cluster.
9.9 Agenda for the 5th Labour Workshop

Status report on Tourism Cluster – Josie Rowe-Setz
Development of Labour action plans around tourism – Gary Phillips
Discussion on continuance of Labour Workshops beyond the Cluster

9.10 Report of 5th Labour Workshop

The final Labour Workshop was aimed at ensuring that the momentum created during the Cluster process was not lost. Four clear action plans were developed (subject to the endorsement of unions and federations) to focus Labour’s participation in tourism. These include:

- Labour’s participation in key tourism institutions (esp Tourism Forum and SATOUR)
- Integration of tourism initiatives and institutions under the direction of one ‘arrowhead’ institution or strategy
- The development of a coherent and strong domestic tourism strategy (incorporating SADC tourism)
- The establishment of minimum standards in the tourism industry

Three representatives (Brian Magqaza from SACCAWU, Leela Reddy from Natal Liquor & Catering and Zakhele Sibeko from TGWU) were tasked to co-ordinate and continue the caucus beyond the Cluster process. A process was outlined to take these discussions back to affiliates and federations for their endorsement.

10. Evaluation of the Labour Workshops by Participants

(Seven participants returned the evaluation forms)

Views on the quality of presentations given during the workshops:
  Excellent – 3
  Good – 4

Views on overall usefulness of the workshops:
  Extremely useful – 4
  Fairly useful – 3

Views on two main successes of the workshops:
  Increased knowledge/capacity/understanding of tourism – 6
  Forum for involvement and a voice for labour – 3
  Interaction between unions/multi-union nature – 3
  Developed momentum/eagerness to take initiative – 1

Views on two main failures of the workshops:
Lack of participation by some unions – 3
Didn’t generate broader participation in tourism - 3
Big gaps between workshops – 2
Not enough time to discuss/learn about issues – 2
Financial constraints on what was possible – 1
Lack of report back from other working groups - 1
Absence of TLG reps in workshops – 1
Late notice of next workshop – 1
Poor presentations by “some organisations” - 1

Views on whether future cluster processes should include workshops such as these:
Yes – 7
No – 0

Views on what should be done differently in the future:
Longer/more time/more workshops to discuss issues – 5
More people should be invited to give presentations – 1
Need increased commitment from all unions to participate - 1

Other comments:
Cluster process must be allowed to continue
All workshops were educative and worthwhile
Have seen labour being more empowered
Must have these workshops in the near future
Lack of funding for these workshops is a problem
Labour has now created a resource for itself

Annex E CLUSTER WORKING GROUPS

11. NATIONAL WORKING GROUPS:

1. Clustering into the future (ensuring roll-out of the process)
2. Communication strategy for tourism cluster initiative
3. National framework for integration
4. “Say No to bad service”
5. Integrating community tourism into mainstream tourism

6. Model audit of small business support required: Mpumalanga case study

7. Siyavaya – development of a tourism growth plan

8. Mobilising tourism investment in SA

9. Tourism Human Resources clustering: a call to action

10. HITB Learnerships

11. Empowerment through SME development

12. Black economic empowerment (government procurement)

13. Tourism month

14. Safety and security

15. Interprovincial marketing partnership

16. Forum linking stakeholders to policing

17. Tourism ambassadors safety project

18. Physical infrastructure audit of local demonstration pilots

12. Fish River pilot working groups

1. Cluster culture

2. Skills development

3. New product development

4. Market development

5. Physical infrastructure

13. Magaliesberg pilot working groups

1. Heritage Centre in Phokeng

2. Shebeen Tour in Thlabane

3. Mankwe cultural heritage center at Mogwase

4. Gondwana development center at Broederstroom
5. Sandowaan Cultural, Environmental and Development Center
6. Magaliesberg Cultural History exhibition
7. Magaliesberg meander
8. Heritage rail project
9. Cultural village in Saulspoort

14. Valley of the Olifants Working Groups

1. Marketing
2. Co-operation and communication
3. New product development
4. Education and awareness
5. Community involvement

15. Khayalitsha Working Groups

1. Crime
2. Marketing
3. Education and training

16 Heritage Theme Working Groups

1. Conservation / Commercialisation
2. Heritage investor directory
3. Accessibility
4. Coherent framework and communications
5. Communities (cultural heritage tourism ownership)
6. Lack of information
7. Infrastructure
17 Eco-tourism Theme Working Groups

1. Finance and funding
2. Land: use, availability and tenure
3. Regulatory framework: governance
4. Community involvement
5. Institutional issues
6. SMME issues
7. Regional co-operation
8. Marketing
9. Education, training and skills development
10. Regional co-operation
11. Dormant assets: a case study of coastal tourism
Appendix C.1: 
Tourism Collaborative Initiative at the National Level

1. Summary

In January of 1999 the Tourism Leadership Group launched a collaborative strategy and action initiative process that would involve more than 1,000 people connected to tourism development throughout the country. The goal:

To develop and launch a collaborative tourism strategy to compete in the global economy, stimulate the growth of tourism jobs, income, and business opportunities, and create a positive future for all South Africans.

As promised, the process delivered. By October 1999, 15 national action initiatives were launched to stimulate tourism development. More than 20 other action initiatives have been launched in eco-tourism, heritage tourism, and four local tourism clustering pilots. This chapter outlines the progress-to-date for tourism clustering activities at the national level and sets the stage for the Department of Environmental Affairs and Tourism, business, and labour, as well as other public and private organisations to sustain implementation of tourism clustering initiatives in 2000 and beyond.

Unlike a business, the Tourism Collaborative Strategy Initiative conducted its R&D in public. The creative implementation process is inherently chaotic. It did, however, build commitment for implementation top-down and bottom-up.

– David Wigley
Tourism Business Council

1999 The Cluster Consortium - Strategy in Action
The Tourism Collaborative Strategy Initiative brought together tourism stakeholders at a national level to tackle the challenges of converting tourism into the new engine of South Africa’s economic and employment growth over the next 10 years.

Though the Tourism Collaborative Strategy process, tourism stakeholders from business, government, labour, and education, and the community-at-large have wrestled with fundamental question about the future of South Africa tourism:

- What is happening with South African tourism?
- Where do we want to go?
- How can we get there?

The national clustering initiative has involved more than 300 tourism stakeholders in four large clustering meetings and more than 30 smaller meetings of strategy and action teams.

Working together, the national collaborative strategy process has generated over 25 action initiative plans, and 15 are currently being implemented at the national level by champions and action initiative teams.

The national process had five phases and three fundamental trajectories that characterised the interventions over the past 12 months. All activities were orchestrated with the aim of job creation, industry competitiveness, and black economic empowerment in South African tourism as shown in Figure 1.

**FIGURE 1**

**Phases of the Tourism Collaborative Strategy Initiative**

<table>
<thead>
<tr>
<th>Nov 1998</th>
<th>Preparation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan - March 1999</td>
<td>Mobilisation</td>
</tr>
<tr>
<td>Apr - Jul 1999</td>
<td>Implementation</td>
</tr>
<tr>
<td>Aug - Oct 1999</td>
<td>Activating Continuity</td>
</tr>
<tr>
<td>Beyond 2000</td>
<td>Roll Out</td>
</tr>
</tbody>
</table>

**Fundamental Trajectories**

- On the Origin of the Species. It depends on the competition.
- Building New Teams from previouslymiscible groups. Innovation.
- Transfer of ownership from Consultants to DEA&T.

Black Economic Empowerment, Job Creation, Industry Competitiveness
Key Lessons from the Tourism Collaborative Strategy Experience

- A large vision like the Tourism Collaborative Strategy Initiative takes time to explain to both tourism stakeholders and the public.
- Initial skepticism should be expected and must be overcome through results.
- It is critical to address the credibility questions up front.
- Bringing the right leaders into the effort is key to success.
- Communications strategy must be clearly defined from the beginning and be attended to throughout the effort.
- There is a paradox: Results are critical to credibility, funding, and participation—but results take time. Leaders need to have the vision and patience to support a process long enough to deliver results.

2. Objectives and Expectations for the National Clustering Initiative

The objectives of the initiative at the national level were to assemble and harness the energies of the top business, government, labour, and education leaders in tourism-related fields to work on priority opportunities and challenges facing tourism development.

This initiative was designed to complement other major tourism development activities already underway. These other activities include the marketing work of SATOUR, initiatives by the Tourism Business Council of SA, the Tourism Forum (a top-level government and private sector body, which oversees the joint SATOUR/private sector tourism marketing initiative, the tourism human resources development efforts, and new enterprise development), and other agencies.

The national initiative has sought and has succeeded in bringing in new, non-traditional tourism players at the national level. At the risk of slowing the initial pace of implementation, the national initiative pursued a process of inclusion, bringing in tourism business leaders, provincial leaders, and others who have not been typically included in tourism development forums.

The national tourism collaborative strategy initiative also brought a focus on the important trade-offs between international competitiveness and social mandates of restoring balance for the previously disadvantaged groups. This initiative recognized that, South Africa’s tourism challenge is to be both internationally competitive and socially responsive. At the same time that the tourism industry addresses its competitiveness issues (quality, costs, service standards, productivity), the industry must concomitantly address social responsibility issues (job creation, Black
Economic Empowerment, et. Al.) as part of its role as responsible corporate citizen.

3. Initiating the Tourism Collaborative Effort

3.1 Formation and Role of the Tourism Leadership Group (TLG)

The Tourism Leadership Group was formed before the project had begun. This group had been formed to define the project and select the consultants. The TLG was composed of representatives from Government, Business, and Labour. At first the group was divided in what the project was about and which consultants to bring in. Some representatives wanted to have another detailed study of the tourism industry and international tourism market segments, while others wanted to focus on strategy and implementation. Ultimately, the TLG selected The Cluster Consortium (TCC)—a team of world experts in cluster-based economic strategy development and implementation. It was clear that the TLG wanted to achieve collaboration and action rather than simply produce yet another study.

The TLG quickly launched into action themselves. The TLG was formally composed of the following government, business, and labour leaders:

The following entities have representation on the TLG.

1. DEAT Dr. Tanya Abrahamse (Chair)
2. DTI Mr. Themba Mhlongo
3. DoT Mr. Harald Harvey
4. Labour Mr. Mark Bennett
5. Business General Ms Peggy Drodskie, SACOB
6. Business Tourism Mr. David Wigley, (ex-President, TBCSA)
7. IDC Ms Katinka Heyns
8. NEDLAC Mr. Karl Gostner

The TLG executive consists of Dr. Abrahamse, who speaks for Government and as Chair, has the deciding vote, Mr. Wigley or Ms Drodskie, who speak for Business, and Mr. Bennett, who speaks for Labour.

3.2 Process Design and Management

The process included bottom-up open participation and top-down involvement of leaders from government, business, and labour, which generated many creative ideas and the ability to implement the best of them.
Before launching the participatory process, the TLG and the project team spent two months designing and adapting a collaborative strategy process. The goal was to design a process tailored to the South African economy and community, that would identify and develop consensus around the best ideas, strategies, and actions for stimulating tourism growth. The process would connect good ideas to people who could help develop them further and then implement them.

The design developed (see Figure 2) reflected the framework for a multilevel collaborative process, based on three levels: national, thematic, and local. A fundamental premise was that there needed to be a process of alignment of vision strategies and actions at these three levels.

**FIGURE 2 TOURISM COLLABORATIVE PROCESS DESIGN**

At the national level, a series of three consecutive meetings were planned and conducted to bring together diverse stakeholders from tourism at the national level to identify common issues and problems, develop a shared statement about a preferred future, identify key strategic directions, and develop action initiatives. The plan was for the group to meet at least three times over a four month period (April to July 1999).

**Analysis of Tourism Cluster and Challenges facing South Africa’s Tourism Development**

To establish a common analytical frame of reference, the consultant team prepared a profile of the tourism industry cluster. This “stocktake” of South African tourism reviewed:
A discussion report, South Africa’s Tourism Challenge: A Profile of the Tourism Cluster, was distributed in May 1999 to participants at N2. The report provided a diagnostic look at some of the challenges and opportunities facing South Africa’s tourism industry. The report combined economic analyses (drawn mostly from existing tourism industry studies) and interviews with over 50 business, government, labour, and community leaders. It was released as a “discussion draft” to be reviewed, discussed, validated in tourism cluster working group meetings during May and June 1999.

Feedback was received and incorporated in the final report. The purpose of the analysis was to summarize the findings of existing reports and use them in the national meetings to generate discussion and debate, leading to a shared view of the key challenges facing the development of South African tourism. The intent was to engage tourism stakeholders in the analytical process, to allow them to correct, shape, and take ownership of the key findings and use them to develop vision, strategies, and action initiatives.

The report was only partially successful in achieving these aims because the document scope became quite enlarged and because there were delays in the final release of the document. Some members of the TLG wanted the cluster profile report to be a large and detailed analysis and study of tourism industry and trends, while others recognized the value of a more accessible executive briefing document. A compromise solution was achieved and the 125-page report was delivered at the second national meeting in May 1999. (see Tourism Collaborative Action Process (Cluster), National Profile – Version I, May 1999).

4. THE PARTICIPATORY STRATEGY

Participation: Engaging the Tourism Community and Beyond

On the onset of the initiative, the TLG came to recognize that tourism clustering required the participation of key stakeholders in a series of meetings and action teams to develop action initiatives and move to implementation.
Working with the TLG, TCC identified a list of more than 300 key tourism players at the national level to invite to the series of national meetings. The process looked for leaders in nontraditional places and juxtaposed leaders from different sectors and backgrounds, which provided a strong mix of ideas and perspectives and build a good foundation for future implementation.

The Cluster Consortium worked with the TLG to identify candidates for the working groups, seeking participants from government, unions, and business and trade associations concerned with tourism strategy and development as well as representatives from educational institutions. The team ensured that there was an effective participation of the relevant previously excluded groups, specifically, but not confined to, Black and Female Empowerment groups, SMME representatives, and others.

All forms of contact were used to inform and enroll the participation of tourism stakeholder—letters, faxes, emails, phone calls, personal meetings. Invitations to the first two meetings were signed by Minister Z Pallo Jordan.

At the beginning, the TLG recognized that belief in the strategy and plan was critical for implementation and could come only from broad-based participation. Only by engaging leaders in the definition of problems, strategies, and actions was it possible to mobilize an effective implementation of action initiatives. The TCSI was able to move successfully from problem definition to participatory strategy because problem definition involved and excited so many people.

In order to take the pulse of key tourism stakeholders, encourage their participation in cluster meetings, and to enrich the national tourism cluster profile (released in May 1999—see Appendix A), TCC interviewed more than 50 leaders from business, government, education, and community organizations. These interviews provided face-to-face opportunities to learn about people’s perceptions and communicate what TCSI and clustering were about. Presentations introducing the project were made to MINMEC, the Tourism Summit, the Tourism Business Council, Labour, and other organizations at the onset of the project.
Summary of Findings:

Attitudes of Tourism Stakeholders

What are the Challenges, Issues and Problems?

- Crime and violence pose a major threat to the country’s tourism industry.
- The country’s workers are inadequately trained for service industries, and overall the country lacks a tourism-friendly attitude.
- A lack of adequate public funding for destination marketing poses a threat to the health of the tourism industry.
- Tourism infrastructure is not up to the demands being placed on it.
- Public-private collaboration in tourism is relatively weak, and lack of clarity around the long-term strategic direction of tourism threatens the industry.
- Confusion over the provincial governments’ role in the tourism arena is threatening overall public-private partnerships in the effective development of the opportunity.

What do tourism stakeholders say they want from the Tourism Collaborative Initiative?

- “Alignment, a 5 year vision”
- “Move from a fragmented industry…..”
- “Partnership: government and tourism”
- “Outline strategic choices”
- “Shift in perception on what SA offers”
- “Identifying roles for key players”
- “Establish tourism as a national priority”
- “Drum up enthusiasm, develop a direction”
- “Synergy and support for a marketing effort”
- “Support and buy in for the strategy, a lot more communication”
- “Guidelines on how our experiences in the pilot projects could be applied elsewhere in the country”
National Clustering Meetings

N1: First National Tourism Clustering Workshop  April 20, 1999

The first national meeting, N1, held in April 1999 was a major success. More than 120 participants attended the all day meeting. The day began with welcome by Prof. Patrick FitzGerald, Director General for Tourism, DEAT. Key leaders from the TLG—Herbert Mkise from SACCAWU (representing labour) and Thabo Mokoena from Thebe/Moribo Investment (representing business)—opened the meeting. The TCC introduced the project and presented findings from the National Profile of the tourism cluster. Then the participants formed into small groups to identify the key challenges facing the development of tourism. Healthy dialogue, interactions, and trust-building ensued and soon, using an informal voting procedure, there was clear consensus about what were considered the key challenges facing tourism stakeholders.

The N1 results report identified the key challenges that the N1 group agreed were the most pressing issues facing tourism development in South Africa.
Key Challenges Facing Tourism Development in South Africa

Results from N1

<table>
<thead>
<tr>
<th>RANKING</th>
<th>Challenge Category</th>
<th># of Votes</th>
<th>Issues Identified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cluster</td>
<td>Training</td>
<td>26</td>
<td>Lack of trust &amp; communication between bus, labour and govt at all levels</td>
</tr>
<tr>
<td>Finance</td>
<td>26</td>
<td></td>
<td>Skills training / tourism culture</td>
</tr>
<tr>
<td>Marketing</td>
<td>22</td>
<td></td>
<td>Lack of funds overall for Tourism</td>
</tr>
<tr>
<td>Security</td>
<td>22</td>
<td></td>
<td>Branding image of Africa</td>
</tr>
<tr>
<td>Training</td>
<td>20</td>
<td></td>
<td>Reality of crime -- how to address it?</td>
</tr>
<tr>
<td>Environm.</td>
<td>13</td>
<td></td>
<td>Skills training for Empowerment</td>
</tr>
<tr>
<td>Infrastr.</td>
<td>13</td>
<td></td>
<td>Environmental Conservation</td>
</tr>
<tr>
<td>Jobs</td>
<td>12</td>
<td></td>
<td>Access infrastructure – transport hubs &amp; access to destinations</td>
</tr>
<tr>
<td>BEE</td>
<td>10</td>
<td></td>
<td>Job Creation</td>
</tr>
<tr>
<td>Cluster</td>
<td>9</td>
<td></td>
<td>Community Empowerment</td>
</tr>
<tr>
<td>Bus.Clim.</td>
<td>9</td>
<td></td>
<td>Lack of co-ordination between national and provincial</td>
</tr>
<tr>
<td>Cluster</td>
<td>9</td>
<td></td>
<td>Lack of regulations and control (National Tourism Act)</td>
</tr>
<tr>
<td>Marketing</td>
<td>8</td>
<td></td>
<td>Common goals and vision for tourism cluster nationally</td>
</tr>
<tr>
<td>Bus. Clim.</td>
<td>7</td>
<td></td>
<td>Effective marketing strategy and funding</td>
</tr>
<tr>
<td>Cluster</td>
<td>7</td>
<td></td>
<td>SMME support by government</td>
</tr>
<tr>
<td>Cluster</td>
<td>7</td>
<td></td>
<td>Lack of co-ordination between provinces and government</td>
</tr>
<tr>
<td>Jobs</td>
<td>6</td>
<td></td>
<td>Co-ordination of transportation, national and local</td>
</tr>
<tr>
<td>Marketing</td>
<td>5</td>
<td></td>
<td>Job Creation in all its aspects - addressing unemployment</td>
</tr>
<tr>
<td>Training</td>
<td>5</td>
<td></td>
<td>Marketing Int’l and locally with greater segmentation</td>
</tr>
<tr>
<td>Finance</td>
<td>5</td>
<td></td>
<td>Improved service levels</td>
</tr>
<tr>
<td>Security</td>
<td>4</td>
<td></td>
<td>Lack of financial support for SMME</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Tourist Safety</td>
</tr>
</tbody>
</table>

N1 was a success in terms of the number and quality of participants, in the outcomes achieved, and in identifying strategy and action areas for further development. However, it was clear that the participant group was partially composed of veteran tourism stakeholders who had already been “workshopped to death.” They wanted to roll up their sleeves and get to work on priority initiatives. Yet, there was a high proportion of participants, particularly from government as well as tourism SMME representatives who were newcomers to tourism and were eager to engage in a wide range of collective learning processes and in developing a shared vision and strategy. It was important to weave the line between the veterans and newcomers.

After lunch some participants, wanting to get into action groups, objected to engaging in the tourism visioning process. They claimed that this had all been done before and was not needed again now. Others, more new to the tourism strategy development process claimed that it was important to carry on with the visioning process. So, after some discussion, the visioning process was quickly completed and then participants divided into eight strategy working groups. The meeting ended with reports-back by each of the groups.

The eight key strategy and action areas decided at the meeting were:

- Cluster Development
Appendix C1: National Clustering Activities - Page 180

- SMME/New Product Development
- Marketing
- Black Economic Empowerment
- Safety and Security
- Human Resources
- Physical Infrastructure
- Investment and Access to Finance

A variety of strategies and action initiatives were developed within each group. Several groups met between N1 and N2 to advance their ideas and the groups reconvened at N2 in May.

**Feedback from Participants at N1**

Rating of the N1 Workshop by participants was, on balance, very positive, though some extreme view were evident.

The event scored highest for organization (mean 4.1 out of a top possible score of 5.0). Content was rated 3.8. Overall evaluation was a mean of 3.9.

**N2: Second National Tourism Cluster Workshop May 25, 1999**

Following N1, the project team decided to focus the activities of the second meeting, N2, on strategy development and identification of action initiatives. However, it became clear that a high number of new participants that had not been at N1, were registered to come to N2, so there needed to be a balance between moving ahead quickly into action teams and providing enough background information and process to engage new participants.

The success of N1 had generated considerable attention and interest. Minister Pallo Jordan agreed to come and open the meeting.

Representatives from the local and thematic cluster initiatives presented results-to-date from their activities so there was good exchange of information and cross-learning between cluster groups.

Important “buy-in” to the Tourism Collaborative Strategy Initiative was demonstrated by Caesars Gauteng’s offer to host the meeting at their conference facilities.

In advance of the meeting, the project team/TCC contacted and worked with co-chairs of the eight strategy action groups to review the issues and strategies identified in N1. In preparation for N2, participants were asked to indicate which groups they were willing to participate in and to identify other people and institutions who should be involved.

The national tourism working group divided into eight strategy working groups and brainstormed the key strategy elements that required attention and action. The work took place in two sessions during the meeting. An initial hour was devoted to generating basic strategies and identifying
priority initiatives. Then each strategy group broke into two or three sub-
groups to develop business plans for action initiatives. In all fifteen action
initiatives were presented back to the plenary by the initiative “champions.”

**N2: Summary of Action Initiatives**

<table>
<thead>
<tr>
<th>Priority Initiative</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A. Cluster Development and Integration</strong></td>
</tr>
<tr>
<td>- Rolling Mass Action <em>(Alan Louw &amp; David Wigley)</em></td>
</tr>
<tr>
<td>- Communication Strategy for Tourism Cluster Initiative</td>
</tr>
<tr>
<td>- National Framework for Integration <em>(Victoria Clarke)</em></td>
</tr>
<tr>
<td><strong>B. SMME/Entrepreneurship</strong></td>
</tr>
<tr>
<td>- Audit of Small Business Tourism Opportunities—Mpumalanga Case Study <em>(Itumeleng Masege &amp; Erik Sonnichsen)</em></td>
</tr>
<tr>
<td>- SIYAVAYA! Policy Framework for Tourism Product Development and SMME Involvement <em>(Charles Ndabeni)</em></td>
</tr>
<tr>
<td><strong>C. Finance and Investment</strong> (Kamil Karrim)</td>
</tr>
<tr>
<td>- Tourism Investment Matchmakers: Scan of Funds and Project / Investor Matching <em>(Mustapha Adams &amp; Siyanga Malumo)</em></td>
</tr>
<tr>
<td><strong>D. Human Resources</strong></td>
</tr>
<tr>
<td>- Workshop on Human Resources Skills and Education Gaps <em>(Gary Phillips)</em></td>
</tr>
<tr>
<td><strong>E. Black Economic Empowerment</strong></td>
</tr>
<tr>
<td>- Tourism BEE Supplier Development <em>(Papi Moletsane)</em></td>
</tr>
<tr>
<td>- BEE Government Procurement</td>
</tr>
<tr>
<td><strong>F. Marketing</strong></td>
</tr>
<tr>
<td>- Tourism Monthly <em>(Gail McCann)</em></td>
</tr>
<tr>
<td>- Interprovincial Integration of Marketing <em>(Angeline Lue)</em></td>
</tr>
<tr>
<td><strong>G. Safety and Security</strong> (Ntogoleng Mogotsi &amp; John Serfontein)</td>
</tr>
<tr>
<td>- Linking Stakeholders to Policing Forum</td>
</tr>
<tr>
<td>- Tourism Ambassadors</td>
</tr>
<tr>
<td><strong>F. Physical Infrastructure</strong> (Sipho Shezi)</td>
</tr>
</tbody>
</table>
|   - Physical Infrastructure Audit for 4 Local Pilots_Tourism  
Transportation Infrastructure (Airline “Open Skies” Policy) |

1999 The Cluster Consortium - Strategy in Action
These working teams developed at N2 have become the strong foundation of the national cluster working group.

N2 ended on a very high note with the very provocative and witty presentation by Clem Hunter. In his talk about “Foxes and Hedgehogs,” Clem linked the champions of the clustering process to what he calls the “foxes”—individuals who are effective in today’s constantly changing world economy because they are fast-moving, entrepreneurial, flexible, adaptable, and proactive. He also annointed the tourism cluster as the replacement for the “gold” industry as the new driver of South Africa’s economy in the new millenium.

**N3: National Tourism Cluster Executive Meeting July 21, 1999**

Between N2 and N3, most action initiatives teams met two or three times to further define and develop the initiatives and, in some cases, to begin implementation.

After much discussion and debate among the TCC and TLG, it was decided that rather than conduct another large, inclusive meeting, that N3 would be an “executive” meeting inviting only the co-chairs and champions of the action initiatives rather than all participants. The intent of the meeting was that the TLG and all present would evaluate each action initiative presented by the champion and priority initiatives identified.

A Tourism Cluster Executive Meeting was convened on 21 July at the Nedlac offices in the Metal Box Building in Milpark. It was attended by 70 participants, made up of Tourism Leadership Group members, initiative champions, key stakeholders, and the consulting team.

The meeting had an overwhelmingly positive and constructive tone. The bulk of the meeting comprised a series of progress reports from initiative champions. Many of the initiatives have changed shape considerably since N2; in others, the same initiative has become more concrete and implementation is gaining momentum. There was considerable support voiced for these initiatives, with the most frequent criticism being “Why haven’t I heard about your initiative before, and how can I get involved? Please call me.” Thus, some of the key objectives of the Clustering Initiative are being fulfilled through sheer participation in these meetings: co-ordination; reduced duplication of efforts; and improved information flow.

The bulk of this briefing contains the most recent write-ups covering most initiatives. However, a few items of general interest also took place at the meeting:

- Peggy Drodskie of SACOB has offered to take on the organisational challenges and burdens of hosting the Tourism Clustering process once the current consulting contract is over in the fall. This offer is being seriously considered by all participants. This is a good time for debate concerning the organisational future of the project; while many options should be weighed and considered, this offer is generous and has merit.
Sylvan Golden pointed out that these initiatives require a “backbone” to tie them together, and suggested that “Tourism is the African Renaissance.” In many aspects, our objectives for tourism are consistent with President Mbeki’s concept of African Renaissance, and in fact, tourism could serve as the vehicle to make the concept a reality. Tourism will:

- Be the Economic Engine
- Deliver Jobs
- Develop and Enterprise and Service Culture
- Involve People and Communities
- Depend on pride, culture, art, innovation and technology
- Reconstruction, Reconciliation and Harmonisation

Tanya Abrahamse commented that we should no longer call ourselves a “long-haul destination.” Inspired by her recent fact-finding trip to Ireland (“You’re Only a Nap Away”), she proposed a new way to characterise a trip to South Africa: “You’re Only a Sleep Away...”

A key issue raised at the end of N3 was how to sustain the momentum that has been developed with the Tourism Collaborative Strategy Initiative at a National Level. The following objective was identified at N3:

- The aim is to build a Tourism Executive which will ensure that the initiatives are sustainable beyond this project and the outcomes influence and are integrated into future tourism strategies.

A meeting with DEAT was held 12 July to discuss the continuity mechanisms for the Working group initiatives. DEAT will begin a process with immediate effect of taking over the management of these task teams.

The national level working groups made substantial progress before and during N3. The emphasis has moved from short term action initiatives to building a platform or identifying an appropriate vehicle that support and drive key areas within Tourism. Some of the progress made is as follows:

- **Mobilising Tourism Investment**: Develop a discussion paper for national tourism forum on long term funding issues, mechanisms for matching investors and projects and a draft framework for implementation
- **HR**: A workshop to address current HR issues, Training issues and Labour Relations issues is scheduled to take place on the 8th of September. This initiative is a joint HITB/Organised Labour initiative.
- **SMME**: Strong group formed. TOR formalised and costed. The group is following a strict timeline and
seeks to identify 3 tourism anchor projects in both Nelspruit and the Trout Triangle.

- Marketing: An inter-provincial marketing partnership has been set up. The CEO’s of the provincial tourism authorities are now meeting on a regular basis to discuss matters of common interest and to facilitate collaborative actions between the provinces.

- Safety and Security: Ministerial letter has gone out to commanders of local policing forums to sensitise the policing forums with regards key stakeholder involvement and instructing them to make contact with stakeholders in their localities.

- Tourism SA: The working group is currently considering possible continuity mechanisms and is in the process of conducting informal discussions with business.

- Say No to Bad Service: This working group is working together with Hunt –Lascaris and developing a national media campaign for tourism. The working group has been in contact with Minister Moosa.

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**N4: Fourth National Tourism Clustering Meeting, October 15, 1999**

**5. OVERALL RESULTS FROM THE NATIONAL CLUSTERING PROCESSES: VISION, STRATEGY, AND ACTION PLAN**

**5.1. Vision—A Preferred Future for South Africa Tourism**

Much work on determining the shared vision for the future of tourism took place in the formation of the Tourism White Paper and in the subsequent drafting of the Tourism in GEAR Strategy. In part, because of the mix of tourism workshop “veterans” with “novices,” the project team decided to minimize the work to develop a shared vision among the participants at the national clustering working group.

It is clear that much work went into developing the vision for the Gear Strategy.

To develop the tourism sector as a national priority in a sustainable and acceptable manner, so that it will significantly contribute to the improvement of the quality of life of every South African. As a lead sector within the national economic strategy, a globally competitive tourism...
industry will be a major force in the reconstruction and development efforts of the government.

From: Tourism in Gear—Tourism Development Strategy 1998-2000, DEAT

At N1, an initial vision statement for South African tourism in 2010 was generated as follows:

<table>
<thead>
<tr>
<th>South African Tourism Vision 2010</th>
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<tbody>
<tr>
<td>South Africa is now <em>the most sought-after adventure and eco-tourism destination in the world</em>, combining its people and diverse cultural experiences with its natural wonders, and presenting itself as a <em>world-in-one destination</em>.</td>
</tr>
<tr>
<td>It is now <em>the tourism hub of Africa</em>, providing quality experiences and services in a community-based, environmentally responsible manner. It is regarded as a <em>global leader in tourism best practices</em>. Tourism is the leading generator of new jobs in the country and is contributing to the quality of life of every South African.</td>
</tr>
<tr>
<td>South Africa’s <em>tourism draw is global</em>. Domestic and regional tourism growth complements the international tourism coming from well-developed market sources.</td>
</tr>
</tbody>
</table>

At N3, Sylvan Golden pointed out that the vision that could serve as the “backbone” to tie the action initiatives together, was “Tourism is the African Renaissance.” In many aspects, he pointed out that the objectives for tourism are consistent with President Mbeki’s concept of African Renaissance, and in fact, tourism could serve as the vehicle to make the concept a reality. Tourism will:

- Be the Economic Engine
- Deliver Jobs
- Develop and Enterprise and Service Culture
- Involve People and Communities
- Depend on pride, culture, art, innovation and technology
- Reconstruction, Reconciliation and Harmonisation

These visions for South Africa tourism have served to draw together tourism stakeholders and provide a collective sense of “what do we want” (vision). From there, it has been possible to address the next question: “What do we need to do?” (strategy).

**5.2. Five Key Tourism Development Strategies**

Five basic strategies to shape tourism in South Africa have emerged from the South Africa Tourism Collaborative Strategy Initiative:

1. Attract long haul tourists to SA
2. Develop and align specialized economic foundations
3. Develop and integrate tourism cluster

4. Support growth of existing and new business

5. Develop domestic tourism

These strategies have emerged from the discussions and debates from the initial strategy working groups and action initiative working groups. The key elements of each of these strategies is summarized below.

1. **Increase SA’s global share of long-haul tourists—Create unified SA marketing approach**

South Africa’s priority is to create an image as a unique and safe tourism destination.

In particular, SA must continue to target its traditional long-haul travelers markets in Northern Europe, maintaining and growing market share. Priority targets: UK and Germany. Secondary targets: Holland, France, Italy, which are growing and need to be promoted.

SA must develop market intelligence and launch a marketing campaign in the US targeted at strategic state markets (New England, Florida, Texas, and California). Mainstream wholesalers (Abercrombie and Kent, US Tour Operators of America, TAUCK) must be targeted.

Marketing campaigns in other markets, including Asia and Latin America, must be further developed over time and marketing spending must be carefully focused. Asia market is oriented to adventure experiences (not real eco-tourism), golf, and shopping. The development of another Sun City experience would be a plus. Asian tourists are sensitive to prices. Also they are very security conscious. Current efforts by SAA and Singapore Airlines to develop flights, tour packages, marketing, and workshop/training programs. Focused on three languages (Malay, Mandarin, Japanese) in addition to English for Australian/NZ/Hong Kong.

In its coordinated national marketing campaigns, SA must concentrate on establishing and selling its strongest icons (Table Mountain, game parks, Nelson Mandela). Creating a perception of South Africa as a safe destination is of paramount importance.

Need to assure adequate return on investment for marketing efforts by focusing initially on priority markets (N.Europe and US). Also, need to establish a marketing effectiveness evaluation mechanism to evaluate the results of marketing efforts by analysing arrival trends, job growth, and GDP growth.

**Provincial marketing strategies** will build from the national campaigns. Key elements include:

1. ensure that in-bound tour operators visit provincial tourist attractions and learn about the quality and availability of the product;

2. link to mainstream wholesalers (e.g., Thomas Cook) and ensure that provincial packages are included in their brochures
1999 The Cluster Consortium - Strategy in Action

and catalogues. Also provide financial bonus/incentive to wholesalers who sell the provincial packages.

2. Build more specialized and responsive economic foundations locally

Long-haul tourism growth will depend on SA’s ability to address key internal constraints, constraints that are within SA’s control—most importantly, safety and security and education/training.


- Physical Infrastructure—airport development linked explicitly to tourism development objectives, highway system development priorities linked to tourism development objectives, state-of-the-art communications system linking tourism nodes and activities

- Finance—accessible financing mechanisms especially targeted for SMMEs.

- Business climate—improved co-ordination between national and provincial taxes and regulations related to tourism activities.

- Protect and enhance natural/cultural tourism assets

3. Develop and Integrate Tourism Cluster

The competitiveness of the tourism cluster will result from enhanced communications, co-ordination, and linkage between firms, institutions, associations, and government stakeholders in the tourism cluster. It will be important to support continuation of Tourism Clustering Initiative over next two years at a minimum, supporting implementation, and expansion to new pilots.

The “Rolling Mass Action” initiative (N1) aims to develop the cluster by ensuring the replicability of local clustering activities, and forstering communications and outreach activities nationally and locally.

4. Support Growth of Existing and New Business—Develop New Products/Services

In supporting the growth of existing and new tourism businesses, the initial target is on developing variety of attractions aimed at long-haul travelers. But, a wide variety of attractions, products, and services is needed to accommodate increasing diversity of travelers. Additional support for this strategy is coming from specific initiatives developed in the Eco-Tourism and Heritage cluster working groups, specifically in cultural tourism and adventure tourism. These groups are also focusing on sustainable tourism development and facilitating appropriate product development and community empowerment.
The strategy to support new business and new products and services also serves to address gaps in entrepreneurial involvement, particularly of previously disadvantaged stakeholders

5. Expand and Develop Domestic Tourism

The domestic market remains the cornerstone of the local South African industry, with about 10 million South Africans going on holiday each year. The domestic market spent an estimated Rand 3.6 billion in 1992, although it considered to be worth far more than that because of the multiplier effect of such expenditure.

Domestic tourism in South Africa has been greatly affected by the policy of apartheid. The demise of this policy is expected to lead to an inevitable restructuring and growth of domestic tourism. The Potchefstroom University Institute for Tourism and Leisure Studies predicts that the largest growth in the local tourism industry in the next decade will come from the black component of the South African population.77

The strategy to expand and develop domestic tourism calls for a massive increase in awareness of domestic tourism activities, and in communication and transportation development for previously disadvantaged people. It also calls for the widespread development lower-cost accommodation, travel, and tourism packages. The lack of access to transportation among would-be low-income domestic tourists continues to constrain the growth of domestic tourism.

The growth of domestic tourism and the development of services to absorb it will support rapid job growth and act as a “graduation mechanism” for capacity development and a building block to international competitiveness. It will also extend the seasons and round out seasonal peaks. The development of domestic tourism offers lots of links between cultural tourism, sports tourism, church/religious group tourism and visiting friends and relatives (VFR) within South Africa.

5.3. 1999/2000 Action Plan

By July, the Working Groups had generated 15 action initiatives that relate to the five basic strategies above. Each had an implementation plan, a “champion,” and a group of volunteers interested in moving forward.

The “champions” were the people and organizations interested in leading the charge to develop and implement the idea. Between June and October, the champions of the projects developed final business plans. In the process, several action initiatives from the local and thematic clustering processes were grouped into the 15 major initiatives.

Each initiative will benefit tourism development by meeting at least one major strategy (or objective) (see Table 1).

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77 Institute for Tourism and Leisure Studies, Economic Impact of Domestic Tourism on the South African Economy (Leisure Consultants and Publications; April 1998) pp. 4-7
TABLE 1

SA Tourism Collaborative Strategy:
Action Agenda from the National Cluster Working Groups

<table>
<thead>
<tr>
<th>Objective</th>
<th>Initiative</th>
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</thead>
<tbody>
<tr>
<td>Develop and integrate tourism cluster</td>
<td>N1—Rolling Mass Action (Cluster Development)</td>
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<tr>
<td></td>
<td>N2—Clustering Communication Strategy (Cluster Development)</td>
</tr>
<tr>
<td></td>
<td>N3—Integrating Community-based tourism Initiatives in Mainstream Tourism (Cluster Development)</td>
</tr>
<tr>
<td></td>
<td>E1—EcoTourism Community Partnership Guidelines (EcoTourism Cluster)</td>
</tr>
<tr>
<td>Support growth of existing and new business</td>
<td>N4—Small Business Tourism Opportunities Audit—Mpumalanga (SMME Development)</td>
</tr>
<tr>
<td></td>
<td>N5—SIYAVAYA! Policy Framework and SMME Involvement (SMME Development)</td>
</tr>
<tr>
<td></td>
<td>N9—Tourism CEE Supplier Development (BEE)</td>
</tr>
<tr>
<td></td>
<td>N10—BEE Government Procurement (BEE)</td>
</tr>
<tr>
<td>Develop and align specialized economic foundations</td>
<td>N6—Mobilizing Tourism Investment (Finance)</td>
</tr>
<tr>
<td></td>
<td>N7—Tourism Education/Skills Gap Workshop (Human Resources)</td>
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<td></td>
<td>N8—HITB Learnership in the Four Local Clustering Pilots (Human Resources)</td>
</tr>
<tr>
<td></td>
<td>N13—Linking Stakeholders to Policing Forum (Safety &amp; Security)</td>
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<td></td>
<td>N14—Tourism Ambassadors (Safety &amp; Security)</td>
</tr>
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<td></td>
<td>N15—Physical Infrastructure Audit for Four Local Pilots (Physical Infrastructure)</td>
</tr>
<tr>
<td></td>
<td>E2—Investor’s Toolkit for EcoTourism Development (Regulatory and Land Issues—EcoTourism Cluster)</td>
</tr>
<tr>
<td>Attract long haul tourists to SA</td>
<td>N12—Inter-Provincial Marketing Partnership (Market Development)</td>
</tr>
<tr>
<td>Develop domestic tourism</td>
<td>N11—Tourism Month (Marketing)</td>
</tr>
</tbody>
</table>
**Action Plans for the SA Tourism Collaborative Strategy Initiatives**

The following section provides summaries of the action plans for each TCSI initiative. The initiatives are grouped by their overarching objective.

**Initiatives to Develop and Integrate the Tourism Cluster**

N1—Rolling Mass Action (Cluster Development)

N2—Clustering Communication Strategy (Cluster Development)

N3—Integrating Community-based tourism Initiatives in Mainstream Tourism (Cluster Development)

E1—EcoTourism Community Partnership Guidelines (EcoTourism Cluster)

**Initiatives to Support the Growth of Existing and New Business**

N4—Small Business Tourism Opportunities Audit—Mpumalanga (SMME Development)

N5—SIYAVAYA! Policy Framework and SMME Involvement (SMME Development)

N9—Tourism CEE Supplier Development (BEE)

N10—BEE Government Procurement (BEE)

**Initiatives to Develop and Align Specialized Economic Foundations**

N6—Mobilizing Tourism Investment (Finance)

N7—Tourism Education/Skills Gap Workshop (Human Resources)

N8—HITB Learnership in the Four Local Clustering Pilots (Human Resources)

N13—Linking Stakeholders to Policing Forum (Safety & Security)

N14—Tourism Ambassadors (Safety & Security)

N15—Physical Infrastructure Audit for Four Local Pilots (Physical Infrastructure)

E2—Investor’s Toolkit for EcoTourism Development (Regulatory and Land Issues—EcoTourism Cluster)

**Initiatives to Attract Long Haul Tourists to SA**

N12—Inter-Provincial Marketing Partnership (Market Development)

**Initiatives to Develop Domestic Tourism**

N11—Tourism Month (Marketing)
5.4 Overall Participation at the National Meetings

Although the national meetings were reasonably well attended and with significant participation by key business and government leaders, it was clear that the participation among leading tourism business CEOs was limited, although their support for the process was through representation by their delegates and their financial and other support for key initiatives.

Despite this show of support, the TCC and the TLG at first were concerned about the limited participation by the top tourism stakeholders and decision-makers. Why weren’t they coming? What hadn’t we done to ensure their participation? Would the process succeed without them?

In other clustering processes—such as Joint Venture Silicon Valley, Arizona, and Mexico—the high participation of key CEOs had been seen as critical to the success of the project by their direct involvement and commitment to the implementation of serious action initiatives. But, TCC also had experience in other successful clustering projects—such as Morocco and Texas—in which the participation of CEOs did not come until the second and third years. In both Morocco and Texas, great successes were initiated and achieved by dynamic and committed small business leaders and non-CEO-level leaders from business and government who flourished in this open arena for new leadership and commitment to action. The project team was confident that this kind of process could be successful here. The team recognized the difficulties in this dynamic and sensitive political, economic, and social context in South Africa, for key leaders to show up and be committed to such an open forum for collaboration and action.

Consequently, the national tourism collaborative strategy meetings carried on with the leaders who did show up. And the excellent results are testimony of the capabilities and commitment of this group of leaders and champions, for instance:

- Mr. Kamil Karrim of Southern Sun chaired the investment and finance working group—which had a excellent core of seasoned tourism finance experts. Together they have explored and developed a variety of initiatives ranging from a Project Feasibility Fund to a Tourism Equity Fund, to the formation of a Tourism Bank.
- Ken Small, an advisor to the DBSA, has almost single-handedly launched a “Say No to Bad Service” campaign.
- Eric Sonnichsen, an tourism industry consultant, has led an energetic team of fellow consultants, university, and tourism officials in developing a small and medium-sized tourism business development initiative.
- Angeline Lue and Sylvan Golden from the Gauteng Tourism Authority are championing a major initiative—The Interprovincial Marketing Partnership.
James Parker and Tony Ansari of the Hospitalities Industry Training Board teamed up with Gary Phillips of Labour to develop and host a Tourism Human Resource Workshop to tackle tourism workforce development issues.

Victoria Clark of the DBSA assembled a team of dedicated consultants and officials to develop and implement an initiative for integrating community-based tourism with mainstream tourism.

There are also some CEOs who have participated in the national forums and championed action initiatives. Papi Molotasani, CEO of a Fedics company, for instance, is champion of the “Empowerment through SME Development” initiative.

These are just a few names of the leaders and champions that have stepped forward to commit their personal time and energy, as well as that of the institutions and companies they represent, to accelerating tourism development in the country.

It is anticipated that as the Tourism Collaborative Strategy Initiative gains more widespread attention, that more top-level CEO and decision-makers from business, government, and labour will engage and commit to the process.

6. IMPLEMENTING THE TOURISM COLLABORATIVE STRATEGY PROCESS

Key questions were raised at the end of N3, and were on the agenda for N4:

- How do we maintain the momentum initiated by the clustering process during 2000 and beyond?
- How do we find an institutional home or mechanism to sustain the clustering initiative at the national level?

The Department of Environmental Affairs and Tourism (DEAT) is positioning itself to oversee and support the process. The South African Chamber of Commerce (SACOB) offered to champion or help support the clustering process into the next phase. Discussions are taking place between SACOB and labour to ensure that there is agreement and buy-in from all the stakeholders, regarding the composition of a leadership team to support the clustering activities during 2000 and beyond.

Alternative implementation mechanisms to sustain and propel the tourism clustering initiative into 2000 are currently being discussed and debated. TCC’s recommendations are presented in Chapter 8.

6.1 Communication: Getting the Word Out

The communications activities for the TCSI were led by Nigel Huxam, General Manager of De Kock & Kerkhoff. The firm specializes in large-scale public relations for business and government. Communications efforts focused on three goals:
- Communicating to the community the importance of tourism to the economy and the role of the TCSI
- Generating attendance at the national, thematic, and local clustering events and activities
- Disseminating results from the project at all levels

On each of these accounts, despite a minimal communications budget, the communications strategy met its mark. Press releases and conferences were conducted at the initiation of the project prior to the first national meeting (N1) in April 1999. More than 140 participants attended N1. The TCSI was mentioned in leading Johannesburg newspapers more than 10 times. Communications events were also conducted for the thematic clusters and local clusters.

### 6.2 Key Lessons for Implementation

- Public testimonials by tourism leaders about the substance and process of the clustering initiative were important for building credibility and attracting new leaders to the process.
- Leaders had to persevere through much skepticism that people would not collaborate. At various times, leaders had their fears that the clustering process might not succeed, but were ultimately determined not to let the effort fail.
- Expect the demand for involvement to grow with success. As the clustering initiative became more widely publicized, individual and organizational requests to participate have grown considerably. Both the consultant team and the TLG are constantly struggling to prioritize and handle the sheer volume of requests.
- Even if people felt left out initially, it was never “too late” to bring key constituencies on board, and was worth the time invested.
- Especially since widespread participation was not possible at N3 and N4, it is very important to create opportunities to celebrate results and thank participants for their contributions.
- In the beginning, TCC project team consultants were involved in all aspects of project coordination and execution. As the process moves into further implementation, permanent staff dedicated to the project will be necessary to move the initiatives from start-up to sustainability.
- Few of the champions for initiatives coming out of the first year are likely to have the interest or support to become lead staff or chairs of initiatives throughout the second year. The challenge (and importance) of transition from early champions to permanent staffing should not be underestimated.
The process balanced structure with openness to new participants, ideas, process modifications, which allowed some innovative ideas the time to develop, attract support, and link to other new ideas.

At one point, the clustering process faced harsh public criticism from internal participants that seriously threatened widespread opinion of the process. Directly addressing the critic and critic’s concerns, while mounting an effective communications “damage control” process, helped to turn the situation around.

True collaboration took place when people made concrete commitment—contributing their time, expertise, resources, and personal networks. Those who did not make such a commitment generally lost interest quickly or failed to win support for their ideas from their working group.

The communications strategy was most effective when it emphasized testimonial and stories that captured the action and spirit of the clustering process, which works to “personalize” the effort for the community.

While the Tourism clustering process has promoted a collaborative model, the transition for individuals and organizations has often been painful. Some are wary of endless, feel-good meetings or “collaboration for collaboration’s sake,” while others push for immediate results, minimizing the importance of building a foundation of collaboration and new relationships required to sustain change. Persistence is critical to help people move to the new collaborative mindset.

To avoid getting stale or rigid, the clustering process must focus on selectively generating new initiatives, as well as getting results with, discontinuing, and merging existing initiatives.
Appendix C2: Thematic Activities

Heritage Tourism

1. INTRODUCTION

The appendix serves as a chronological summary of the process. It details the approach, the issues and opportunities, the outcomes of each workshop, the initiatives and the key players. The learning, insights, recommendations and an evaluation of this specific intervention are in Chapter 4:B Thematic Pilots.

Heritage tourism differs from all the other initiatives in that there has been relatively little networking and collaboration between key stakeholders. Furthermore most initiatives to date have been focussed on specific opportunities and have not looked at addressing tourism holistically. The collaborative strategy workshops marked the first time that the different stakeholder groups met to discuss tourism specifically. Much of the focus and progress to date has been around the supply side i.e. the protection and promotion of heritage sites, which is also the main focus of current legislation and specifically the two Heritage Acts passed in April this year.

Heritage Tourism as a theme or market segment therefore provides insight and learning where the stakeholder base is very broad, the activities to date are relatively ad hoc and the policy and enabling environment fragmented.

2. WHAT IS HERITAGE TOURISM?

The cluster adopted the UNESCO definition as a framework for the process.

“Heritage is our legacy from the past: what we live with today and what we will pass onto the future.”

78 Act 25: National Heritage Resources Act, 1999
Act 11: National Heritage Council Act, 1999
The following descriptions were added to build a working definition:

“Heritage tourism is where there is a story or interpretation. It is about creating an experience”

“It is about the construction, packaging, transmission and consumption of images and representations of society and its past.”

Rassoul and Witz

This working definition incorporates cultural tourism (arts, crafts, dance, music, ceremonies etc.) which in some classifications may be defined as ‘special interest’ tourism. The rationale for inclusion being that the theme needed to be sufficiently broad to meet the selection criteria. It also makes provision for considerable community involvement and entrepreneurial development.

**INFORMATION BOX**

**What is Cultural Heritage?**

The following quotation encapsulates the spirit of cultural heritage:

“Cultural heritage is an accumulation of daily details and large traditions.

Built up from time and memory, it may involve one time, one of a kind, impossible to duplicate buildings, shrines, sites and artefacts. But more than structures, more than things, we experience an array of feelings, moods, colours, smells and street sounds. It is an accumulation of ethics, foods, medicines and manners; the way people greet each other, love, hate, marry and bury each other. It is the way people dress, drink, drive, dance, weep, weave, worship and go to war. It is their markets and market goods.

And then it is the trees, rocks, caves, mountain tops, architecture, archives and archaeology.

It is the land and the residents’ sense of time, their sense of space and their story of creation.”

**2.0 Segmentation**

This is a pragmatic grouping that was developed during the working sessions which the stakeholders felt provided a common framework of understanding.

*Cultural and Lifestyle Attractions*

- Pilgrimages and religion
- Traditional medicine

---

70 Abbreviated from Robertson Colleens of the Pacific Asian Travel Association
Arts and crafts
Food
Dance, Music, Games
Worship and rituals

**Historic Attractions**
- Politics
- Battlefields
- Districts and villages
- Monuments and museums
- Sacred sites
- Architecture
- Archaeology
- Anthropology

**Natural Attractions**
- Prehistory Flora and Fauna
- Palaeontology
- Scenic
- Wetlands
- Mountains and views
- Canyons and caves
- Deserts and Coasts
- Cultural landscapes

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### 3. The current situation

#### 3.0 Fragmentation

To date efforts to promote heritage tourism have been highly fragmented and there is no overall framework for driving tourism around heritage attractions.

Existing associations and councils are relatively narrowly focussed, for example National Monuments Council, World Heritage Sites, the SANHP program, etc. and do not specifically focus on driving tourism. The two Heritage Acts focus mainly on the management of national heritage resources as opposed to the tourism aspects. Furthermore knowledge of these Acts is relatively limited although the establishment of the associated bodies is still in the early stages.
The interaction between Government Departments has been limited. The interaction between DEAT, DACST and Land Affairs has been constrained by lack of resources.

The Provincial authorities have also tended to work in isolation from each other.

Community involvement has been ad hoc around specific projects. There had been little interaction between conservation authorities and tourism agents.

The number of heritage and cultural related associations is mushrooming. Whilst it is a moot point whether these should be co-ordinated or not, there is little cross pollination of experience, common learning or benchmarking and marketing.

3.1 Whose heritage is it anyway?

Heritage tourism is a highly emotional and emotive subject as it touches on the very essence of ‘who we are.’ Closely related to this is the aspect of image. What images are we portraying with regards to our heritage and are these acceptable to the people whose heritage it is?

Much of the time and focus of the workshops was taken up by these issues. In some ways this prevented the stakeholders from making greater progress in terms of specific actions and outcomes. On the other hand, no real progress can be made until these issues are addressed. One of the major benefits of this collaborative process is that it has put these issues firmly on the agenda for all future initiatives.

3.2 Quantification of earnings and potential

Given the generic nature of heritage tourism the market is very difficult to quantify the earning potential. This has been compounded by the very broad definition that was adopted by the working groups, which includes arts, crafts, dance, rituals etc.

Information on heritage tourism is scattered and ad hoc and generally centres around specific projects or areas of responsibility. We spoke to the following departments, associations and institutions, all of whom had limited selected information:

- SATOUR
- DEAT
- DACST
- Land Affairs
- Public Works
- Gauteng Tourism Authority
- Gauteng Agriculture and Land Affairs
- Provincial departments of Finance and Economic Affairs
- National Monuments Council
- SAHRA
- University of Witwatersrand

Furthermore revenues generated by heritage and cultural tourism sporadic because the activities are so varied and fragmented.

Revenue from Museums

There are a total of 5 500 declared national monuments (structures, buildings and natural features and landscapes) in South Africa, many of which are part of a larger site. Of these, 41 sites are owned by the National
Monuments Council and do not generate income for the council aside from five or six buildings which are rented out to organisations or individuals. The remaining national monuments are owned by provincial or local government or private individuals.

There are approximately 400 publicly owned museums in South Africa according to the definition formulated by UNESCO (see below). Of these, 13 museums are administrated by DACST as national museums, the remaining being owned and administrated at a provincial and local government level. A wider definition of museums has been formulated in South Africa and by this definition, it is believed that there are 480 ‘public’ museums in the country which includes, in some instances, ‘collections’ of historical objects. The above numbers do not include privately owned museums or ‘collections’.

All publicly owned museums receive subsidies from the relevant government body in order to operate and are thus not self-sustaining in respect of income generated from gate takings. It is believed that at a provincial and local level, some museums have been closed due to a shortage of funds at that government level.

4.2 A lack of data relevant to heritage tourism

This has been identified as one of the major requirements, not only by participants at the workshops, but by all the Departments listed above and whom we contacted for base information for this process. Information management has been identified as a key component of the National resources Heritage Act, 1999, part 3.39, but again this is focussed on the supply side and not the revenue aspects.

“How does the UNESCO definition of Museums affect tourism?

Definition of a museum (UNESCO)

“A museum is a non-profit making, permanent institution in the service of society and of its development, and open to the public which acquires, conserves, researches, communicates and exhibits, for purposes of study, education and enjoyment, material evidence of people and their environment.”

(a) The above definition of a museum shall be applied without any limitation
arising from the nature of the governing body, the territorial character, the functional structure or the orientation of the collections of the institution concerned.

(b) In addition to institutions designated as "museums" the following qualify as museums for the purposes of this definition:

(i) natural, archaeological and ethnographic monuments and sites and historical monuments and sites of a museum nature that acquire, conserve and communicate material evidence of people and their environment;

(ii) institutions holding collections of and displaying live specimens of plants and animals, such as botanical and zoological gardens, aquaria and vivaria;

(iii) science centres and planetaria;

(iv) conservation institutes and exhibition galleries permanently maintained by libraries and archive centres;

(v) nature reserves;

(vi) international or national or regional or local museum organizations, ministries or departments or public agencies responsible for museums as per the definition given under this article;

(vii) non-profit institutions or organizations undertaking research, education, training, documentation and other activities relating to museums and museology;

(viii) such other institutions as the Executive Council, after seeking the advice of the Advisory Committee, considers as having some or all of the characteristics of a museum, or as supporting museums and professional museum workers through museological research, education or training.

4. The Opportunity

SATOUR research on foreign holiday-makers scored their motivators as follows: scenic beauty (47%), political change (22%), wildlife (53%), South African cultures (26%)\(^{80}\)

Conventional notions need to be revised. Culture and political change together account for 48% of foreign tourists’ motivations, which is marginally more than scenic beauty and far exceeds climate. In previous studies wildlife scored slightly lower.

In spite of the lack of quantifiable data on heritage tourism in South Africa there is a wealth of research which confirms that this is a growing motivator for tourists (see information box).

Statistics abound to show that ‘life enhancing, cultural experience’ is a major travel motivator world wide.

In addition, heritage tourism offers the following advantages over all other segments:

1. It is the easiest point of entry into tourism

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\(^{80}\) A survey of SA’s international tourism market: Summer 1998
2. Of all industries it is the foremost job creator in that it does not people out of their environment, but brings employment directly to the people. Heritage and cultural tourism spreads wealth to local communities as travellers move around the region, boost investment and, with careful planning, promote sustainable development.

3. DACST’s report to Jobs Summit says it is 20 times cheaper to create jobs in culture than in light industry.

**INFORMATION BOX**

**Who is the Cultural Tourist?**

“What we know about cultural tourists is that they earn more money and spend more money while on vacation. They spend more time in an area while on vacation (that extra day). They're more likely to be in the important pleasure traveller segment. They're more likely to stay at hotels or motels, increasing your bed tax. They're more likely to shop. They're more highly educated than the general public. They tend to include more women than men and they tend to be in the older age categories, which provides benefits that we've already talked about. So clearly this is the kind of tourist you want to attract to your region.”

**Historic dollars**

According to the Travel Industry Association of America's Travel Scope Survey, 2.2 million historic travellers -- those who visited a historic site or museum -- took 19.2 million trips in Maryland in 1998. According to the survey, historic travellers in 1998 comprised 12 percent of all Maryland travellers, up from 11.7 percent in 1997.

Surveys of Maryland tourists show that visiting historic sites is one of the top three reasons they visit the state, said William Pencek Jr., deputy director of the Maryland Historical Trust, a state agency that works to identify and protect historic sites. Heritage tourists spend nearly two times as much as the average tourist and stay longer, he said. For many communities, the greatest prospect for economic growth is growing tourism.

**Cultural tourism: The economic driver**

Imagine a public-sector investment where every dollar expended returns $55 in new economic activity.

As unbelievable as it sounds, that's exactly what our neighbours in Philadelphia have accomplished through their investment in the burgeoning industry of cultural tourism. Baltimore business and civic leaders -- and especially mayoral candidates -- interested in economic development and job creation should take notice.

How did Philadelphia do it? By creating an independent tourism marketing
corporation, Philadelphia has seen the number of visitors and the dollars they spend skyrocket.

**The Canadian experience**

Cultural tourism centres around arts events, cultural festivals, museums, art galleries and heritage attractions. And it's big business. Some estimates put the value of cultural tourism in Canada at as much as 29% of total tourism spending.

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**INFORMATION BOX**

**Why the shift to cultural tourism?**

A Lou Harris poll conducted in the early 90s shows that there are significant differences between responses from the ‘80s to the ‘90s.

**Visiting cultural, historical or archaeological treasures:** in the 80s, 27 percent; in the 90s, 50 percent.

**To gain a new perspective on life:** in the 80s, 40 percent; in the 90s, 72 percent.

**To understand culture:** in the 80s, 48 percent; and in the 90s, 88 percent.

**Why this shift?**

**Rising education levels.**

Increasing age. Participation in cultural and heritage activities peaks between 45 and 65 and subsequently falls off. People in that age are typically in their peak learning years and have the highest level of discretionary money and time to spend on cultural related activities.

Increasing economic role of women. Women are controlling more discretionary income, tend to make the decisions regarding educational experiences of their children, set vacation plans, and are a very important component of the tourism market. It is not uncommon to find 60 to 65 percent of museum visitation to be women.

Less leisure time. People are more inclined to maximize their vacation experiences by visiting cultural and historic sites rather than during their usual hectic home routines.

High level of importance of quality and authenticity in people's lives.

LORD Cultural Resources Planning & Management, Inc.
5. **Objectives and Expectations for the Heritage Tourism Collaborative Action Initiative**

Given the lack of integration and cohesiveness around heritage tourism, the primary aim of the collaborative action initiative was to start a process that would involve all the stakeholders and create a sustainable platform for driving _tourism_ around heritage attractions.

Specific objectives were as follows:

1. To explore common issues and opportunities and prioritise those areas where the key stakeholders could and should work together

2. To assist in breaking down the ‘silo approach’ created by the various departments, associations and institutions and build synergies between tourism and conservation organisations, academic institutions and communities

3. To develop a pragmatic definition of heritage tourism and a working classification.

4. To surface the emotive issues surrounding heritage and culture

5. To identify key policy issues that need to be addressed by Government

6. To prioritise issues that need to be addressed at a National level such as authenticity, commercialisation vs. preservation, involvement and exploitation of communities, standards etc.

7. To provide a platform that will inform and assist related current tourism initiatives, such as international marketing

8. To explore what needs to be done to develop our heritage sites to a world class standard and to develop benchmarking standards locally

9. To broaden the base of participation and create opportunities for SMMEs and communities

10. To share the learning across provinces

11. To identify opportunities for increasing revenue at a provincial level

12. To build an information database for tourism initiatives as opposed to declared heritage sites. Existing Constraints in Heritage Tourism
6. SUMMARY OF THE PROCESS

The process is depicted in Figure 6.1

FIGURE 6.1 PROCESS

7. PROCESS DESIGN

This followed the four phased approach used for all the initiatives throughout the process, namely Preparation, Mobilisation, Operationalisation and Continuity.

8. PREPARATION

The major activities centred on preparing the information, the players and the management of the process.

Information gathering included a broad scan of local and international case studies that could be used to provide direction and insight for South Africa. The following 4 international case studies were summarised and distributed: Irish Attractions, New Zealand Maori Tourism, New Zealand Tourism Awards Programme and the Australian Heritage Association program.

The following key stakeholder groupings were identified and representatives invited to join the process:

- Government Departments – DEAT, DACST
8.0 What key players had to say

The initial interviews played an important role in framing heritage tourism. In depth qualitative interviews were conducted with the following people:

- Stephen Sack, DACST
- Makgolo Makgolo, DEAT
- Eddie Koch, Mafiso Consultant Company
- Jeanette Deacon, National Monuments Council
- James Hersov, Anglo Vaal Industries
- Bruce Rubidge, University Witwatersrand Archeology Dept.
- Staal Burger, Natal Technicon
- Alex Coutts, Consultant Tour Guide Trainer
- David Rattray, Developer Fugitives Drift
- Sandra Proselendis, District 6 Museum
- James Delaney, Shangaana Cultural Village

8.1 Summary of key quotes from interviews

On Presentation and Marketing

One of the key challenges is packaging and presentation, which needs to be modernised and updated over time and yet has minimum physical impact on the site.

There is a strong need for interpretative centres.

Cannot be superficial and need to pay attention to detail. Also ½ tourists are children!

Cultural tourism needs to piggyback on other tourism initiatives and drawcards, such as eco tourism destinations and packages, hotels and resorts etc.
Limited resources for focussed marketing. World Heritage Sites and marketing has not been used to drive the marketing and awareness of National Heritage sites. Many cultural and heritage projects are poorly marketed.

Marketing should focus on creating an experience and insight. Need to ‘experience it’ rather than ‘view it’.

A major threat is stereotyping culture; a major challenge is balancing authenticity with tourism appeal.

SATOUR’s research shows that the demand for ethnic culture and recent history is the third most popular reason for international tourists.

On Community Involvement

The biggest stumbling block is insufficient support and capacity at the grass roots level. Communities also need the support to help them appreciate the opportunities and potential. Community projects need professional support. The ideal is to link academia and communities in joint initiatives.

Many heritage and cultural projects are ill conceived and poorly supported and when they fail to attract tourists it has a particularly negative and damaging affect on the communities involved.

Research for the Ford Foundation in 4 SADC countries indicates that wage mechanisms and direct wealth creation are perceived to be more important in delivering benefits than lease fees or rentals which accrue to the community.

Community driven projects tend to be less successful than those driven by individuals/entrepreneurs.

On Government Intervention

To date Government Institutions such as National Monuments has not had tourism focus nor have they resources to drive tourism. This has largely been left to the private sector.

Government should only be responsible for proving the framework and an enabling environment e.g. signage, infrastructure, marketing. It should make state owned assets available to the private sector including communities.

The biggest dilemma is balancing conservation and potential for destruction with the need for commercialisation.

Government policy needs to address the issue holistically.

On Funding

However not all sites have the potential to operate as viable businesses initially – needs to be appropriate investment and subsidy/grant schemes.
The ideal is a larger number of small, focussed, high value add sites which are self generating and require limited start up capital.

On Training

Appropriate training is a critical component. SATOUR’s current tour guide training requirements are inappropriate for smaller focussed sites.

9. Mobilisation: Organising for Action

Three following champions emerged:

Thabiso Tlelai    Entrepreneur
Stephen Sack      Director Department DACST
Prof. Phyllis Zungu  University Durban Westville

Their diversity of interests and backgrounds played an important role in keeping a holistic focus and ensuring representation.

9.0 Workshop One

The first workshop was held on 24 May held at Lengau Hotel in Bloemfontein. Although 243 people were invited, only 72 attended.

Some of the blockages encountered were as follows.

- Gaining sponsorship from key stakeholders and building a critical mass
- Ensuring representative participation.
- No funding for communities and SMME’s to attend workshops
- Lack of seed funding for initiatives

Key Issues arising from the workshop

This played an important role in building a common understanding within such a diverse group.

Most of the issues revolved around insufficient representation and participation in the process.

- “We have to go into the communities, as many people cannot make it to the workshops. Heritage Tourism requires the people whose heritage it is to be involved.”
- “There is a lack of consultation vertically and horizontally”

Infrastructure and policy was another key area.

- “We need to clarify who is responsible for what in terms of providing infrastructure. What is national government’s responsibility, what is provincial and local responsibility and what is the domain of private business”
“Lack of a comprehensive policy framework at the national level”

Lack of resources and information

“Require an executive summary of the legal requirements for World Heritage Sites.”

“There is a huge communication gap between government and the communities”

“Budget allocations and priorities at the different levels do not work together to drive heritage tourism cohesively”

**Opportunities identified at the workshop**

South Africa was viewed as having an enormous inherent potential for attracting tourists particularly in terms of heritage and culture. Some of the recommendations are:

- “South Africa has an interesting and topical history”
- “Build a unique South afro-centric product to provide a competitive edge for the country”
- “Stimulate tourism in new areas e.g. rural and township areas”
- “Develop exploratoriums (no more museums)”
- “Focus on cultural events”
- “Draft new legislation that fosters tourism, is inclusive and embraces more people and sites.”

**Working groups and summary of working group action plans**

Seven working groups were formed at this initial workshop.

1. **Conservation/ Commercialization Issue**
   **Name:** The Concommers’
   **Champion:** Nigel Hemming and Jack Ntsane
   **Description:** To develop parameters for development for heritage sites
   **Objectives:** To remove the tension between conservationists and developers
   **Obstacles to implementation:** Perception that conservationists are gatekeepers
   **Action Steps:** Set up a group to investigate the possibility of a forum

2. **Heritage Investor Directory**
   **Name:** Heritage Investor Directory
   **Champion:** Lindiwe Gadd
   **Description:** To create a heritage tourism investor and financing directory
Objectives:
- to make the directory available
- determine sufficient of financial resources
Action Steps:
- ID equity investors by June 31
- ID Loan financiers by 31 June
- Compile information
- Distribute Directory, IS TCC
Results Expected: Better awareness of existing products

3. Accessibility
Name: The Gatecrashers
Champions: Shami Klowng, Prof. Phyllis Zungu
Objectives:
- Develop local government based tour guides around heritage sites.
- Bring Tourism to communities through heritage sites
Action Steps:
- Champion will identify all the sites and coordinate with Makgolo Makgolo (DEAT), Motivate that the control of sites is transferred from national to provincial to district and local government, so that ownership is closer to the communities.
- Facilitate a forum of local government representatives around sites
- Results Expected: 2 month report back

4. Coherent Framework and Communications
Name: The Speak Easies
Champions: Mogrey Mogaecho and Tseko Liphokgoe
Objectives:
- To provide a coherent framework for communication;
- To develop a national framework and effective communication between all the role players.
- Establish mutual understanding, improve accessibility in the tourism market, ensure communications horizontally and vertically
- To ensure information is well packaged and correctly pitched in terms of the audience
Obstacles: to Implementation: Language, infrastructure, fragmented government departments, lack of coordination, human resource capacity

Action Steps: Establish a national association for heritage tourism, to draft a communication strategy and conduct and audit of role players in heritage tourism

5. Communities: Cultural Heritage Tourism Ownership

Name: The Stereo Busters
Champions: Mlulami Fani and Nombulelo Mkefa

Description: Rapid development of cultural tourism involving all stakeholders

Objectives:
- rapid development of cultural tourism involving all stakeholders
- ensure host communities obtain ownership rights
- promotion and development of local and undiscovered tourism potential
- involvement of communities in the process
- total utilization of local expertise - both in terms of input and output

Obstacles to implementation:
- Lack of funds and structures; lack of awareness of tourism potential

Action Steps:
- identify sources of funds
- identification of existing projects in communities
- where projects don’t exist, create new community structures around known sites

Who: Makgolo Makgolo (DEAT)
When: ASAP, but by September
How: Consultation in various Provincial Communities where heritage sites are located

Resources Required: FAX, Phone, Visits/ travel to sites

Results Expected: Produce a Community based Tourism Directory and their needs and views

Overall Timeframe: September 1999

6. Lack of Information

Name: Info Africa

Champion: NO CHAMPION
Objectives: to obtain necessary info from the info collecting authorities and to motivate the sharing of information e.g. KPMG et al

Obstacles to implementation: unwillingness to share information; obtaining of funds

Action Steps: development a national prioritised site/ development of a research framework / identify the gaps and the market/ identify funding e.g. NRF

7. Infrastructure

Name: Mount Everest/ Perestroika

Champion: Solly Mategesi

Objectives: Development of infrastructure

- Do not create additional infrastructure but rather identify competitive opportunities to enhance accessibility to heritage sites e.g. use of donkeys and not roads! To develop infrastructure that is in harmony with the culture and heritage site. Assess whether the current infrastructure responds to the market demands

Obstacles to implementation:

- funds exist but should be reallocated
- lack of a poverty relief program
- lack of interdisciplinary approach to tourism
- lack of community involvement in the maintenance of infrastructure
- lack of synergies
- no representation on maps.

Action Steps: Identify communities that have competitive cultural heritage tourism opportunities and their infrastructure needs. Investigate linkages, identify gaps and opportunities actively involve all the stakeholders in a real partnership,

Who: Development Agencies

When: 3 months, 6 month for targeted audit

Resources Required: Consultants and money for research

10. A CHANGE IN PROCESS DESIGN

A number of practical and capacity issues arose around the feasibility and sustainability of the chosen working groups. It became apparent fairly early on in the process that the remaining Working Groups did not have the capacity and resources to drive these initiatives and post workshop collaboration was poor.
One of the key constraints was that many of the participants were from government (national regional and local) or Parks Boards and Councils (monuments and museums) and did not have the authority, mandate or capacity to drive these initiatives.

Another constraint was that business was poorly represented, primarily because many heritage and cultural tourism initiatives fall into the SMME category and therefore face logistical problems and financial constraints in attending workshops. Communities simply do not have the resources to attend workshops.

Finally, unlike Eco Tourism there were had been limited interaction between business and government at a national level. Most of the collaboration had limited to specific projects.

The Leadership Group and Champions therefore subsequently agreed that this segment was in fact at a ‘pre clustering’ phase and that the process needed to be modified. More time needed to be spent on broadening the stakeholder base, as well as fleshing out the issues and opportunities. It also became evident that there needed to be more direct intervention from the consulting team and that the aim of this intervention should be to get agreement around one or two particular issues, which could be used to kick-start a collaborative process.

Three of the working groups identified were put in touch with the National working groups that were addressing similar issues.

The Infrastructure, Investor Directory and Community Involvement working groups were invited to join the National initiatives. All but the Community Involvement Working Group did so.

10.0 Workshop 2: 20 July at University Durban Westville

143 participants were invited and about 50 attended. In addition there was a number of students. Once again, the lack of funding for community members and SMME’s was a stumbling block.

**Aim**

The aim was to provide direction and put a framework in place, which could start to build synergies around heritage tourism. The initiatives identified in the first working group would inform this framework and could eventually be incorporated into an umbrella association or working group.

**Approach**

A two pronged approach was taken.

1. To propose the formation of a Heritage Tourism Association, which would complement the existing policy and provide a framework for driving tourism. The objectives of the association would, inter alia, address issues such as funding mechanisms, membership criteria, information requirements and consolidation thereof and best of breed policies and
approaches world-wide. The Australian Heritage Association was presented as a model.

2. Agree a theme for heritage tourism for interprovincial co-operation, which would enable the provinces to learn from each other, set benchmarking criteria and build a critical mass for activities such as joint marketing, setting standards and developing presentation approaches, training tour guides, and identifying mechanisms for involving communities.

10.2 Outcomes of the Workshop

The Heritage Cluster working group agreed to focus only on the formation of a National Heritage Association.

The general consensus was that the pilot theme for interprovincial co-operation was too broad and ambitious for the current participants to implement and that this needed to be addressed in a separate proposal. This outcome was one of the factors that has led to the two pronged model we developed for clustering at a thematic level and is detailed in Chapter IV.

Four working groups were formed. The purpose of which was to provide a solid basis for the National Heritage Association and to ensure that the issues raised during the process were addressed.

**Group 1: Formation and scope**

**Members:**
- Rejoice Mabudafasi   Deputy Minister DEAT
- Tanya Abrahamse   Deputy Director General DEAT
- Mthetheleli Hugo   WCTB
- Lindiwe Gadd   Thebe Investments
- Thabiso Tlelai   Lengau Hotel
- R Morojele   Dept. Fin.
- M Ngobeni   N. Prov. TB
- S Phuti   Soweto Heritage Trust
- T Abrahamse   DDG – DEAT
- J Briedenhan   Mpumalanga TA
- T Kunene   Hooked on Hemp

**Rationale for establishing an umbrella association:**

- Primarily to co-ordinate and drive tourism within this market segment.
- Create and manage a website
- Develop a code of conduct
- Assist in drawing up business plans
- Collate current sources of information and identify other potential sources that could be used to build an information database
- Document possible physical limits to current tourism products
- Investigate possible bypass stops on current tourism routes that could be of a heritage or cultural interest

Some of the recommendations
- The Deputy Ministers of DEAT and DACST should be patrons.
- DEAT and DACST should provide a dedicated resource. DEAT suggested Makgolo Makgolo.
- Ntsika to provide figures for business motivation
- Heritage Association to eventually be financially self-sufficient and provide a one stop shop
- Identify sources for seed funding
- Propose a lottery for ongoing funding
- Organisations that should be involved are:
  - TBCSA, NBT, EDT, Tourism Trust Fund, IDC, Thebe, ITMAS, Khula, Ntsika,
  - DFID, EU, DEG
- There should be a focus on social responsibility aspects
- ROI project investment a fundamental requirement and the association should assist in evaluating the risks and value of projects
- Provide mentoring and capacity

Group 2: Conservation/Commercialisation

Members:
Makgolo Makgolo               DEAT
Annette Loubser               Dakawa Art and Crafts CC
Thandi Gxaba

Guidelines for intervention:
- Development and marketing should not impact negatively on conservation of heritage resources.
- Family structures should not be disrupted (as is the case in some cultural villages).
- Human culture and dignity has to be maintained
Priority tasks:

- Identify existing heritage product development specialists
- Identify all commercial activities taking place around natural/heritage resources
- Develop consensus on how to achieve sustainability
- Identify existing heritage related projects and initiatives

Resources required

- Structures – National, Provincial, Local
- Communication - phone/fax
- Access to funds for research and product development

Group 3: Community Participation

Members:
- Mlulami Fani Robben Island Museum
- Zilindile Makapela ECTB
- Vusithemba Ndima DACST
- Eugene Mqanya UDW
- Vukile Ntuli UDW
- Solly Matebesi DEAT – Free State
- Nombuhle Ndimande UDW
- Thulile Zungu UDW
- Magodielo Mack NW P&TB

Aim
To set up a task team to develop and present a comprehensive framework that ensures community participation.

Actions

- Identify and approach research institutions, national, provincial and local authorities for data
- Establish a task team to meet and draft framework with help of consultants (facilitators)
- Mlulami Fani and Archie Whitehead to meet at least twice by report back
Group Four: Mayenzenke – Let it happen

Members
Steven Sack           Director CD - DACST
C Nhlimoyo            Director: Tourism WC
Colin Fortune         Arts, Cult. & Her - NC
Len van Schalkwyk     Amafa Akwazulu Natali
Leela Reddy           NATALLICCA
Gary Phillips         TURP
Nombulelo Mfeka       Cape Metro Tourism
Dumisani Sibayi       Nat. Monuments Council

Actions:
- Identification of existing structures – locally, provincially – which can feed up to national level. This would be done by lobbying Government, Business and Labour
- Invite existing associations to come on board to form a body
- Look for appropriate models and case studies of existing associations
- Identify existing structures, locally and provincially that can feed up to the national level
- Make national, provincial and local government officials available to consultants
- Leela Reddy – Gen. Sec. NATALLICCA to develop and present a draft document

Group Five: Marketing Information and Communication

Members:
M J Sikhosana         UGU
S Mbongwe             UGU
P J Zungu             UDW – Zulu Dept.
G A Zondu             UDW
B E Duma              UDW
D Tungwana            RIM

What is most important?
- Mobilise people at ground level
- Build linkages
Marketing strategy – domestic; national; international

Actions

- Audit of people with heritage assets at grass roots level – provincial responsibility
- Evaluate tourism potential of assets at a national and provincial level
- Website development
- Development of promotional material such as booklets, postcards, T-shirts, memorabilia and curios
- Education of stakeholders / communities

11. MOVING TO ACTION: A JOINT PROJECT AND A FIRM FOUNDATION

Heritage Tourism is clearly at a pre cluster phase and a detailed evaluation of the structure and process of this segment is given in Chapter 3.

DEAT and TCC held a series of meetings to review the issues raised at this workshop and to look at how best to provide a framework for moving to action.

The proposal arising from the national heritage workshop on 20 July was to explore the formation of a National Heritage Tourism Association.

The Deputy Ministers of DEA&T and DACST agreed to be patrons of such an association but requested that further work be done before proceeding.

A working group under Stephen Sack, Director DACST, and Louise Colvin, Director DEAT, met on 28th October to review the proposal.

The finding is that the formation of another association is premature, given the new Heritage Acts, the number of existing organisations and the current structures and that further work was necessary to determine the feasibility and role of another national association.

As a result a research project to facilitate community based heritage tourism development will be jointly commissioned by DACST and DEAT. These two departments will meet in order to investigate funding a tertiary institution. The project will focus on localised community development for nation building and would cover, but not necessarily be limited to, the following:

- Conduct an audit of the existing associations involved in promoting heritage and/or tourism
- Conduct an audit of the key cultural and regional initiatives, including the cultural heritage route projects within the SDI’s and NORAD, the World Heritage Sites and the Legacy projects
- Identify gaps or contradictions within the existing legislation
Develop a preliminary charter for heritage tourism
Develop a toolkit or guidelines for individuals, companies or associations to assist them to develop heritage tourism products

The outcome would be a recommendation on what mechanisms would effectively assist communities to become players in heritage and cultural tourism, which may or may not be the formation of a National Heritage Tourism Association

It is recommended that the respective Deputy Ministers be patrons of this project.

The project would draw on and consolidate the following resources, inter alia:

- The outcomes and recommendations of the Heritage Working Groups
- Local case studies or pilots that could be used as a benchmark for developing best practices
- Organisations involved in oral history and story telling e.g. Archives, DACST, SDI’s, EC Oral History Project, DCD, House of Traditional Leaders
- Tour guide training institutions and local tour guide operators plus the work being done by SETA, DEA&T, HITB, FGASA, Wits, UP
- Museums and Monuments
- Transnet
- Mining Houses
- SAMA
- Provincial and local tourism authorities
- Marketing initiatives under SATOUR and the Provinces, including the BASA initiative
- Current DEA&T initiatives for developing grading criteria within the tourism industry

**12. CONCLUSION: STRATEGIC INSIGHTS AND RECOMMENDATIONS**

Heritage tourism should be community led and business driven, with Government providing the enabling and policy framework.

As the consultants, we are of the firm belief that heritage tourism must be built from the bottom up and that community involvement is essential. This belief is also borne out by numerous studies and initiatives internationally, which prove that community led tourism initiatives tend to ensure the protection and maintenance of sites, whilst at the same time creating wealth and jobs for the community. (See information box below).
INFORMATION BOX

International Lessons for Community Involvement


Today urban heritage proponents in Latin America and the Caribbean are turning to local communities and the private sector to help design and carry out preservation programs that will serve their own economic and social interests. A broad based citizen participation and not Government proclamation is the only way to conserve heritage areas in the long term.

New Zealand: “Sell it or lose it” A dedicated institution designed to train young people in the ways of tradition and crafts has helped to revive ancient traditions through revenues from tourism.

12.0 Government’s role and limitations

On the other hand, for this community involvement to take place, Government needs to provide the policy framework and, more importantly, create an enabling environment in terms of capacity. At a minimum this should be advisory support for tourism initiatives i.e. sources of and access to funding, market information, presentation and packaging, marketing etc.

Legislation, policy and guidelines are critical issues and because of what is significant changes from one generation or government to the next, legislation must be up dated to keep pace with changing perceptions.

“The key to sustainable heritage management is understanding that although governments have a statutory commitment to conserve heritage resources, community involvement is vital for the identification of heritage places, for articulating why they are significant, and for maintaining significance by enabling people to draw economic and social benefits from them.”

12.1 Creating sustainable public private community based partnerships

Partnerships are the key means to extend the market from the relatively small, greatly motivated segment, to the larger but less motivated market segments. It is therefore critical to develop a cohesive, regional strategy, which creates those formal and informal links between the tourism and cultural sectors. Heritage and cultural tourists are also becoming increasingly discerning, so packaging and promotion critical success factors.

The community brings the product to the table. Unfortunately, this sector often faces a lack of financial and human resources, a lack of programming, marketing, business development and customer service expertise, and a

81 South African heritage legislation in Global perspective: Janette Deacon
limited understanding of spin-off benefits that can benefit them by attracting cultural tourists.

Theme parks and other tourist-related experiences have raised the bar so the tourism sector brings to the partnership those knowledge bases.

**INFORMATION BOX:**

The three basic how's: promotion, packaging, and partnerships.

Promotion functions primarily to increase consumer motivation to participate in cultural activities. It makes them aware that there are other activities that they could participate in when they're in a specific location.

Packaging increases consumer exposure to cultural activities thereby appealing to a larger market. There are several different types within the whole realm of packaging.

1. Packaging among cultural products of the same type. An example of that is passport packages among museums or historic sites, or theme packages.

2. Packaging among different cultural product types. For example, packaging between museums, festivals, special events, arts districts, and so on. The benefits of this type of packaging reduces competition among a larger number of cultural products, increases efficiency of product delivery by concentrating the products in a defined period of time or particular place. It increases perceived value for time and money spent. And most importantly it extends the market both geographically and in terms of these market segments to those who are motivated only in part by cultural tourism.

3. Packaging among cultural and noncultural products. Examples of this might be packaging based on the day of the week such as a weekend type package where you've got a hotel, the hotel might include free or discount tickets to cultural attractions of events.  

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82 [http://www2.planeta.com/mader/ecotravel/resources/rtp/rtp.html](http://www2.planeta.com/mader/ecotravel/resources/rtp/rtp.html)
Eco-tourism - The Development Of Dormant Assets

1. Introduction

This appendix serves as a chronological summary of the eco-tourism collaborative action process (cluster). It details the approach, the issues and opportunities, the outcomes of each workshop, the initiatives and the key players. The leanings, insights, recommendations and an evaluation of this specific intervention are in Chapter 4: Tourism Clustering Activities - Thematic of the Strategy in Action Report.

This theme is generally seen as one of the most successful and well-developed tourism products of the country and the region. It is a major source of foreign exchange, domestic product, income and employment. With its proven track record and existing infrastructure the theme represents a clear opportunity for addressing PDI participation through investment and substantial community involvement. Building on the success of this segment by fast tracking the development of dormant assets through public-private-community partnerships is regarded as an optimum option for moving forward. In addition, this course of action makes it possible for the theme to contribute to the economy at a national, provincial and local level by tapping into international, regional and domestic tourism markets.

On a global scale this theme also addresses the issues of the “Green Globe” initiative, the WTTC “Agenda 21” format and ‘Trans-frontier Parks’ for Southern Africa.

Finally, as market sectors or themes are key to building a tourism strategy, TLG decided to cluster at the thematic/segment level as part of a strategy to determine where best this approach would work in South African tourism. As important as the achievements of the process, through the commitment of the champions and participants, is the innovation and learning that has emerged around the successes and failures of this aspect of the work.

2. What is Eco-Tourism?

2.0 Definition of Eco-tourism

Within the tourism sector, a trend described variously as nature-based and eco-tourism has emerged as a strong segment over the past few decades. The prospects for expansion of this trade, based on both international and domestic visitors, are significant.

Historically, the increase of nature-based and eco-tourism worldwide was largely a result of the increase in awareness of the plight of the world’s dwindling biological diversity and a reaction against mass tourism and its demonstrative uncaringness of conservation issues. The conservation of
biological diversity is now seen as a priority of national governments and the general community.

The term 'eco-tourism' was originally defined as:

> Travelling to relatively undisturbed or uncontaminated areas with the specific object of studying, admiring, and enjoying the scenery, its wild plants and animals, as well as any existing cultural manifestations found in these areas.

(Caballos-Lascuirain 1988).

The National Eco-tourism Strategy of Australia defines eco-tourism as:

> Nature-based tourism that involves education and interpretation of the natural environment and is managed to be ecologically sustainable.

It recognises that 'natural environment' includes cultural components and that 'ecologically sustainable involves an appropriate return to the local community and long-term conservation of the resource.

There are many other definitions sprinkled throughout the literature and an academic industry that has thrived on the analysis of the 'eco-tourism' phenomenon. In the tourism industry as a whole the terms 'eco-tourism' and 'nature-based tourism' are almost always used interchangeably and indiscriminately.

It is the believe of the TCC that the concept of eco-tourism has already matured and developed beyond the original attempts at definition, that the whole industry is changing rapidly, and that elements of nature-based and eco-tourism can enter all segments of the tourism market. The future of nature-based and eco-tourism and biodiversity conservation is dependent on maintaining a flexible approach to their interrelationships.

This notion of change and breadth of concept was anticipated by the President of the Eco-tourism Society, David Western, who suggested that:

> There will never be a firm division between tourism and eco-tourism. Eco-tourists must define themselves as an avant-garde camp that brings out the best of the tourism market and provides a model for the rest of the world. (Wood 1992).

> Eco-tourism and nature-based tourism can form part of many types of travelers’ experiences, varying from a few hours of nature-appreciation, through to intensive long-duration tours of a month or more.

### 3. Objectives and Expectations for the Eco-Tourism Collaborative Action Initiative

The primary aim of the collaborative action initiative was to start a process that would involve as many of the stakeholders as possible and create a sustainable platform for driving tourism around eco-tourism attractions forward.
Specific objectives were as follows:

- To explore common issues and opportunities and prioritise those areas where the key stakeholders could and should work together
- To assist in breaking down the ‘silo approach’ created by the various departments, associations and institutions and build synergies between tourism and conservation organisations, academic institutions and communities
- To develop a pragmatic definition of eco-tourism and a working classification.
- To surface underlying issues especially those that are sensitive and therefore have the potential to derail implementation
- To prioritise issues that need to be addressed at a National level such as authenticity, commercialisation vs. preservation, involvement and exploitation of communities, standards etc.
- To provide a platform that will inform and assist related current tourism initiatives, such as international marketing
- To broaden the base of participation and create opportunities for SMMEs and communities
- To share the learning across provinces
- To identify opportunities for increasing revenue at a provincial level
- To build an information database for eco-tourism initiatives.

Existing Constraints in eco-tourism
4. PROCESS DESIGN

The process is depicted in Figure 6.

FIGURE 6.1 PROCESS

5. PREPARATION PHASE

5.0. Eco-tourism identified as thematic pilot March 1999

As indicated above defining the arena of eco-tourism is in itself a difficult process. To date no single definition of eco-tourism that is acceptable to all globally has been developed.

Eco-tourism, whatever its definition, provides the opportunity to be a tool for preservation and conservation of the environment as well as an engine for economic growth. Sustainable uses, at an appropriate level, of environmental resources produce viable economic opportunities for the tourism industry and host communities.

5.1. Definition of Eco-tourism for the process

The TCC put up a definition for the purposes of the cluster work only. It was also reiterated that the cluster was focussing on the development of dormant assets in the eco sphere. The definition was discussed with stakeholders and within the context of the focus was accepted.
“Purposeful travel to natural areas to understand the culture and natural history of the environment, taking care not to alter the integrity of the ecosystem, while producing economic opportunities that make the conservation of natural resources beneficial to local people.”

-Eco-tourism Society

5.2. Stakeholders identified

Who are the stakeholders and who should they be?

Historically the eco-tourism sector has been dominated by the state through the national parks and the private sector has been focussing on the high end of the market. In the context of the challenges of the new South Africa it was felt that this cluster was a good opportunity to use dormant assets as a working ground between the Public and Private sectors. Government has the additional responsibilities of macro economic growth and social development. The communities, on whose land this can be expected to happen or who would have some kind of vested interest, are critical to the long-term viability and success of this market segment.

Environmental and conservation issues as well as tourism in the region also need to be considered.

The full list of participants is attached.

**INFORMATION BOX**

The role of eco-tourism may already be historical

In a very dynamic industry the role of eco-tourism may already be historical; just as conservation groups have been instrumental in the 'greening' of Government bureaucracies, eco-tourism has been instrumental in the 'greening' of the tourism industry.

For example, in the Northern Territory, South Australia, Queensland and Western Australia, a number of the larger, more mainstream operators employ guides qualified in natural history and operate natural history tours in groups smaller than their usual size. Industry organisations such as the Pacific Asia Travel Association have rigorous environmental ethics and have supported wildlife projects. In the Northern Territory, the NT branch of Tourism Training Australia is perhaps leading the way in developing, jointly with the Northern Territory University, a Tour Guide Course which has a strong emphasis on interpretation and environmental and cultural sensitivity (W. Jones 1995, pers. comm.). Various tourism regional and Master plans promote a strong environmental ethic.
5.3. Interviews With Cross-Section Of Stakeholders

Quotes from interviewees

“Agricultural incentives have encouraged farming on land where it is often the least effective use of land”

“Why discuss dormant assets when half of the state’s operational assets are on their way to being dormant?”

“The money for tourism development is there, but these funds are not being applied because nobody knows how to access them or how to apply them”

“The big guys monopolise the game and hijack the best opportunities - nothing is left for the communities”

“Where do you locate a coherent strategy for eco-tourism? The provinces are under funded - the erosion of capacity at a provincial level is affecting their ability to deal with eco-tourism as a national priority”

“The SANP has a distinct lack of business management capacity. You can’t have scientists running a commercial operation. Tourism suffers”

“We must create products for the upwardly-mobile domestic market”

5.4. Main issues identified

From the interviews the main issues confronting this market segment was identified. This list formed the basis for discussion at the first workshop.

- Land Issues
  - Land tenure
  - Land use
  - Shortage of land vs dormant land
  - Concessions

- Finance And Investment
  - Access to private funds
  - Fast-buck orientation of the private sector
  - Risk aversity and development funding
  - Provincial funding
  - Infrastructure investment

- Community Involvement
  - Representation of communities
  - Access to finance
Appendix C3 Thematic Activities Page 227

- Lack of capacity
- Lack of knowledge of the tourism industry
- Ownership vs risk

➢ Tax And Regulatory Issues
  - Tax incentives for SMMEs
  - Creating an enabling environment
  - The institutional framework

➢ Lack Of Capacity
  - Capacity building processes
  - Skills and training
  - Knowledge of tourism
  - SATOUR’s accreditation of guides

➢ Products And Services
  - Creating an “African” flavor
  - Product diversity
  - Foreign and domestic demand
  - Unique products - linking eco-tourism with experiential/adventure/cultural tourism
  - Exploiting the tourism base

INFORMATION BOX
Cape Metropolitan Tourism Leads Push For Cape Town To Go 'Green'
First African city to join world-wide environmental programme for travel and tourism industry

Cape Metropolitan Tourism is leading the push for the Cape metropolitan area to 'go green' with the adoption of a world-wide environmental programme to improve and promote environmental practices, as well as to increase environmental awareness within the travel and tourism industry.

The Cape Metropolitan Tourism has joined organisations from more than 100 countries world-wide who are registered in 'Green Globe 21' - a world-wide environmental programme for the travel and tourism industry, - becoming the first African city to participate in the programme.

"The Cape metropolitan area is fortunate that we are widely endowed with many scenic attractions which distinguish it as a tourist destination of international status, but we mustn't overlook the fact that we need to treat our environment as a business asset. Maintaining a clean, healthy environment is essential to the future of the travel and tourism industry; both at an international and local level and everyone must play their part.

"These three things - the environment, people and attitude are the key to generating opportunities, while at the same time, promoting the tourism experience that cannot be repeated anywhere else in the world.

"The V&A Waterfront, the winelands, Table Mountain, Kirstenbosch Botanical Gardens and the Cape Point Nature Reserve are all among the most visited venues in the country and help in retaining Cape Town's reputation as South Africa's premier tourist destination.

Rick Taylor :CEO Cape Metropolitan Tourism

6. Mobilisation Phase

6.0. First workshop - 20 May 1999

Preparation

175 people were invited and 105 people attended.

The champions of the initiative were:

Mavuso Msimang: SANP
Rams Rammutla: Ntedi
Dave Varty: Conscorp
Overview of the workshop

4.2.1 Project overview

The tourism collaborative strategy and the position of the eco-tourism subsection therein was presented to the attendees. The aim of this eco-tourism workshop was to bring together as many of the key stakeholders in eco-tourism as possible so as to discuss the future development of this sub-sector of tourism and to develop action initiatives.

The consultants developed a programme aimed at answering the following questions:

- What is a cluster?
- What do we hope to achieve and what is in it for us?
- What is the structure of the Eco-tourism cluster?
- What linkages are important
- Where do we fit into the national context?

4.2.2 General discussion and Working group feedback

After the initial presentation by the consultants and the champions general discussion was held to identify some of the key constraints and opportunities in eco-tourism.

Constraints:

- Regulatory or officialdom not allowing access to assets
- Lack of capacity, skills and experience of local communities to develop
- Negative perceptions
- Marketing and awareness of eco-assets
- Infrastructure re access transport and communications
- Exclusion of host communities
- Land ownership resolution process
- PPPs with reference to community involvement
- No guiding framework for eco-tourism
- Planning capacity (Land use)
- Fragmented government: bad governance
- Limited integration and co-ordination of implementation and design
- Lack of securing opportunities re land tenures
- Financial institutions risk management methodologies
- Access to capital
Lack of local government and provincial govt capacity
Fragmentation of industry and government
Regional co-operation across national borders
Crime
Lack of community tourism awareness - need for a go-between
Lack of positive media reports
Provincial co-ordination
Perception of tourism as golden-goose: limits on money making potential
Access to funding: short term debt and long term funding
Hostility of communities to change
Lack of role clarity communities, parastatals and investors
No inventory of dormant assets (information)
Crowding out of private sector in conservation areas
Unregulated over development
Little demand development
Private sector coherence and institutional support
Implementation of improved policies very slow
Crumbling infrastructure
Capacity and financial support for communities
Guidelines for community involvement
Exclusion of communities in SDIs because of conflict of interest with state need for tax income
Lack of evaluation and ability to measure success
Incentives for developmental behaviour
Institutional capacity to facilitate
Guidelines for community involvement
Exclusion of communities in SDIs because of conflict of interest with state need for tax income
Lack of evaluation and ability to measure success
Service standards

Opportunities:
Job creation and economic growth
Education at all levels
PPPs in eco-tourism
- Best practice in PPPs
- SDIs can realise potential
- Packaging potential re eco, cultural, herbal etc
- Facilitating role of government
- African view: regional integration
- Biodiversity
- Regional co-ordination
- Dormant assets
- Sports, adventure, transformation
- Untapped entrepreneurial skills
- Development of land adjoining state parks
- Market focus to drive community development
- National learning network
- Creation of demand
- Addition of community to PPPs
- Skewed distribution of infrastructure
- Domestic marketing
- Inculcation of culture of tourism
- Relative stability
- Innovative financial models

### 4.2.3 Formation of Working Groups

After comprehensive discussion of the above-mentioned issues it was agreed to focus on ten main categories. Working groups were formed to ensure that this process moves from a discussion process through action and strategy to action. Initiative leaders were identified and the working groups proceeded to brainstorm the initiatives and develop cluster goals and action plans.

The ten working groups created were:

- Finance and funding
- Land: use, availability, tenure
- Regulatory framework: Governance
- Institutional issues
- Marketing
- Community involvement
- SMME issues
- Education, training and skills development
Case Study: A common vision for coastal tourism
Regional co-operation

4.2.4 Feed-back
From the feedback form collected, the workshop was a success.

1= Extremely poor  5= Excellent
Organisation:  4
Contents:   4
Overall:   4

The way forward
The decision was taken to convene a plenary session in July 1999 at which to review the feedback and progress of the working groups.

INFORMATION BOX
Tourism That Pays for Conservation

Each year in areas surrounding Nepal's Royal Chitwan National Park there is extensive loss of habitat stemming from a high population growth (the population is expected to double in 24.2 years) and the associated high demand for firewood and fodder. People living in these buffer zone areas derive more than 80 percent of their energy needs from forest products, and the resulting loss of habitat puts the long-term conservation of rhinos, tigers, and other large mammals in jeopardy.

To address this threat, the Biodiversity Conservation Network of the USAID-supported Biodiversity Support Program has funded a project to promote local guardianship of endangered species and habitats in the Chitwan buffer zone. The project includes a community-based eco-tourism component under the auspices of the Bagmara User Group Committee, which was granted land management rights by the Nepalese government in 1995.

In the locally managed forests, the Bagmara Group constructed nature trails for elephant-back safaris and a machan, or wildlife viewing tower, where tourists can stay overnight. Within the first six months of operation, the nearly 8,000 tourists visiting the Bagmara Wildlife Viewing Area generated more than $199,056 in revenues. Earnings from this first six months have helped the Bagmara Group refurbish three schools and one health clinic.

Of the $380,500 projected annual revenue from tourism to the Bagmara area, $187,000 will go to Nepal's Department of National Parks and Wildlife Conservation to support Royal Chitwan National Park, and $21,600 will be retained by the Bagmara Group. An area that had been largely deforested with reduced wildlife populations prior to this
conservation investment has now become a prime eco-tourism attraction with 17 rhinos, 2 tigers, 2 leopards, and numerous wild boar and deer.

7. OPERATIONALISATION PHASE

7.0. Working groups refine initiatives

Initial action plans after first workshop

Finance and Funding

Key Participants of the working group: see attached list

<table>
<thead>
<tr>
<th>Name: Eco-tourism Development Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description: Establishment of an agency to act as a gatekeeper between undeveloped smaller-scale and community-based eco-tourism initiatives and existing financiers.</td>
</tr>
<tr>
<td>Objectives: To create easier access to finance for entrepreneurs who lack technical skills and market knowledge, and thereby to allow new eco-tourism businesses to get off the ground.</td>
</tr>
<tr>
<td>Obstacles: 1) The scale of the problem in terms of the geographical size of the country. 2) Accessing resources to allow the initiative to function.</td>
</tr>
<tr>
<td>Action: Phase 1: Establish a task team to research the present status quo and to identify the real bottle-necks in the funding chain. Phase 2: Make recommendations for the establishment of an agency to achieve the objectives set out above and for its funding. Phase 3: Implementation</td>
</tr>
</tbody>
</table>

2) Land: use, availability and

Key Participants of working group: see attached list

<table>
<thead>
<tr>
<th>Name: Land Value Realisation Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description: Addressing issues of land use, land availability and land tenure in</td>
</tr>
</tbody>
</table>
the context of developing dormant assets.

**Objectives:** To facilitate effective community/PPPs on state/communal land.

**Obstacles:**
1) Lack of a clear process; lack of integrated planning.
2) Lack of understanding of tourism within communities.
3) Lack of understanding within private sector of communities’ aspirations with respect to land.

**Action:** 

1) Motivate a land-use plan.
2) Identify structures that represent communities and working models of community/PPP land development for eco-tourism.

**Action**

1) Recommend actions to give effect to the land use plan, eg. tax incentives for eco-tourism land-use.
2) Develop a “tool-kit” for communities and PPPs, comprising of clear steps regarding the process of state/communal land development for eco-tourism addressing land use, land availability and land tenure issues.

3) **Regulatory Framework: Governance**

Key Participants of working group: see attached list

**Description:** An institution that provides a one-stop, user-friendly, short-circuit facilitation service to Potential eco-tourism investors regarding regulatory and policy issues.

**Objectives:** To create an enabling environment by co-ordinating and integrating eco-tourism development regulations and associated procedures.

**Obstacles:**
1) Fragmentation of regulatory issues at national, provincial and local levels.
2) Lack of policy guidelines for development facilitation.

**Action:** 

1) Facilitate round table discussions on regulatory issues between national and provincial government and the eco-tourism.
2) Create the institutional framework for the establishment of a one-stop facilitation service.

**Phase 2**

1) Co-ordinate and integrate eco-tourism development regulations and associated procedures into a coherent “street map” for potential investors.
2) Establish the Central Eco-tourism Development Facilitation Service with representatives from government, the eco-tourism industry and communities.

4) Community Involvement

Key Participants of working group: see attached list

<table>
<thead>
<tr>
<th>Name:</th>
<th>The Commoners</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description:</td>
<td>To ensure community involvement in tourism.</td>
</tr>
<tr>
<td>Objectives:</td>
<td>To make recommendations for the formulation of guidelines, which will facilitate optimal community ownership of the eco-tourism development process and eco-tourism opportunities.</td>
</tr>
<tr>
<td>Obstacles:</td>
<td>1) No clear institutional context for formulating and implementing such guidelines.</td>
</tr>
<tr>
<td></td>
<td>2) Inadequate information matrix, which would facilitate the drafting of such guidelines</td>
</tr>
<tr>
<td>Action:</td>
<td>Phase 1</td>
</tr>
<tr>
<td></td>
<td>1) Draw up terms of reference for a National Working Group</td>
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<tr>
<td></td>
<td>Phase 2</td>
</tr>
<tr>
<td></td>
<td>1) Draw up guidelines – TCC to convene a National Working Group</td>
</tr>
</tbody>
</table>

5) Institutional Issues

Key Participants of working group: see attached list

<table>
<thead>
<tr>
<th>Name:</th>
<th>The “in” crowd</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description:</td>
<td>A group that will provide clarification of the roles at the various levels in the eco-tourism field.</td>
</tr>
<tr>
<td>Objectives:</td>
<td>To identify stakeholders; to provide clarification on role, responsibilities and linkages; and to provide decision-makers with recommendations.</td>
</tr>
<tr>
<td>Obstacles:</td>
<td>1) Institutional fragmentation.</td>
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<tr>
<td></td>
<td>2) Lack of co-ordination, capacity and national guidance.</td>
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<tr>
<td></td>
<td>3) Confusion on community institutional structures</td>
</tr>
</tbody>
</table>
4) Provincial anomalies

Action:
1) Institutional legislative framework assessment.
2) Identify the gaps.
3) Formulate ideal structures and define roles at all levels
4) Capacity audit
5) Formulate recommendations

6) SMMEs

Key Participants of working group: see attached list

<table>
<thead>
<tr>
<th>Name: The SMME group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description: To remove obstacles in the way of eco-tourism entrepreneurs that already own operations i.e. that neither fall in the category of big business, nor in the category of eco-tourism development/community development initiatives</td>
</tr>
<tr>
<td>Objectives: To gain an understanding of the real constraints facing small eco-tourism operators; and to provide SMMEs with an understanding of who the client really is.</td>
</tr>
<tr>
<td>Obstacles:</td>
</tr>
<tr>
<td>1) Institutional fragmentation.</td>
</tr>
<tr>
<td>2) Lack of co-ordination, capacity and national guidance.</td>
</tr>
<tr>
<td>Action:</td>
</tr>
<tr>
<td>1) Audit provincial tourism agencies, access information within existing agencies that may be useful and identify SMME operators involved in eco-tourism.</td>
</tr>
<tr>
<td>2) Investigate and develop financial products for SMMEs and mechanisms to access finance</td>
</tr>
<tr>
<td>3) Research avenues/mechanisms to promote big-small linkages in the eco-tourism industry</td>
</tr>
</tbody>
</table>

7) Regional Co-operation

Key Participants of working group: see attached list
Name: United States of Africa

Description: Presenting Africa (and its inter-regional structures) as THE eco-tourism destination of the world.

Objectives: To use the SDI methodology to select pilot projects with an environmental lead towards regional co-operation, understanding political and investment constraints, with a market focus.

Obstacles:
1) Sovereignty
2) Government bureaucracy
3) Protectionism

Action:
1) Select and promote pilot projects.
2) Catalogue African eco-tourism destinations and products, benchmarking them against global competitors.

8) Marketing

Key Participants of working group: see attached list

Name: Who is our eco-tourist?

Description: Define and implement a structured an on-going market research project to support the objective of identifying eco-tourism clients.

Objectives: To identify the eco-tourist clients in the domestic and international markets; to identify the eco-tourism products that match the needs of these domestic and international clients.

Obstacles: Who initiates and manages the project?

Who pays for it?

Who monitors the process?

Action:
1) Investigate the industry’s need for marketing data and willingness to pay for it
2) Analysis of existing product/ client data
3) Collate data in an indexed and easily accessible form
4) Define the format of data storage and access eg. CD, hard copy, website, regional info centres, etc.
5) Creates a user database and co-ordinate distribution of data
9) Education and Training

Key Participants of working group: see attached list

**Name:** Eco-tourism, Education and Training (ET-squared)

**Description:** To target three separate stakeholder groups with respect to eco-tourism training and awareness:

- The South African public – with the purpose of developing a domestic tourism market. Capacity and skills training for the tourism sector – hospitality/tourism/learnership training. Formal, tertiary education.

**Objectives:** To identify and log awareness and education programmes, tourism and hospitality skills training and tertiary accredited education.

**Obstacles:**

1) No concept of tourism in the broader public.
2) Training not available in areas with training needs.
3) Perceptual and behavioural obstacles to motivating South Africans to visit our natural heritage destinations.

**Action:**

1) Identify and submit a list of awareness and education programmes.
2) Publicise and gain support for the Tourism Learnership Project and other hospitality/tourism training.
3) Assess the amalgamation of Tourism and Conservation courses at a tertiary education level.

10) Dormant Assets: A Case Study of Coastal Tourism

Key Participants of working group: see attached list

**Name:** Bums on the Beach

**Description:** Development of dormant assets, in particular the vast and diverse coastline of SA.

**Objectives:** To integrate coastal resources into product packages; and to promote investment in coastal eco-tourism opportunities.

**Obstacles:** Land use, availability and tenure, infrastructure, fragmented legal and institutional framework,
Action:
1) To conduct a coastal asset review
2) To create a “mugs guide” for coastal eco-tourism investors
3) To eliminate some of the legal and institutional obstacles for potential coastal eco-tourism investors

Post workshop collation
The need to avoid overlapping initiatives led to increased impetus on coordinating and collation of initiatives at a thematic, national and local level. Ten working groups were formed at the first workshop, but these were reduced to six. This was achieved in the following ways:

5.2.1 The Working Groups formed at the 1st workshop:
1. Finance and funding
2. Land: use, availability, tenure
3. Regulatory framework: Governance
4. Community involvement
5. Institutional issues
6. SMME ISSUES
7. Regional co-operation
8. Marketing
9. Education, training and skills development
10. Dormant Assets: A Case Study of coastal tourism

5.2.2 The collation process
The restructuring of the working groups proved to be inevitable to ensure that efforts are not duplicated between working groups or between the thematic and national levels.

1) Investors’ Tool Kit for Eco-tourism development: Community, Regulatory and Land Issues

Investors’ Tool Kit for Eco-tourism development:
- Community Involvement
- Regulatory Framework: Governance
- Land: use, availability and tenure
2) Institutional Integration: A case study of SMMEs

Institutional Issues

SMMEs

Institutional Integration: A case study of SMMEs

3) Regional Marketing and Co-operation

Marketing

Regional Co-operation

Regional Marketing and Co-operation

5.2.3 The Working Groups, restructured:

It was thus evident that there were two main thrusts focusing on the enabling environment and four investigative initiatives:

a) Enabling environment

➢ Finance and funding

- Eco-Tourism Financing Intermediary

To create an agency that will act as a gatekeeper between undeveloped smaller-scale and community eco-tourism initiatives and existing financiers.

- Investors’ Tool Kit for Eco-tourism development:

  - “Tool-Kit” For Community Land Development:

    To develop a “tool-kit” comprising of clear steps for communities and PPPs regarding the process of state/communal land development for eco-tourism addressing land use, land availability and land tenure issues.

    - Eco-Tourism Land-Use Plan

    To motivate a land-use plan and promote the notion of incentives for eco-tourism land-use.

    - Eco-Tourism Regulator “Street Map”

    To co-ordinate and integrate eco-tourism development regulations and associated procedures into a coherent “street map” for potential investors.

b) Investigative initiatives

➢ Institutional Integration: a case study of SMMEs

➢ Regional Co-operation and Marketing
5.2 The finalisation of action plans

Before the next Eco-tourism Workshop it was imperative that each of the six working groups met. The purpose of the interim working group meetings is to:

- Finalise Action Initiative Business Plans
- Prioritise action initiatives.
- Choose a maximum of three action initiatives – they must be actions that can be implemented by the working group.
- Discuss these action initiatives in depth.
- Allocate tasks.
- Prepare a time schedule.
- Prepare for the 2nd Eco-tourism Workshop

7.1. Second workshop 12 July 1999 & consolidation of cluster

Preparation

90 people were invited and 57 people attended which represented the core of the Eco-tourism Cluster. Most of the representatives hold senior and decision-making positions within their organisations.

Presentations

Presentation of turnkey solutions

<table>
<thead>
<tr>
<th>Turnkey Solution : Presentation</th>
</tr>
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<tbody>
<tr>
<td>Leadership</td>
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<tr>
<td>Initiative Working Groups</td>
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<tr>
<td>Analysis</td>
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<tr>
<td>Orientation</td>
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<tr>
<td>Issue Working Groups</td>
</tr>
<tr>
<td>Organic Cluster Growth</td>
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<tr>
<td>Information Gathering and Preparation</td>
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<tr>
<td>Project Management</td>
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<td>Process Management</td>
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1999 The Cluster Consortium - Strategy in Action
Presentation on change and the relation to the cluster

Positive Response To Change

I. Uninformed Optimism (Certainty)

II. Informed Pessimism (Doubt)

III. Hopeful Realism (Hope)

IV. Informed Optimism (Confidence)

V. Completion (Satisfaction)

TIME

PESSIMISM

Report back by working groups

1) Finance & funding:
Due to the nature of the tasks it was decided that integration into the national task group would be the most efficient way to proceed.

- Integrated into National Tourism Cluster Finance and Investment Working Group
- All action initiatives integrated successfully
- Members of the group were gathering base information necessary for the formation of an Interface/Gatekeeper Agency between project developers (particularly small-scale) and financiers
- A meeting was announced to identify and discuss projects that have failed to find finance and the reasons for this.
- Champion - Martin Edge

2) Tool-kit for Eco-tourism development – two task teams exist:
This working group progressed substantially and presented two fully-fledged project proposals for informing the enabling environment. The full proposals follow:

- Community Issues (task team one)

The following plan therefore constitutes the proposals made by the Technical Working Team on Community Involvement.
1. Motivation
The nature of the problem which this team aims to address is simply the provision, testing and validation of guidelines for community involvement in eco-tourism projects associated with dormant assets which will guide the partners involved in the process namely investors, communities and the state.

2. Objective
The original objective of the initiative developed at the first Eco-tourism workshop was reworked by the stakeholders present at the interim meeting to read as follows:

“To (PHASE 1 - make recommendations for the formulation of) vs (PHASE 2-formulate) guidelines which will facilitate optimal participation of communities in the eco-tourism development process and the eco-tourism opportunities associated with the development of dormant assets”.

The core focus of the objective further relates to requirements for community participation, ownership, opportunities for joint ventures, partnerships, effective operations and value-added services. The following model which identifies conceptually the value-added services and related issues but which does not pretend to deal with issues such as ownership and the like is provided as a means to contextualise this focus and is linked to the description of the initiative provided in section 4 below.

3. Description of the initiative
The initiative aims to collect collate and synthesise all known sources of information related to the core objective by way of:

Phase 1
- data identification and information gathering
- extraction of data from sources defined
- synthesis of the data collected
- recommendations based on the synthesis

Phase 2
- Formulation of draft guidelines
- The testing and review of the guidelines and
- The production of final guidelines for use and implementation
- Output from Phase 1

This would be a clear picture of:
- The kind of data available
- What has been done to date
- What the sources of information are
An extraction if information in terms
Successes and failures
Commonalties
Priority areas
A write up of the findings with a series of recommendations for phase 2 Ito
Guidelines
Research needed
Validation processes required
Workshops that may be needed
Pilot projects that could be used to test

4. Obstacles
A reality check on the obstacles defined at the initial workshop revealed that the only real obstacles to implementation of this initiative was access to information which all stakeholders agreed already existed in one form or another. It was noted that the SDI process, the Cabinet Investment Cluster (CIC), the Departments of Trade and Industry and of Finance, DEAT and the Cluster Consortium itself offered mechanisms to free up information if required.

The need to mobilise and resource people (consultants / organisation’s) to actually do the work was an issue that required attention. The quit pro quo would be to understand on the one hand that the programme was being undertaken in a national interest but that on the other and people would not be able to provide inputs and intellectual property to a process without some form of compensation. Affordable costing within such a paradigm is proposed.

5. Key next steps and dates
The community involvement team discussed the objective and work programme for the team and agreed on the key elements and responsibilities. It was agreed that the company METAPLAN would coordinate the process and that this involved:

- Drafting the business plan proposal and circulating this to all - 24th June
- Obtaining inputs from the team members as to their specific area of expertise more specifically what the members could provide in terms of inputs and support – 28th June
- Detailing and packaging the work programme in terms of a core implementation team – 2nd July
- Quantifying as a group the resource requirements for a two phased approach to completing the exercise – 7th July
Presenting the work programme to the Eco-tourism Workshop – 12th July

6. Resources
This section is to be finalised following inputs from all team members and as an outcome of the Workshop of 12th July 1999. However it is anticipated that the work on Phase 1 will be completed at a lower than market rate. Metaplan is of the opinion that there will be some 30 documents to be reviewed and has estimated the total budget for phase 1 at R35000.00. The budget requirements for phase 2 would be determined as an outcome of phase 1

7. Leadership
As indicated in section 6 above it has been agreed that Metaplan would lead the Community Involvement Task Team and would report to the chairperson of the newly formed work group on “Investors’ Tool Kit for Eco-tourism Development: Community, Regulatory and Land Issues”. It was further agreed that this would be for the duration of Phase 1 and that it would then be up to the Cluster Consortium to mobilise the same team or a new team if necessary to complete the Phase 2 exercise.

Champion: Sean Elliffe, Metaplan, 012 – 654 6656, seanel@mweb.co.za

- Land and Regulatory Issues. (Task team two)

Opportunity

- The creation of a toolkit (continually updated which will guide investors/developers through the regulatory framework governing land and environmental matters as part of an integrated eco-tourism development management system in South Africa.

- The creation of a one-stop quality government service to developers. This will guide and assist investors/developers to realise and expedite their development objectives in utilising dormant eco-tourism assets to the benefit of the eco-tourism resource base (natural & cultural components), the host community, the tourist/visitor and the tourism/travel industry.

Approach

- A small core team, comprised of three to four persons with in-depth theoretical and/or practical knowledge of eco-tourism development who will drive the process (mandated by the cluster to

- Do the spade work to compile a draft of the toolkit (i.e. handhold guide of relevant legislation, regulations and decision-making procedures);
Actively seek inputs from the larger task team;

Debate the draft with knowledgeable resource institutions/parastatals, government departments (national, provincial and local) and individuals by eliciting comments on draft documents and/or workshopping such documents;

Liaise with other relevant working groups; and

Initiate discussions to find a home for the one-stop government service

Blockages

The process is dependent on

Receiving a mandate from the cluster to proceed;

Identifying a champion to drive the process; and

Adequate funding (estimated at +/- R60.000-00).

Achievements to date


22 June 1999: Interim meeting of restructured working group dealing with community, regulatory and land issues. Decision to split into (1) community issues and (2) regulatory and land issues.


Other: Duard Barmard has made two documents available to the working group. These deal with the legal components of Tourism Development.

Future: Dependent on the matters raised under Blockages above

Champion: Prof. Phillip Hattingh, Tel. (012) 361-2354, toudema@iweb.co.za

Education, Training and Skills – It was agreed that integration with the national working group was the best way to proceed.

Institutional Issues: SMME – It was agreed that integration with the national working group was the best way to proceed.

Marketing and Regional Co-operation - It was agreed that integration with the national working group was the best way to proceed.

Dormant Assets: A Case Study of coastal tourism- This group disbanded
Open-session discussions

After the presentation of the status of the various working groups a general discussion was held on issues which related to the cluster as a whole.

Josie Rowe-Setz led discussions on:

a) Resources for working groups

b) Architecture of Eco-tourism Policy

a) Resources

The working groups identified that financing was required to complete the first phase/pre-project phase of their action initiatives. This issue presented itself as a stumbling block.

After much discussion and debate, it was decided that the costs of this work should neither be regarded as an industry responsibility, nor purely as a government responsibility. Instead, they should be considered as development costs, and hence should be borne multilaterally, or by development agencies. Appropriate sources for funding are therefore:

- DBSA
- Land Bank
- NBI
- Khula
- Ntsika
- ISA
- NGOs
- International Aid

Accessing these funds would however take time. In the long-run access to these funding sources should be investigated and processes simplified. In the meantime temporary measures should be taken to source funding.

- Request that the Tourism Authorities fund, in particular, the Tool-kit for Eco-tourism development, as the outcomes of this working group would be most relevant and useful to the tourism authorities.
- NGO funding should be investigated
- The notion of a Cluster Trust arose when some attendants suggested that a larger-scale funding mechanism be established to deal with the funding issues relating to ALL the working groups that are part of the Tourism Cluster countrywide

b) Architecture of Eco-tourism Policy

After much debate, it was concluded that Eco-tourism policy should not be formulated by government. It should arise from the private sector and out of current practice. The industry operates very effectively on many levels –
does not need a new policy to guide these practices – rather; policy should be formulated on the foundations of such practices. The main points of the discussion are summarised:

- Policy is ultimately a PPP.
- Principles should be in place first, before policy is drafted.
- Policy should not be rewritten. Rather use a document such as the one drafted by Geoffrey Lipman as a starting point, and tweak it slightly.
- Policy itself is not the problem; rather, it is the implementation of policy that needs attention. Policy blockages need to be addressed, and mechanisms need to be established to address them.

**Feedback**

The feedback forms that were collected afterwards averaged:

1 = Extremely poor  
5 = Excellent

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**8. Continuity Mechanisms Phase**

**8.0. The way forward**

Where does the eco-tourism initiative go from here?

The toolkit task teams have been able to secure funding through the Development Bank of South Africa to implement their action plans. Formal and informal networks have been formed and cross-pollination on many issues has taken place. Government and the private sector have formed a co-operative relationship. The enabling environment for this theme has been explored and many challenges and opportunities have been identified.

The participants in the process have indicated that the initiative should be continued under the auspices of the Development Bank of South Africa. It is felt that the development of dormant assets is a developmental issue at its core. In addition, centers of excellence should be developed at educational institutions to advance the understanding of this market segment. Government and the private sector should continue its efforts to enhance the effectiveness of the enabling environment, especially as far as land issues are concerned.

Once the enabling environment allows for accelerated sustainable development of dormant assets a change in focus of the initiative will be evident. The focus will shift from the enabling environment to the development of specific market segments such as eco-tourism.
The development and implementation of the National Eco-tourism Strategy – Australia

Commonwealth Government (Australia) has committed $10 million over the period 1993-97, to fund programs for the development and implementation of the National Eco-tourism Strategy. A series of eight Commonwealth Government priorities and programs have been framed, dealing with accreditation, market research, energy and waste, infrastructure, education, baseline studies and monitoring, integrated regional planning, business development and conferences.

Profiles of tourists

At this time it will be vitally important for the industry and government to gain a clearer understanding of the profiles of tourists. This information can be used to determine which kinds of natural areas may be sought by tourists in South Africa, as well as identifying potential impacts on the relevant ecosystems.

Information required included general socioeconomic characteristics, the types of nature-based activities that are typically undertaken, and demands for different kinds of natural environments, particular features or species of plants and animals, and levels of satisfaction received in relation to expectations built by advance promotional information.

From an economic perspective tourist profiles can be important in designing and delivering tourism packages and supporting infrastructure. With improved predictions of future trends in nature based and eco-tourism markets, appropriate planning can be undertaken to meet consumer preferences, structure the industry accordingly, and implement effective anticipatory measures to avoid or minimize potentially adverse environmental impacts.

The real needs are for better understanding of all tourists' preferences in travel and experiences, their current and past levels of satisfaction with tours and travel experiences, how best to deliver the message of ecologically sustainable tourism, how to provide returns to the environmental resources, and how to best identify key natural features or aspects which appeal to tourists without diminishing them in any way.

It is recommended that primary surveys and analyses of data be undertaken to improve general understanding of the whole tourism market's attitude to and preferences for the natural and traditional cultural environment.
**INFORMATION BOX**

**Key aspects of this unique outdoor market. – Mahoney**

Some key aspects of recreation that must be considered in developing an understanding of this unique outdoor market.

Ten of these principles are outlined below and express the uniqueness of the outdoor recreation product compared to a typical consumer product:

1. Outdoor recreation experiences are consumed on site, well away from home.
2. Travel costs to the site often far exceed the costs at the site.
3. It is a package of facilities and programs that attracts people to a site or area.
4. Recreation experiences are ephemeral and experiential; they cannot be possessed except as memories.
5. The production, delivery, and consumption of the recreation product occur simultaneously.
6. The consumer is actively involved in the production of the experience, both their own and those of others.
7. Poor recreational experiences cannot be returned for a refund.
8. Recreational sites and experiences are difficult to assess before purchase; therefore, word-of-mouth from friends and family is an important choice determinant.
9. Recreational products cannot be stockpiled during periods of low demand and sold during times of excessive demand.
10. Important aspects of the recreation experience occur before and after the on-site participation.

---

*Measuring the economic benefits of nature based and eco-tourism*

The economic benefits of nature based and eco-tourism can be measured in terms of the total economic value that they yield to the community. Economic benefits are customarily measured using the techniques of benefit-cost analysis, and are distinct from financial values which are associated with market transactions and cash flows of governments and private enterprises.
Total economic value has several components:

- Direct use values, such as those derived from recreational and educational experience in natural areas.
- Option values, comprising the value placed on having an opportunity make use of natural areas at some future stage.
- Vicarious use values, referring to the value derived from knowing about the direct experiences of other people.
- Existence values, or the value associated with the knowledge that natural systems or species continue to exist.
- Bequest values, or the value derived from the ability to bequeath natural assets to future generations.
- Quasi-option values, which refer to the value obtained from delaying exploitative actions to learn more about the potential threats or risks to natural areas and the strategies or management practices that may be put in place to avoid or minimize adverse impacts.

An economic evaluation of eco-tourism should include an assessment of public sector investments and other costs required to support eco-tourism activity, such as roads, airports, water and sewerage and costs of managing natural areas, including information systems.

Other indirect effects of eco-tourism may also be included in an economic evaluation. For example, if there is significant unemployment in a particular region, eco-tourism may create new job opportunities. The value of such employment would be an important element in a benefit-cost analysis.

It is recommended that such information be widely disseminated to representatives of the tourism industry and to government policy makers to demonstrate the need for ongoing and improved environmental management of these special areas. Economic benefits can support the case for biodiversity conservation. Additional economic studies should be undertaken to strengthen the understanding of the nexus between the two.

9. LIST OF PARTICIPANTS

We would like to thank all the participants that have made this process a success.

9.0. Working Group: Finance

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<td>Hamish Gilfillan</td>
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<td>Phillip Hattingh</td>
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<td>Duard Barnard</td>
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<td>Duard Barnard &amp; Associates</td>
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<td>Jennifer Smith</td>
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<td>Leonard Seelig</td>
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<td>Jeremy Anderson</td>
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<td>Science on Safari</td>
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### 9.2. Working Group: Tool-Kit: Community Involvement

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<td>Africa Resources Trust</td>
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<td>Zanele Chitepo</td>
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<td>Gauteng Tourism</td>
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### 9.3. Working Group: Institutional Issues: A Case Study Of SMMEs

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9.4. Working Group: Education And Training

Victoria  Clarke   DBSA
Tania  Slabbert  Women's Investment Bank

9.5. Working Group: Regional Co-operation and Marketing

Mark  Eardley  Rod & Reelafrica/Fosaf
Chris  vd Merwe  Journalist - Ecotourism
Africa
Herbie  Rosenberg  Game Lodge - Sabisabi
Anton  Thompson  Thompson Tours
Alan  Louw  Tourvest
Monica  Graaf  Out There
Joseph  Hlabangane  Satour
Bruce  Rubidge  Palaentologist
Edwin  Ritchken  TCC
Andrew  McKenzie  Wildnet Africa
Paul  Bannister  CC Africa
Valerie  Taylor  The GSA

9.6. Regional Co-Operation

Rekwele  Mmatli  SDI
Andy  Dott  Drifters/SA
David  Varty  CC Africa
Jurgen  Kogl  Khula Consulting
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### 9.7. Independents & Governments

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Appendix C3 Local Activities

A. Valley of the Olifants Local Cluster

1. Introduction

The selection committee chose the Valley of the Olifants because:

- This region is part of the Phalaborwa SDI, which is just starting up.
- It is rural and underdeveloped.
- It is close to the Kruger National Park and other game reserves making it less remote and more accessible than other rural regions thus increasing its market potential.
- It provides strategic learning for a rural setting.

In addition to these reasons there were other factors which made the area interesting.

- It is a large area containing reasonable sized towns and we needed to determine the optimum size one can work with.
- Kruger offers opportunities to involve communities on its border
- The role of trans-frontier parks
- The need to replace the declining economic activity from mining with an alternative.

2. Initial Situation

2.0. Introduction

Initially the cluster was to be based on the broad area of the Valley of the Olifants in the Northern Province Lowveld. The 1st workshop agreed to focus on the Valley of the Olifants. Subsequent events moved it to the more narrow focus of the Valley of the Olifants organisation.

The organisation then focused its efforts on its Community Tourism Associations members. The local pilot was then based on the the 4
Community Tourism Associations in the Valley of the Olifants region - Letaba, Phalaborwa and Byadladi initially. Bushbuck Ridge and the Giyani area were added later in the project. See the Map as Figure 1

**FIGURE 1 VALLEY OF THE OLIFANTS**

*International*

The Northern Province receives approximately 7% of South Africa’s international visitors with 82% coming from Europe. The Province is concerned about a drop in the length of stay from 7 nights in 1996 to only 5.4 nights in 1997.

At the local pilot level statistics are much harder to gather but at the 2nd workshop it was estimated the Valley of the Olifants receives 70,000 international visitors. The Phalaborwa gate receives 100,000 cars pa but only a small % actually stop in Phalaborwa.

*Domestic*

Northern Province has also experienced a drop in its share of the domestic market – down to around 5.5%. Gauteng is the most important source of domestic visitors.

*The Role of Kruger*

Kruger Park is the drawcard attraction in the area. The gates at Phalaborwa and others offer a strong opportunity to develop around the main attraction. A strategy is required to keep visitors in the region either before or after their visit to the Park.

The possibility of a gate at Giyani has prompted its CTA to join the Valley of the Olifants organisation and Valley is giving all the help it can to establishing the gate.
Of course Kruger isn’t the only game in town. There are in excess of 13,000 beds in game lodges in the province so an eco — game — cultural experience is relevant.

2.1. Local Economy

Estimated at 60-70% of NP GDP, mining, including the largest open-cast copper mine in the world, is the dominant economic activity in the area but it is phasing out. In Phalaborwa the mines are subject to increasing retrenchment and one will be decommissioned in 25 years. Tourism is seen as the major substitution activity.

Ironically the transition is already underway. Some of the facilities, like the Hans Merensky Club, built for mining company executive staff, are already tourist facilities. The transition isn’t moving fast enough for some – The Phalaborwa TLC did not have a tourism committee until recently. The Valley of the Olifants tourism cluster is mapped figure 2.

FIGURE 2 VALLEY OF THE OLIFANTS CLUSTER MAP

2.2. The Role of the Government

The Northern Province Tourism Board has a number of social and economic goals for its involvement in tourism. To achieve these goals it has developed some big ticket projects like the Golden Horseshoe, the Ivory Route and support for trans-frontier parks.
It is aiming for public-private partnerships to deliver its social and economic goals. The province’s strategy for commercialisation of some of its game reserves for community development and involvement in tourism is very advanced. The gap between policy and practice is a subject of some concern in the private sector with only one reserve being commercialised so far.

2.3. Pre Cluster Initiative

There has been a chequered history of trying to advance the concept of a Valley of the Olifants organisation but we inherited a dormant initiative. Although stalled, the groundwork put into the concept meant that our approach for a cluster initiative wasn’t entirely foreign although it was met with suspicion – “just another VOTO meeting”.

2.4. Other Tourism Initiatives

The other initiatives in this area are:

**SDI**

The Phalaborwa SDI run by DBSA has a tourism dimension, which is in the project identification stage. We wanted to achieve synergy between the two initiatives and had several meetings to facilitate cooperation. The relationship has grown to the point where the Valley of the Olifants and the SDI are focusing on the commercialisation of Manyeleti Game Reserve and the involvement of the Bushbuck Ridge community. It has had discussions with the Valley of the Olifants and fully intends to work closely with it.

**Infrastructure Report**

Infrastructure Report recommends developing the route between Phalaborwa and Nelspruit as a feeder link to increase visitor numbers into the area. This is an important addition, as it would move visitors to the North from Mpumulanga and the Maputo corridor.

Section 10 of the report suggests establishing the Pietersburg to Phalaborwa tourist route. This route is already a significant tourist entry point to the Valley and any upgrading and development of Tzaneen and Phalaborwa as distribution points would be beneficial.

**Central Lowveld Cluster Biosphere Initiative**

This project is a means to address the need for Integrated Environmental Management by using an internationally recognised framework. The project has the potential to assist tourism with a role in destination branding and

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84 Review of Infrastructure in support of international and domestic tourism development, KPMG, May 1999, Section 12.

85 Peter Norton and Associates.
by offering a mechanism for community involvement. Indeed its proponent, now on the Valley of the Olifants board, is a staunch advocate of community involvement. Obviously the Valley of the Olifants sees benefits in the linkage.

3. TCC Process, Current Status

This is a brief review of the activities undertaken in Valley of the Olifants between May and August 1999, and the status of the clustering initiative on completion of the pilot. A fuller account is given in Annex 1. A report on the key April workshop is presented in Annex 2.

3.0. Workshops

The process was kick started with the formation of an interim leadership group with Michael Gardiner nominated by the NP Government as champion. This group arranged the first local workshop on 3 May 1999 and achieved a high level of business sponsorship for the event. The general process is outlined in Chapter 3.

3.1. Vision

The first step at the workshop was to agree on a vision and ensure that it complemented the National and Provincial visions.

3.2. Second Workshop

The second local workshop was held on 3 August under the auspices of Valley of the Olifants organisation. By this stage the organisation had gained a full head of steam and under the leadership of its new champion/chair had taken control of their own destiny.

3.3. Integration with Provincial Government

Although the project was nominated by the Northern Province government as a local pilot, and a representative was involved in the initial meetings, it subsequently chose to keep at arms length to avoid charges of favouritism.

With its new independence the Valley of the Olifants organisation distanced itself from the provincial government. So much so that the government seemed genuinely perplexed by the pace at which things were moving and wanted it slowed down.86

If the organisation achieves its goals of increasing visitor numbers it will have assisted the Government to achieve their social and economic goals.

3.4. Integration with National Initiatives

There are a number of National and Thematic level initiatives, which can provide synergy at the local level.

86 Interviews
A national integration model outlined in Chapter 6 offers strategic insight to the needs of tourism development and the prospects of integration with national activities.

Issues to be dealt with at a National level

- International airport gateway in the Northern Province
- Access to funding and Investments
- Community development & land tenure issues

**National**

At the national level the cluster project has developed several initiatives, which have been or are capable of being integrated within the Valley of the Olifants local pilot.

The HITB Interns scheme has been introduced to the area and further action will be undertaken to develop it.

As the NBI and related initiatives take off, funding for activities generated within the Valley of the Olifants cluster is likely to be made available.

**Thematic**

Valley of the Olifants has a strong eco tourism emphasis. The activities in the eco tourism theme will be able to be integrated into the local cluster. There are less international level heritage attractions in the area but cultural diversity; history of Tsonga, Venda and Sotho cultures can be blended with a game experience. Of course the Modjadji Rain Queen legend is a story worth telling.

**3.5. Black Economic Empowerment**

Often linked with community involvement black economic empowerment is reasonably strong issue in the area from the Government’s perspective. It was raised in the First Local Workshop and remains on the table.

However it is less of a priority to the Valley of the Olifants organisation, although they did ensure participation of Bushbuck Ridge.

**4. Valley of the Olifants – Next Steps**

The elements of the forward agenda identified here will be refined at the nodal and cluster level as determined by the group’s own priorities. The focus of these comments reflects the scope of the pilot project and therefore concentrates on the process of moving forward rather than the detail of the action agenda itself. The comments are based on the workshops, the interviews of senior players and The Tourism Cluster Consortium's understanding of the opportunities and constraints facing the cluster. A more detailed strategic review of the cluster was beyond the scope of this project.

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87 As presented at N3
4.0. Life After Workshops

This cluster has a strong momentum of its own. It is under strong leadership and very commercially focused.

No one is sitting back and assuming that the Government will do it. The group is not looking for Government handouts. If the government isn’t doing it this group will eg Pot hole patrol, Litter Patrol. Official Tourism activities at all governmental levels are typically under-resourced.

4.1. Funding challenge

Unlike Fish River, Magaliesberg and Khayelitsha, the Valley of the Olifants is already self-funding by its membership and sponsorship. It will raise enough for operational expenses and some marketing without a significant project “fund”.

4.2. Communication Issues

Internal

Internal communications are aimed at promoting the organisation’s services to attract members. Communication with wider stakeholders should become a priority over coming months.

External

Externally, the cluster is developing a marketing campaign to promote the Valley of the Olifants to its key external audiences.

4.3. The Eastgate Strategy

The promoters of international status for Eastgate airport see it as an essential ingredient to making the Valley a truly international destination and addressing some fundamental weaknesses in the area’s tourism mix.

They have a range of services to ensure that benefits will occur.

- Positions in computer booking systems
- Airline – On Safari will fly from London (it has slots at Heathrow) and distribute passengers throughout the Valley with feeder services.

4.4. The Graduation Strategy

Domestic tourism has acted as a graduation strategy to international status. The domestic facilities in the region are quite capable of servicing the needs of the backpacker and FIT markets. Some facilities are of international standard already.

Kruger is already graduating and has increased the proportion of international visitors from 10% in 1995 to 20% last year.

4.5. The Essential Dilemma

The vast majority of product owners and “movers and shakers” in the area are white which has been reflected in the participation of our workshops.
Unfortunately the previously disadvantaged communities for whom governments have become involved in tourism are only represented in these forums by proxy or third parties. It is simply too difficult for these groups to become directly involved.

Government has a social mandate to involve the previously disadvantaged and although it is not overt or probably even intentional the product owners can look like a “closed shop” to the outsiders.

If Government wishes to widen participation in these forums it needs to accept responsibility to make it happen, i.e. organise and pay for participation.

In the Valley of the Olifants the problem is exacerbated because the CTAs are perceived as being the mouthpieces for the product owners. Not surprising as the product owners pay for the CTAs through membership fees. The Valley of the Olifants organisation is therefore perceived by many as an even larger mouthpiece for the product owners and not as “representative of wider communities”. This questions its legitimacy in the eyes of the government and some groups.

We certainly found that on these issues the government’s priorities differed from the priorities of the Valley.

The Valley of the Olifants organisation argues that it has embraced a level of representativeness by including the Bushbuck Ridge CTA in its organisation and waiving the fee. The Valley of the Olifants has provided a forum in which Kruger and the Bushbuck Ridge communities can air issues between them for the first time.

4.6. Regional Identity

The group believes that the potential of this area will be enhanced by promotion of the Valley identity. Both incarnations of the Valley of the Olifants organisation recognised the potential of identity and developed logos and brochures.

5. Strategic Learning

5.0. Neutral Corner

Without the cluster initiative the Valley of the Olifants organisation would not have happened. The original organisation had characterised itself as enthusiastic amateurs and acknowledged their frustration at not being able to progress the issue. There was a tendency, not entirely overcome, for the CTAs to protect patches and narrowly define their interests.

The neutral corner offered by a national initiative provided the forum that opened the dialogue and set events in motion.

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88 Interviews

89 Address to operators by the then Chairman of Valley of the Olifants (Pty) Ltd, September 1998.
5.1. The Commercial Imperative

A happy coincidence of self-interest sustains this group.

Firstly, the group attracted the interest of Terry Bengis who was contracted to assist the achievement of international status for Eastgate airport. The Valley of the Olifants initiative was a way of strengthening tourism in the area, which would offer significant benefits to an airport and its customers.

Secondly, Terry’s strong commercial focus that translated into a provision of direct commercial benefits attracted Valley members and enabled them to overlook a strength of character which may have been intimidating in the past.

All in all a natural synergy occurred and mutual beneficiation between consenting businesses is the order of the day.

5.2. A Minimal Role for Provincial Government

There is no doubt that on its present course, Valley of the Olifants organisation sees a minimal role for the Provincial Government in its activities. It is certainly more minimal than was originally envisaged when the Provincial Government nominated the project.

Doubtless Michael Gardiner, the originator of the scheme, who is now a consultant to the Provincial Tourism Board, will keep a watching brief on developments.

There is no evidence that the minimalist role has hindered the narrowly defined commercial focus of this initiative.

5.3. The Big Audacious Goal

The prospect of an international airport in the area creating a large pie to feed the industry unified the players.

5.4. Strong Leadership

The champion is a mover and shaker of note. He moves in influential national circles and shakes free of any hindrances to the group’s objectives. This modus operandi is not to everyone’s taste but even the detractors acknowledge that things are moving in the Valley. Having a champion of this stature brings additional resources to the table eg sponsorships, access to SATOUR board members etc.

The opposite side of the coin also applies. Has the organisation put all its eggs in one basket? Is it vulnerable if for any reason the Chairman is unable or unwilling to carry on?

The strength of a sustainable clustering process is its spread of leadership and mobilisation of talent.

5.5. A First Generation Cluster

At present the Valley initiative with its company structure and narrow focus on marketing to benefit the membership is a first generation cluster. As the initiative evolves it will need to broaden its agenda and drive as a team.
By the end of June the initiative was fairly self sustaining and we had effectively been rendered redundant. Given that self sustainability is a goal of clustering, we need to acknowledge the positive side of this independence.

5.6. Major Stakeholders
Should they be involved?? On balance we have come down on some form of involvement.

5.7. Size
Smaller the better. This achieves a closer link between effort and benefit. A team of people who know each other and interconnect well can make things happen.

6. Conclusion
Amongst the four pilots this has taken a very different yet positive path. It demonstrated that strong leadership is extremely valuable in the starting phase of a cluster initiative.

The cluster was able to survive without the direct support of the provincial government showed that a direct commercial approach can attract membership and support.

7. Annexes

7.0. Leadership Group
The reconstituted leadership group is:
Terry Bengis, Chairman
Saul Basekin, Deputy Chairman
David Hilton-Barber
Christa Groenewald
Debby Tattersall
Michele Kruger
Cynthia Fagan
Rezne Deeks (subsequently left)

Joris Bertens

Dorian Baldwin
Eleen Joubert
7.1. First Workshop 4 May

Participants

330 invited, 103 attended. SMME’s, Government, Associations and Tourism operators well represented.

Labour, Communities, Women and education also represented.

Issues identified

- Marketing
- Cooperation, Communication and Leadership
- Education training and awareness
- Product Development
- Community involvement

Each of these had a series of meetings to develop the action plan around the issue.

The leadership group met twice and restructured these issues to better meet their needs. It emerged with a strong marketing focus and the new groups were:

<table>
<thead>
<tr>
<th>Working Committees</th>
<th>Focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products</td>
<td>Plan, budget and implement measurable projects / products. Also included here are functions of the old &quot;Community Involvement&quot; and &quot;Awareness &amp; education&quot; WG's. Projects / products include - Signage, Potholes, Garbage, Makuleki Community, Manjeleti game reserve (Bushbuck ridge community) and VOTO quality and service standards.</td>
</tr>
<tr>
<td>Competitive Information</td>
<td>Gathering market intelligence.</td>
</tr>
<tr>
<td>Distribution</td>
<td>Ways to attract and distribute tourists. Main project (and main focus for chairperson) International status for Hoedspruit airport.</td>
</tr>
<tr>
<td>Promotion</td>
<td>Logo, Valley identity and Valley brochure</td>
</tr>
<tr>
<td>Finance and membership</td>
<td>Finance and membership</td>
</tr>
</tbody>
</table>
7.2. Mentoring Meetings

A very important part of the clustering process are the mentoring meetings between workshops.

Schalk Fisher a member of TCC attended meetings on 23 May with each of the workgroups to progress their action initiatives.

7.3. Northern Province Tourism Workshop of 23 April

In the middle of the process the Northern Province Tourism board held a workshop on tourism which increased the awareness of tourism among stakeholder groups in the province. The TCC made a presentation about the cluster process.

7.4. 2nd Workshop 3 August

The Valley of the Oliphants organisation was launched on 3 August and the occasion was less of a workshop but rather a launch. The theme of the occasion was “Your formula for success”.

There were reports on each of the working groups.90

Product. There is no standards. eg potholes, too many signs, garbage. Tourism roads were first priority in collecting garbage, SAPI buying paper. Pot hole patrol has been initiated.

Standards. How do we know the standards? Will be policed and help develop to a standard. So clients will know the standards

Pricing. How do we compete with Australia, Mpumulanga? Airfares are too high. Need the airport development and airline.

Distribution

How to get the product in the marketplace. Make sure it comes on computer. Lufthansa multihost package establishment can come on line and only be charged per transaction.

How to get people here? If tourists fly to J’burg it is easier to send them south or Mpumulanga. New Airline On Safari into Eastgate. Has 6 slots at Heathrow. 6 days a week. 200 tourists every day.

Will also offer help for Tzaneen. 3 Beechcraft will be financed to fly from Eastgate to local airports.

Promotion. Original concept for the brochure had no distribution. SA Focus book sent to wholesalers and retailers. Has 5 pages of editorial. Run-on of 10,000 of 5 pages and adverts. Published from 3 September. Will be as web site with links.

On Safari will sponsor London show.

Money. Paying into CTAs. If centralised there would be effectiveness and economies of scale. From 1 September 100R month, 1000R/year. Control

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90 Notes taken at the meeting, not formal minutes.
of VOTO, CTA chairperson will look after your interests. Centralised. Help each other. Succeeding with little cooperation.

B. Khayelitsha

1. Introduction

Khayelitsha was chosen as one of four pilots because:

- It provided a community based tourism pilot in the biggest African township in the Western Cape, exposing a large number of residents to tourism.
- It would provide strategic learning for bringing tourism to the previously disadvantaged.
- Cape Town already is a major tourism destination and this would be an opportunity to integrate a previously disadvantaged community into mainstream tourism.
- A new development was underway that could provide a cornerstone to the embryonic tourism cluster - Look Out Hill.
- It was the only urban setting for a demonstration pilot.
- The location was proposed and endorsed by the Provincial Government.

2. Initial Situation

2.0. The Community

As recently as 1983 Khayelitsha was little more than sand dunes; today it is home for 600 - 700,000 mainly Xhosa people and largely a dormitory town.

Khayelitsha is part of the Tygerberg Municipality. Over recent years the municipality has been pro-active in planning the city in a partnership/collaborative way, for example through the Khayelitsha Environment & Tourism Forum.

In spite of the community's very recent beginnings, Khayelitsha relative to other nearby townships has social cohesion and trust. There is a strength and togetherness in the community, which bodes well for future economic development, in particular for the tourism clustering initiative. Tourism at this stage is an embryonic and fragile component of the local economy.

Community based tourism has been defined as follows:

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91 Lukhanyo estimate a population of about one million, with 65% unemployed.
Tourism in which a significant number of local people are involved in providing services to tourists and the tourism industry, and in which local people have meaningful ownership, power and participation in the various tourism and related enterprises. Community-based tourism should offer some form of benefits to local people not directly involved in tourism enterprises, for example through improved education or infrastructure." 92

Community based tourism in Khayelitsha has the potential to provide an authentic experience for international tourists, and to create local employment.

Khayelitsha competes with other Cape Town locations to provide tourists with a township experience. A major drawcard that will differentiate Khayelitsha from Langa and other townships will be the current development of the Look Out Hill site, the highest point in the area, into a tourism facility. The plans include a boardwalk, a museum, retail outlets and a café. The development is planned as the tourist ‘Gateway to Khayelitsha ’ 93.

The Monwabisi Coastal Resort, developed a decade ago, will require considerable upgrading and other developments if it is to play a major role in local tourism expansion.

3. THE LOCAL ECONOMY

The economic base is predominantly informal and micro-enterprises, with employment outside of Khayelitsha. Very little investment has been made in economic development in the locality.

While there is little data available on the Khayelitsha economy, tourism and related activities appear to offer one of the strongest opportunities for economic and job growth.

Tourism is the Western Cape's primary growth force, and the province offers the strongest overall tourism product in South Africa. 94

Albeit from a small base, Township visits are one of the fastest growing areas of tourism, and Khayelitsha is fortunate in being close to the country's major tourism destination. Figure 3 shows the cluster map.

FIGURE 3 KHAYELITSHA CLUSTER MAP

92 Source: Mthetheleli Hugo notes on Community Based Tourism Development Strategy.
93 See Annex 3 for a description of Khayelitsha's tourism attractions.
94 KPMG Leisure and Tourism
3.0. Regional Tourism Activity

Khayelitsha is fortunate in having half of all international visitors to South Africa within its ‘catchment area’, over 750,000 a year.

These international visitors spent a total of R3.2 billion in 1996 within the province. Domestic visitors, some 4 million in total, spent a further R 5.3 billion, accounting for 28% of domestic expenditures nationally. 95 The Western Cape was the preferred destination for 17% of domestic travellers. Average spend per leisure trip was higher in the Western Cape than in any other province. 96 Tourism contributes over 10% of the Provincial economy.

Cape Town ranks as one of the top ten international tourism destinations internationally, and Khayelitsha is only 25 km from the V & A Waterfront. The number of Waterfront visitors has grown from 7 million in 1991 to 18 million in 1997, of these 3.6 million were tourists 97.

International tourists are seeking authentic experiences of the countries they visit. Increasingly they are seeking a cultural and educational dimension to their holiday, and wish to learn about the nearby townships - the traditions, the local customs, and the struggle history. In addition to stimulation and new experiences, international tourists are also looking for shopping opportunities.

95 1996 data, the most recent Provincial statistics available. No regional split within the Cape is available.
96 Economic Impact of Domestic Tourism on the South African Economy, 1998, Potchefstroom University
97 Phuhlisa Investments
3.1. Khayelitsha - Currently By-passed

In spite of the large number of tourists nearby, Khayelitsha is essentially by-passed. Not only does Khayelitsha not rank as a place to visit, it is off limits to many white people, and labelled a NO-GO-AREA by most of the tour operators.98

Currently an estimated 500 international tourists a week are brought into the community by roughly 15 tour operators. Less than 5% of these tourists stay overnight.99 During the 1998 festive season, approximately 6,000 visitors came through by bus and climbed to the top of look Out Hill.100

With some 760,000 international tourists visiting the Province in 1997, this data suggests that less than 1% of visitors visited Khayelitsha, indicating a strong growth opportunity. This potential is supported by the fact that international tourists stay an average of 8 days in Cape Town101, and are seeking authentic experiences.

At this point in time there is virtually no economic gain to Khayelitsha from tourism. Air-conditioned busses whisk tourists through their township experience. As if in a zoo, tourists drive by, take pictures, and take little else.

Tourists engage in little shopping; the crafts/curios produced in the community - the pottery, the beadwork, the weaving, and the leather craft etc -are mainly sold at markets elsewhere, such as Constantia.

Facing Strong Competition

Whilst Khayelitsha is the largest township, other locations are proving strong competition in attracting the tourism dollar. This is highlighted in a comprehensive March 1999 study prepared for Tygerberg Municipality102. The comments from tour operators who were interviewed included:

Better quality, variety and hospitality of shabeens in Guguletu and Langa. Operators recommended destinations other than Khayelitsha for meal stops.

Langa being closer to Cape Town was the preferred option for very short visits. Langa is also preferred for quality B & Bs with better security and an upmarket image.

Short walk around tours are more viable in Langa and Guguletu.

Tour operators are of the opinion that Khayelitsha is not as hospitable or organised as other communities who have developed better networks with tour operators.

98 Khayelitsha Environment and Tourism Forum
99 Tourism Potential in the Tygerberg, Western Cape Investment and trade Promotion Agency, March 1999
100 Western Cape Tourism Board, Feb 1999, in proposing Look Out Hill as a pilot.
101 Grant Thornton Kessel Feinstein, August 1999
These comments indicate strongly that Khayelitsha on a number of indicators is behind competitive locations at this time, and that tour operators have alternative options for the limited number of tourists seeking a township experience.

### 3.2. Local Tourism Organisations

A number of organisations have some degree of participation and responsibility for the development of Khayelitsha's tourism activity\(^{103}\).

The local Tygerberg Tourism Bureau has had very limited links with Khayelitsha, as most tourism activities to-date have been in other regions of the municipality.

The Western Cape Provincial Tourism Organisation has maintained a broader interest in supporting Township tourism, and took the lead in sponsoring the clustering initiative.

### 4. TCC Process, Current Status

Tygerberg Municipality, in partnership with the Western Cape Provincial Tourism Bureau initiated the tourism clustering initiative in Khayelitsha. A number of stakeholders took the lead in developing the pilot, including:

- Cllr Thembelani Mgobozi, Tygerberg Municipality
- Anton Groenewald, Manager: Investment, Trade Promotion and Economic Strategy, Tygerberg Municipality
- Mthetheleli Hugo, Western Cape Tourism
- Dr Mike Fabricius, Western Cape Tourism
- Nambuelo Mkefa, Cape Metro Tourism

A workshop with 80 participants was held 7 May at the Good Hope College, Mew Way. There was good representation from a broad cross-section of the local community. While forty 'white' owned and operated tour companies were invited, less than five attended.

The workshop was opened by the then Deputy Tourism Minister, Peter Mokaba. A number of senior local politicians also participated. The workshop opening was helped along by local choirs.

A summary of the workshop process and findings is given in Annexes 1 & 2.

Following the workshop there have been a number of smaller community meetings, some with the participation of The Cluster Consortium. At one meeting on May 20 more than 150 crafters came together to show their goods - traditional clothing, leather goods, baskets, weaving, and pottery.

Anton Groenewald with the active support of Cllr Thembelani Mgobozi initially drove the initiative. Subsequently with Anton Groenewald having to focus on other priorities, Mthetheleli Hugo has stepped in strongly.

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\(^{103}\) See Annex 4 for a brief summary of local organisations
thanks to the support of Dr Mike Fabricius, but has other priorities that are also demanding his time.

In spite of enthusiastic support at all levels, progress over the first few months was slow. Three work groups have evolved Education and Training, Marketing, and Safety. This last group is currently non-operational.

By September 1999 the ongoing action agenda being developed by a team of 20 residents included:

- Defining tourism routes
- Road signs audit
- Linking in with SAPS
- Marketing plan, tourism brochure
- Planning and phasing of Look Out Hill
- Anti-litter campaign
- Tourism awareness campaign - identifying targets, four schools
- Identifying and training - tour guides, pottery, cultural groups
- Identifying strategic partners for tourism development
- Flea market development

5. Khayelitsha Cluster – The Next Steps

Some of the key steps that need to be addressed to move the cluster forward are as follows:

5.0. Maintaining Support

Critical to developing the Khayelitsha cluster is the ongoing availability of executive support. Without this, the current fragile momentum will simply wither, and the investment in the Look Out Hill facility will only be partially realised. At the time of writing (November 1999) it is not clear that adequate resources are available for this critical task. A commitment for the next 18 months is initially required.

5.1. Consolidating the Leadership Team

With the recent availability of Mthetheleli Hugo and the continuing political support and energy of Cllr Mgobozi, resources are now in place to support the strategic agenda that has developed.

The leadership team needs to include the senior people who are driving specific initiatives and working groups.

The members of the team will require significant support in order to maintain their interest, and to enable them to move more firmly into action.
5.2. Delivering Early Results

It is important both for job creation and to ensure the sustainability of this collaborative initiative that early benefits accrue to the stakeholders in Khayelitsha. Should this not happen, there is a danger that the working groups will lose their energy and commitment.

5.3. Putting Khayelitsha 'Front & Centre'

There is a major hurdle to overcome in persuading tour operators and Cape Town 'day-trippers' that Khayelitsha is not only safe to visit, but also merits their attention.

Addressing the current negative perceptions will require a sustained commitment. A coordinated marketing programme is needed, with a focus on PR/media coverage supported by familiarisation for key tour operators and journalists.

Being focussed and smart is more important than having a large budget.

Related to the marketing of Khayelitsha, as a tourism destination is the opportunity to reinforce the name through branding. Look Out Hill and the Mew Way Sports Stadium should both have 'Khayelitsha' as an integral part of their positioning; there may also be opportunities to have crafts marketed further afield identified as being 'Product of Khayelitsha'.

5.4. Addressing Security

Marketing needs to be addressed in parallel to security. The key-working group addressing this issue has lapsed due to the complexity and long term nature of this activity. There may also have been a lack of clarity over linkages / possible duplication with other Khayelitsha initiatives.

Tasks such as this need to be broken down into manageable units with tighter benefits. For example, a more focussed effort on supporting security along the priority Green Routes that are being identified could result in earlier pay-offs.

5.5. Building Media Support

In September there was considerable coverage nationally of the Khayelitsha clustering initiative. Such publicity helps bring widespread attention - and resources - to the community, and encourages those within the community to continue their efforts.

A pro-active media programme needs to be developed to build on this. Achieving this publicity relies on cultivating journalist contacts. This can be done by harvesting the goodwill many have for Khayelitsha. For example, Blueprint Consulting have used their Johannesburg contacts to generate national television interest.

Journalists based out of the province are harder to cultivate, but both SATOUR and the Provincial Tourism Board run journalist programmes from time to time.

Once the contacts have been made a newsworthy or feature style story needs to be developed. The opening of Look Out Hill will present an excellent opportunity for media coverage.
5.6. Township Benchmarking

A common means of upping the strategic agenda for a cluster is through benchmarking against a higher performing clusters. This benchmarking can initially be quite informal - the identification of best practices, and understanding 'new' approaches that are transferable to another community.

Based on the comments made by tour operators, Khayelitsha at this stage does not have a number of attributes that Langa and Guguletu have.

As an example of benchmarking, members of the Magaliesberg pilot visited Soweto, and on return have established their own shabeen tour.

6. Strategic Learning

6.0. Provide Active Support...or Wave Goodbye

People in poor communities have little experience in preparing project plans, yet alone driving them. They also bring to the Leadership Group relatively few links with outside agencies. Many have little business experience.

However, they do have energy, commitment and a wealth of personal connections within the community. They are eager to learn, and eager to make a difference.

There is therefore a major need to be proactive in supporting/facilitating the emerging Leadership Team, especially in the early stages. If this support is not forthcoming, the clustering initiative is likely within six months to grind down to zero, motivation, energy and commitment will evaporate, and the once eager participants will walk away disillusioned. It will prove very difficult to subsequently 're-start' the cluster under such circumstances.

In the township context a little support goes a long way and can tap into the energy and motivation that people have to improve their well being.

6.1. Strong Community Participation

The initial workshop and the subsequent working groups clearly demonstrated the willingness of key people within Khayelitsha to explore new ways of making a difference to the well being of their community. The enthusiasm and eagerness to contribute was apparent to all.

Mobilising this energy needs a knowledge of the informal networks that drive action in the community. Following formal linkages, organisational titles and job descriptions can lead to blind alleys. Who knows who is more important.

6.2. Bite-sized Chunks

Major initiatives, such as security, need to be broken down into manageable activities, with clear timelines and short term pay-offs.
6.3. Maintaining Momentum

Maintaining the momentum of clustering initiatives can be difficult. Commitment to the safety group, for example, fell away. Without regular input from the consultants the initiative may have foundered.

Close support of the Leadership Group coupled with the development of bite-sized initiatives is needed.

6.4. Funding Constraints

In particular within a poor community funding is a key constraint to economic development. This applies at an individual level (eg for a township potter purchasing a wheel, finding space and transporting finished products) and at a community level (developing Look Out Hill, branding Khayelitsha, printing brochures).

The situation is compounded by the absence of 'basic' financial infrastructure elements such as an ATM in Khayelitsha.

6.5. Maintaining Momentum

Close support of the Leadership Group coupled with the development of bite-sized initiatives is needed.

6.6. Broadening Participation

Clustering is by its nature a process of inclusion, not exclusion. Developing an agenda for the cluster is vulnerable if the process is dominated by an elite few. There is a need to bring new people into the process, extending the circle of those involved. With a tourism cluster youth and the disabled need to be involved.

6.7. Using KISS Terminology

Some of the terminology that was introduced by the consultants was not helpful. For example, the term 'Business Plans' was used, when a more appropriate term would have been 'Project Plan'. The maxim 'Keep It Simple Stupid' should have been to the fore.

Many of our tools and templates needed considerable transformation to be useful in Khayelitsha. For example, visitor duration and expenditure data and tourism expectations were transferred to an imaginary Japanese tourist, the affluent Mrs Nakamura. Her identity endured, long after the first workshop people would test activities by the "what would Mrs Nakamura think?" yardstick.

6.8. Confirming Authority

A number of the volunteers taking the lead with specific issues faced difficulty as they were asked to explain the authority they carried. They were also not clear whether they were acting in an advisory capacity or as an action group.

In the township, although informal, networks with authority exist. There is an understandable tendency to want to understand the source of any mandates for action.
A letter of formal endorsement would have given the volunteers a semblance of authority; closer support would have given them a better understanding of their role.

6.9. Virgin Territory: Community Identity & Branding

Khayelitsha as a brand has negative attributes. There is a desperate need to address this, but not much is happening.

As with developing any brand, the reality of the experience needs to match perceptions.

The development of a 'Khayelitsha Brand' would also have benefits in terms of building esteem and social capital within the community.

6.10. A Near Crisis

The initial Champion, Anton Groenewald, had put considerable time and energy into the early stages of the tourism cluster. In August he had to withdraw his active participation to focus on the site development of Look Out Hill and the Khayelitsha CBD.

Fortunately the continuing participation of Cllr Mgobozi coupled with the availability of Mthetheleli Hugo (Western Cape Tourism Board) provided the resources to continue. If Mthetheleli had not been available to fill the gap, the Khayelitsha clustering initiative would likely have withered.

7. Conclusion

The Lonely Planet Guide advises tourists that the Cape Flats "are off-limits unless you have a trustworthy guide".104

There is a formidable challenge to overcome this perception and place Khayelitsha onto Mrs Nakamura's must-visit list.

Amongst the four local pilots Khayelitsha was the least developed in tourism yet the grass roots energy and commitment exceeded that of other pilots.

This tells us that the community has the capacity to overcome short-term difficulties.

There is a major opportunity to build on the Look Out Hill facility as the centrepiece for tourism development in Khayelitsha, a township that offers a wealth of interests for tourists….and through that generates wealth for its people.

8. Annex 1: The Khayelitsha Process

The first major activity in Khayelitsha was a workshop held on May 7 at the Good Hope College. The turnout was 80, with strong participation by

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104 Africa - the South, Lonely Planet 1997
The local community, though tour operators were not well represented. Local tourism bodies were well represented.

8.1. Issues and Votes Summary

<table>
<thead>
<tr>
<th>Issue</th>
<th>Number of Votes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building community partnerships and taking responsibility</td>
<td>66</td>
</tr>
<tr>
<td>Security and Crime</td>
<td>59</td>
</tr>
<tr>
<td>Building a local experience, food, B&amp;B, products</td>
<td>49</td>
</tr>
<tr>
<td>Education and Training</td>
<td>41</td>
</tr>
<tr>
<td>Community awareness and interaction with tourists</td>
<td>38</td>
</tr>
<tr>
<td>Linking with other tourism developments</td>
<td>14</td>
</tr>
</tbody>
</table>

The participants were then divided into small groups to address the most significant issues. A summary of the points raised in the feedback to the whole group follows:

**Local Partnerships**

Problem: lack of partnerships within community

Response: building tripartite links across the community; better communication between community, business and local government KDF representative as umbrella of majority, but not all. Fostering the link is the responsibility of KDF.

**Security and Crime**

Problem: Educate that crime will kill tourism. Crime and security is very big. We tackle crime the wrong way, causes hatred.

Answers: long process, involve stakeholders - residents, police forum, Sancour, development forums. If we can address crime first, everything else will follow. Main culprits: youths - easy to deal with youth in schools, problem is the loose canons not in schools.

Hard to deal with, apartheid left scars. Need counselling. With RDPs need to incorporate social workers. What is root cause, as nothing has helped these people. target youth, hard living types.

Job creation, training skills a key, and parents.
Building a Local Experience

Identify what is different in Khayelitsha, e.g., food presentation - must not scare, awareness of cultures, small portions, hygiene standards must be known, feeling must be African.

Identify local crafters in communities.

Entertainment, traditional dancing, township music, choirs, solo, children, storytellers.

Dress in African style

Build a passion for friendliness.

Bed and Breakfast, decorate outside Isithebe, paint each one with logo.

Education and training

Problem: Lack information, need to address gaps, need awareness benefits, little knowledge in Khayelitsha, need statistics, How well trained are guides?

Response: Members should spread the word, funding from NBI, networking, use successful role models

Community Interaction with Tourism

Problem; lack of awareness


Linking Look Out Hill with other Attractions

Problem: not linked with others.

Solution: identify other attractions, contact all role players to make sure aware and come on board, and build on existing structures and knowledge

Marketing Khayelitsha

Problems: who is the target market, need market research, what are we offering to our niche market, media problem, difficulty of marketing to tourism operator

Answer: brand and identify Khayelitsha, building on our effective community, use African renaissance, demystify Khayelitsha, develop cultural tourism packages, museum, market to tour operators, identify product that targets want and is sustainable, media campaign.

8.2. Feedback

At the conclusion of the workshop participants were asked to evaluate the session on a scale of 1 = very poor and 5 = excellent. The results from the 48 questionnaires returned were the highest amongst the four pilots:

Organisation: 3.9
Content: 4.6
Overall: 4.4

Following the workshop a number of meetings have been held by the Leadership Group. Cllr Mgobozi actively participated in all the meetings. Members of The Cluster Consortium were able to be present at many of the meetings, providing their neutral corner and hands-on experience to continually move the agenda forward.

9. ANNEX 2 : THE KHAYELITSHA INITIATIVES

The initiatives that are being developed are through three Work Groups:

9.0. Education and Training Group

Tourism Awareness campaign - a priority - training the teachers to inform students about their local importance of tourism, in part through the medium of industrial theatre. Three theatre sites have been identified (Harare, Site C and Mandela Park).

Anti-litter/Clean-up campaign, linked to Khayelitsha Schools Environment Project, Tygerberg's Environmental coordinator, the Khayelitsha Environment Resource Information Centre, and the Khayelitsha Environment and Tourism Forum.

After school hours training - different arts and crafts - taking two matric students from each of the six local schools to local craft makers to learn about making and marketing.

Life skills training for Arts and Crafts such as spinning & weaving, beadwork, carving

Hop-on guide training

Auditing training programmes - establishing what organisations such as Church groups and other volunteer organisations are putting on, and then identifying what the gaps are.

9.1. Marketing Leadership Group

1. Internal marketing, identifying local activities including:

- Eating establishments
- Shabeens / taverns
- Creches
- Church services
- Herbalists / sangomas
- Hair salons.

2. Identifying Local Goods and Services

A full inventory of tourism related activities needs to be developed. The locations of, for example, the 150+ craftspeople need to be established by
walking the whole community, using the recently published map. These locations will be the drivers in setting the Green Routes.

3. Identifying Cultural and Heritage Activities / Sites

Cultural components to be included in the contemporary museum
Standardise information on Khayelitsha
Commission a book on Khayelitsha - include people's history
Include the local community radio station

4. External Marketing

Market research to identify the target marketing; starting with the tour operators
Define the tourism product, and matching with tourism demand
Finalising the tourism road map, highlighting the safe passage Green Routes for tourists
Identify the first group of hop-on guides, and training them in the community's history
Arrange a workshop with Tour Operators
Met individually with other major tourism attractions, including Table Mountain, Cape Point Nature Reserve, Kirstenbosch, Tygervalley, V & A Waterfront and Robben Island.

Developing a promotional programme including brochures, media coverage - two markets, the external and the internal marketing to Khayelitsha itself.

Need operating space for producing crafts as the conditions under which people are producing crafts is difficult.

9.2. Safety Leadership Group

This Group faced a difficult task in seeking to address both the perceptions and reality of crime. Whilst it is currently in abeyance, the action plan that was being developed covered the following elements:

Establishing Green Routes out from the Hill with safety co-ordinators/committees along the routes, new street lighting;

Securing venues for stops along the routes, again with safety co-ordinators;

Link to Cape Metro Tourism - Safety Desk and the Khayelitsha Safety and Security Forum;

Pro-actively refute the negative media coverage Khayelitsha receives

In parallel to the activities being undertaken by these three groups, the Tygerberg Municipality has committed R400,000 towards the construction of the Look Out Hill facility. The physical planning for this facility is now completed.
10. ANNEX 3: KHAYELITSHA ATTRACTIONS

10.0. Look Out Hill Tourism Center

This new infrastructure is intended as the first tourism facility in Khayelitsha, providing the draw card attracting international and domestic visitors. The developers, the City of Tygerberg, describe the Hill as becoming the "Gateway to Khayelitsha, providing the visitor with a means to orient themselves before they explore the multitude of riches in Khayelitsha."\(^{105}\)

This facility is scheduled to open late 1999 and will provide the highest point panoramic view of Khayelitsha, Cape Flats area, False Bay and the surrounding peninsular and Boland Mountains. The overall investment could be R7.5 million; Tygerberg City has committed funding of R1 million.

The broad walk up the hill and associated developments will provide the visitor with an appreciation of all the forces that have shaped Khayelitsha to what it is today.

Look Out Hill provides a physical and social catalyst to become the primary start and the information point for visitors to Khayelitsha. The facility is scheduled to include tearooms, a tourist information center, a contemporary museum, toilets, a shabeen, craft outlets, and sidewalk trading opportunities. A secure parking area for busses and cars will be provided.

Spanning out from Look Out Hill will be Green Routes providing visitors with a starting point for a walk, and access to a range of craftspeople.

The location also provides a living example of the dune system, which occurs here, with remnants of the coastal fynbos and fauna.

Parallel to the physical development of Look Out Hill is the social development of the tourism cluster.

10.1. Monwabisi Coastal Resort

This resort on the northern rim of False Bay was developed a decade ago to provide holiday facilities for township residents. During the brief high season Monwabisi attracts over 100,000 visitors a month, some three times 'capacity'. During the off-season, over half of the year, less than 10,000 a month visit.\(^{106}\)

The site contains the largest tidal swimming pool in the world, an artificial beach, 33 chalets, 123 caravan/camping sites, 200 picnic spots and 800 brai areas.

Whilst the development won design awards, the quality of materials used was not adequate for the costal conditions. Sand and salt air have severely damaged the structures, which today look tired and scruffy. The site

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\(^{105}\) City of Tygerberg slide presentation, Look Out Hill Tourism Center

\(^{106}\) Monwabisi Resort Economic Impact Assessment
difficulties are compounded by security problems - violent crimes, vandalism and theft.

This white elephant was transferred from the Cape Metropolitan Council to Tygerberg City in 1997. Income currently covers less than 10% of costs. Current staffing is being reduced from 65.

Monwabisi faces an uncertain future, and is not viable as a stand-alone resort. There are difficulties in attracting private capital, resulting in further spending/loss making for the Municipality. One option being considered is the expansion of the site into an entertainment node with substantial residential, retail and transport facilities. A longer-term possibility is the development of a hotel/conference facility.

10.2. Khayelitsha craft market

This market is becoming an established place for exhibiting works from local black artists.

10.3. Mew Way Boxing Stadium

This under-utilised 10,000 seater Olympic standard sports stadium has potential to provide a foundation for sports related tourism. The stadium's name should include 'Khayelitsha'.

Township experience

One surprising aspect of this is the 26 B & Bs currently taking in foreign visitors 107

11. ANNEX 4 : OTHER TOURISM INITIATIVES

11.0. Tygerberg Tourism Bureau

The Bureau was established in 1996 with an elected executive and a staff of five. Membership of 200, mainly accommodation and tour operators. Head Office in Durbanville Nature Reserve and a satellite kiosk in the Tygervalley shopping centre, with an Information Office at the Mey Way Recreation Centre.

Tygerberg Council contributes R600,000 annually to the TTB's budget.

Activities focus on ensuring a quality visitor experience (safety, training, Ubuntu programme) development facilitation (tourism culture, preserving natural and cultural attractions), marketing (in coordination with Cape Metro Tourism) and broadening support for TTB (securing funding, database establishment, partnerships with allies).

Tygerberg City Council agreed in June 1999 to increase the funding of the Tygerberg Tourism Bureau by R102, 000 to support tourism development in Khayelitsha.

Khayelitsha Tourism Association

107 ‘Tourism Potential in the Tygerberg’
This organisation is under consideration and would bring together tour operators, guesthouses, shabeens, arts and crafts, and transport. The establishment of the association would expand the ownership of tourism development in Khayelitsha it would be affiliated with the Tygerberg Tourism Bureau.

11.1. Cape Metropolitan Tourism
One of 8 Regional Tourism Organisations within the Province.

11.2. Western Cape Tourism Board
The Provincial tourism organisation, established in 1997. The promotion line used is: 'Visit Africa's fairest Cape'. The Board was instrumental in supporting the Khayelitsha cluster.

www.wcapetourism.co.nz

11.3. Khayelitsha Environment and Tourism Forum
This organisation, chaired by Cllr Mgobozi, brings together those within the community involved in addressing the reality, and the commonly held perceptions, of crime in Khayelitsha. The ongoing negative perceptions of crime are in danger of impeding the flow of international tourists. Most tour operators view Khayelitsha as a no-go area.

11.4. Lukhanyo Creation Project
A number of church and charity groups are active in supporting economic development in Khayelitsha, often with a tourism focus.

The Lukhanyo Creation Project is one poverty action group that has carried out training in beadwork, traditional wear, cooking and pottery in the southern part of Khayelitsha - Harare and Town Two. Most of the product is sold to the craft market for tourists. Some families have been assisted to start their own businesses. 108

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'Tourism Potential in the Tygerberg', March 1999 draft, prepared for Tygerberg City by Western Cape Investment and trade Promotion Agency

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'Proposal for Funding' Phuhlisa Investments, Cape Town, 22 June 1999

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'Look Out Hill Tourism Center' slide presentation, City of Tygerberg

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'Economic Impact of Domestic Tourism on the South African Economy' Potchefstroom University, 1998.

'Tourism Facts' Grant Thornton Kessel Feinstein, August 1999.

C. Magaliesberg

1. STRATEGIC LEARNING

1.0. Role of Competition
In this pilot we saw competition play a significant role in stimulating each node to achieve action plans. Each node convenor played on the competition with other nodes and between the other pilots to produce credible action plans for the final Ministerial summit. The competition was also stimulated by our champion urging each group to develop their plans to a point where they can be taken to New York and Los Angeles investment conference.

This rivalry between the groups was a positive factor but it needs be managed to ensure that it doesn’t become destructive.

1.1. Neutral Corner
It took the offices of a neutral facilitator to unlock a stalled process. At the workshop many speakers made reference to the number of plans and lack of action all of which amounted to wish lists sitting on the table. Under the auspices of a national clustering initiative with clearly neutral facilitators the deadlock was unlocked. It was also important that the facilitators were seen as neutral without baggage from the past.

1.2. Early Action – Small Bites
Early results motivate the teams to achieve even greater results. Allied to achieving early results is the practice of initially aiming for small modest results which can be achieved early. This aspect is contrasted nicely between the Rustenberg and Hartbeespoort nodes. In Rustenberg they went for small achievable results (eg Shebeen tours) whereas Hartbeespoort went for a large rail project.

Initially the Hartbeespoort group stalled and at the second meeting its progress contrasted poorly with the progress made by Rustenberg. At the second workshop Hartbeespoort reaffirmed their commitment to the rail project and developed a plan to take it further. Hopefully some milestones will be established and met which will give the group further impetus.

1.3. Organisational Structure
The emphasis became the nodal level, not the Seat of Humankind level. Unless there is a need for collaboration at the higher level for this or other purposes, then there may be little need for the larger leadership group to meet very often.
1.4. Political Support

The political support of the MEC and the NWPTB have greatly assisted this cluster. Participants valued the MEC’s commitment to the project and full participation at both workshops.

1.5. The Role of the Big Three

Sun City, Pilanesberg National Park, Pilanesberg International Airport are the three largest tourism organisations in the area. Our initial leadership group didn’t contain representatives of two of these organisations.

The issue of how to involve the large players is always problematic. Smaller players can feel threatened by their presence but on the other hand they also recognise the benefits of tapping into the resources of the larger organisations. Their insights into the international market, in particular, are valuable and they provide opportunities for SMEs to develop. Larger organisations didn’t always immediately recognise the need to participate in the cluster project. Although this wasn’t fatal to the project we need to balance the fact that the large players are often significant role players and need to be heard.

One the obstacles to further development of this cluster is seen to be the fact that the corporate role players are not always participating.\textsuperscript{109}

1.6. Borders and Boundaries

Tourism units do not necessarily conveniently coincide with political boundaries. The Magaliesberg node inconsiderately spills into the Gauteng province. But it is only of consequence where the cluster requires significant provincial government involvement.

More important is the question of whether the “Seat of Humankind” identity is sustainable over the whole cluster and whether it is meaningful to tourists. It certainly has meaning for the palaeontology niche but does it have mass appeal? We have found the tourism node to be more fruitful unit of analysis in this local pilot.

1.7. The Benefits of Diversity

The differences between the nodes gives the area a valuable diversity of product and experience. Together they make a unique offering without facing the risk of a single product.

1.8. Benefits from the Cluster Initiative

This cluster reports a number of benefits from the initiative.\textsuperscript{110} In particular the benefits highlight the increased cooperation and linkages between the stakeholders in the cluster.

- Increased participation and awareness -disadvantaged groups
- New linkages between communities, industry and government

\textsuperscript{109} Reported by Charles Ndebeni at 4\textsuperscript{th} Tourism Cluster Executive Workshop 19 October
\textsuperscript{110} Reported by Charles Ndebeni at 4\textsuperscript{th} Tourism Cluster Executive Workshop 19 October
Improved co-operation between all stakeholders
Consensus on key tourism issues
New untapped opportunities identified

2. CONCLUSION

This cluster has indicated that smaller geographic grouping around meaningful tourism nodes make more sense than political boundaries.

It also clearly demonstrated that the groups could compete in cooperation (between nodes) and cooperate to compete (with other regional destinations).

According to its champion the initiative has forged new linkages between, communities, industry and government. The improved cooperation between all stakeholders has allowed it to reach consensus on issues and identify untapped opportunities. These achievements will please participants and encourage further action.

The region now has an increased number of people actively involved in developing a tourism cluster in the region.

Its future plans are based on attracting investment to the tourism initiative and they have appointed a project manager to scope projects and assist develop the business plans for the region’s initiatives.
3. **ANNEX 1 PROCESS**

The Magaliesberg process differed in that it was based on existing tourism nodes.

### 3.0. Timeline

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<thead>
<tr>
<th>Date</th>
<th>Action</th>
<th>Comment</th>
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<tr>
<td>4/99</td>
<td>Leadership Group formed</td>
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<td>28/4/99</td>
<td>Leadership Group Meeting</td>
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<td>29/4/99</td>
<td>1st Workshop</td>
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<td>Rustenberg Node Meeting</td>
<td>49 Delegates, Convenor, Dannie Klopper</td>
</tr>
<tr>
<td>21/5/99</td>
<td>Magaliesberg/Hartbeespoort Node Meeting</td>
<td>Convenor, Johan Neetling, 12 Delegates</td>
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<td>24/5/99</td>
<td>Pilanesberg Node meeting</td>
<td>Convenor, Chris More, 21 Delegates</td>
</tr>
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<td>9/6/99</td>
<td>Rustenberg Node meeting Mentoring Visits</td>
<td>Wagied Allie</td>
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<tr>
<td>29/6</td>
<td>Leadership Group meeting</td>
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<tr>
<td>30/6</td>
<td>2nd Workshop Session</td>
<td>50 Delegates</td>
</tr>
</tbody>
</table>

### 3.2. Leadership Group

Mr Charles Ndabeni  
Ms Sandra Mackay  
Mr Basil Green  
Mr Vincent Carruthers  
Mr Johan Neethling  
Mr Sam Mochine  
Mr Willie Boonzaaier  
Mr Dannie Klopper

### 4. **ANNEX 2 CURRENT INITIATIVES AND PROJECTS**

We ran through each area’s initiatives so that they could catch up on what was happening in each node. This was a surprisingly useful exercise. Firstly
it broke the ice in the group and also enabled many in the group to learn of new initiatives in their area.

**Rustenberg**

- Sports stadium Bafokeng
- Cultural village Maikgathstso
- Watersloof access corridor
- Rustenberg nature reserve, lodge, conference facilities
- Legadigadi green belt
- N4 corridor
- Bosspoort recreation
- Granite rigg
- Tshufi resort, Phukenge
- Oliphantsnek / RTB corridor
- Donkeshoeck / RTB
- Mining tourism
- Agritourism
- Paul Kruger monument, Bospoort
- N4/Gauteng
- Heritage sites, battlefields, history, Koster and Lindleyspoort tribal hunting concessions
- New conservancy 4x4 routes
- Eland river greenbelt recreation
- Kroondal – community
- Adventure activities
- Rustenberg ramble
- Magaliesberg meander
- Cultural centre

**Pilanesberg (2)**

- Hunting in tribal land Bapong
- Mining activity identified - Bapong
- Identify sustainable underground water resources Bapong
- Tribal game reserve – Lebaflave ?? (Bakgatla)
- Cultural museum Bakgatla
- Molatedi – Durarsberg area identified as hunting grounds including Madikwe
- Pilanesberg National Park complex ie Bakubong Kwa Maritone?? Etc
- Bakagatla cultural village
- Pilanesberg
- Sun City resorts
- Ostrich farming
- Manufacturing of clothing, shoes, furniture
- Railway Station

**Pilanesberg (1)**

- Mogwase industrial area use for training etc
- Ostrich farm and export
- PGR?? Internal concessions and peripheral concessions
- Entrepreneurial support centre (Mog)
- Community conservation / hunting areas eg Lebatlane, Mabaalstad
- Bakubung cultural centre
- Sun City cultural village arts and crafts
- Elands River green belt
- Recreational complex Elands river
- Links to Madikwe
- Mergeleng cultural centre
- Tannery
- Cultural events and tours and circuits
- Bakgatha agritourism
- Carpets, Molwase

**Hartbeespoort/Magaliesberg**

**Current**

- Magaliesberg Meander
- Oberon
- Anglo Boer war com. Comm
- Mags management plan
- Bethani Bakery Projects
- EDC-JIDC
- NW Guest house association
- Hartbeespoort community web site
- Elephant sanctuary – Dam Doryn
- World Heritage site, Sterkfontein
- ZOO and snake park, Schaemansviooe
- Hartbeespoort country market
- Game for filming _Broederstroom
- Dam Wall nature park
- MAPOCH Ndabele village
- Leslie Cultural village
- Lycken Cultural village
- Heberon Zoo

Planned
- Biopark
- Mabopane/Centurion corridor
- Platinum SDI
- Gondwana Centre
- Time world Project
- Golf courses
- Xanado 200 bed hotel and school
- Train tour

5. ANNEX 3. ISSUES ARISING FROM 1ST WORKSHOP

Each node workshopped the issues which needed to be addressed to develop its tourism industry.
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<tr>
<td>Pilanesberg</td>
<td></td>
<td>Pilanesberg (2)</td>
<td></td>
<td>Rustenburg</td>
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<td>Hartbeespoort/Magaliesberg</td>
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<td>Communication Teamwork, cooperation networking</td>
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<td>Community involvement, participation, honesty and commitment, proper planning and execution</td>
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<td>Communication s, liaison, awareness, involvement, integration between departments</td>
<td>5</td>
<td>Community Involvement and capacity building, skills, training, empowerment – ability to fish, ownership, taking responsibility</td>
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<td>Development Training and Education Skills</td>
<td>8</td>
<td>Understanding the various cultures of the people involved with a view to nation building</td>
<td>5</td>
<td>Marketing, new projects, masterplan, information, branding</td>
<td>4</td>
<td>Infrastructure Development, access roads, telephones, harbours</td>
<td>9</td>
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<tr>
<td>Good Government and Administration</td>
<td>8</td>
<td>Correct management</td>
<td>4</td>
<td>Communities: training/support structures, integration of tourism into communities using destinations as a springboard</td>
<td>4</td>
<td>Cultural Heritage</td>
<td>9</td>
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<tr>
<td>Finance funding coordinated</td>
<td>6</td>
<td>Proper marketing</td>
<td>4</td>
<td>Packaging, focus/networking/linkage/Themes, clusters</td>
<td>3</td>
<td>Creating linkages and packages, products/Experiences</td>
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<td>Marketing and Advertising</td>
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<td>Structured development</td>
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<td>Infrastructure: road access/signage</td>
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<td>Focus marketing, demand driven</td>
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<td>Trust</td>
<td>3</td>
<td>Focused development, finance</td>
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</tbody>
</table>
Each group then prioritised its issues and developed a very draft plan to address them. Interestingly few of the plans developed at this stage survived through the smaller nodal meetings. The nodal meetings introduced new players to the process and allowed a rethink of priorities.

**6. ANNEX 4 NODEAL MEETINGS**

Action from Rustenberg (Convenor: Danie Klopper)

*Heritage Centre in Phokeng and Shebeen Tour in Thlabane,* action steps taken so far include the identification of all role players (community, business, associations, local SMME’s and entrepreneurs) and identification of other products and projects to ensure linkages. Also, a feasibility study is planned on potential usage of the product, scope, marketing, financing, training, sustainability, safety and benefits.

*Themed Tourist Routes – Mine Tours:* Action steps include getting the ‘buy in’ of Impala Mines, obtaining input from the taxi industry, conducting a proper strengths-weaknesses-threats-opportunities (SWOT) analysis, conducting a feasibility study of each area.

Action from Magaliesberg/Hartebeesport (Convenor: Johan Neethling:)

*The Heritage Rail Project:* The route will be a circular route from Johannesburg via Magaliesberg, Hartebeespoort, Pretoria and back to Johannesburg. Action steps include the identification of a rail expert to assist the project; contacting Spoornet to get their views and obtain an assessment of the state of the railway line; put a presentation of the project together; get DBSA on board; create a website and email address for the project; create a database of all existing/potential projects to link to this.

Action from Pilanesberg (Convenor: Chris More,)

*Additions to existing cultural village at Saulspoort in the Mankwe region (possibly a flea market, tribal dancing, animal farm and African food restaurant):* Action steps include identification of all relevant stakeholders and planned projects in the region; establishment of possible linkages with other projects; identification of SMMEs and entrepreneurs that could take charge of proposed projects linked to the village; create a database of all products in the region.

**7. ANNEX 5 2ND WORKSHOP**

The second workshop was held on 29 July and was again attended by the MEC.

It reaffirmed the clusters nodal approach and heard about the other initiatives at the national and thematic levels.
**Hartbeespoort**

Confirmed its continuing interest in the Heritage train.

**Rustenberg**

Had a number of key projects it was developing:

- Mankwe Heritage Centre
- Bafokeng Cultural Village, Added communities
- Pilanesberg Convention, linked to Mankwe
- Rustenberg Station, link to Sun City.

**Magaliesberg**

Wanted to keep its projects short term and simple and settled on:

- Cultural History Museum. Stone age iron age forges to today
- Adventure Trail
- Booze factory (Frank) Formalise distillery and make tourism oriented.
- Need to provide service. Hospitality training. HITB,
- Retail Centre. There were not enough retail outlets, therefore needed to create retail structure.
D. Fish River

1. Introduction

Fish River was chosen as one of four demonstration pilots. The reasons for this selection included:

- The opportunity to evaluate a tourism clustering process in a predominantly domestic location with strong opportunities for international growth.
- The fact that the region is one of the most economically depressed corners of the country.
- The willingness of the Fish River SDI to act as the initial project champion. The location was proposed by the Fish River SDI who had previous experience in supporting the local motor vehicle cluster, with very positive pay-offs to the cluster and the community.
- The endorsement of Fish River as a pilot by the Provincial Government.

For the purposes of this pilot, the “Fish River” region includes the two Eastern Cape gateway cities of Port Elizabeth and East London, the area between them, and the hinterland through to the N2.

2. Initial Situation

This brief commentary on the initial status of the Fish River tourism cluster draws on discussions held with a number of senior participants, a review of the (limited) published data available and the insights that emerged during the April workshop and subsequently.

In total some 2.2 million tourists visit the province annually, with 10% being international visitors. Approximately one third of the Province’s total tourism revenues of R3.5\textsuperscript{111} billion a year comes from international visitors. Currently around 15% of international visitors to South Africa visit the province, with visitors staying on average six nights.

\textsuperscript{111} SATOUR data for the Province, specific information on tourism activity in the Fish River region is not available. The population of the region is some 2-3 million.
Repeat and first time visitors are attracted by a number of core attractions (including the beaches, Shamwari and Addo) and major events (including Splash Festival and Grahamstown Arts Festival).\(^{112}\)

It is apparent to even the casual visitor that the development of tourism in the Eastern Province has not evolved evenly. The western part is attracting a much larger number of tourists with better known routes and products. It would appear that until 1995 only destinations west of PE saw any real growth. The river mouths between PE and Fish River have seen some recent development, but those between Fish River and EL remain very underdeveloped. This lack of development is reflected in possibly only 5% of EL visitors being internationals.

In direct contrast to the much more popular Garden Route, many roads through Fish River have an abundance of potholes and animals, and a shortage of petrol facilities and tourist amenities/shops. The cluster is mapped in Figure 4.

**FIGURE 4 FISH RIVER CLUSTER MAP.**

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### 3. Economic Significance

Tourism is viewed by CIMEC and the Eastern Cape Government as the Province's major growth industry, and the major job creator. With currently unemployment in the region estimated at over 40%, there are high hopes that the tourism sector will perform.

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\(^{112}\) A fuller identification of local attractions is given in Annex 3.
Tourism development and promotion is supported by the Eastern Cape Tourism Board and a number of proactive local organisations, in particular the Tourism Port Elizabeth and Tourism East London. The primary focus of these organisations is on domestic promotion; the secondary focus is on product and local capacity development. 113

4. **Strong Potential**

The region as a whole is under-performing in terms of current market penetration. South Africa receives less than 2% of global long haul tourists, and of those who arrive in the country only 15% visit the Eastern Province. While the province at this stage of its development is primarily a seasonal domestic destination, the province's share of domestic tourism expenditures is only 12%.

It is clear that even with limited product there is already a firm tourism base to the local economy. Providing the performance of the cluster can be upgraded, there is a major opportunity for the Fish River region to take a higher share of the rapidly growing international and domestic markets, and to make a substantial contribution to job creation.

Many senior participants commented on the poor physical infrastructure throughout the region, in particular roads. A commonly held view was that until such time as a mainstream tourism route linking Cape Town to Durban through the Eastern Cape is in place, the attraction of high volume tourism numbers to Fish River remains a distant hope.

Many within the cluster who are taking account of the region's attractions and the strong international growth in tourism, view a doubling of tourism activity within 5 years as being well within reach.

5. **TCC Process, Current Status**

*This is a brief review of the activities undertaken in Fish River between April and July 1999, and the status of the clustering initiative on completion of the pilot. A fuller account is given in Annex 1. A report on the key April workshop is presented in Annex 2.*

The lead in initiating the process was taken by the Fish River SDI and CIMEC, the Eastern Cape's economic development organisation.

A key event in the process was a public workshop on April 23 which was opened by the MEC and attracted 65 attendees. Local publicity associations were strongly represented. Black attendance was limited. The participants regarded the workshop as successful. During the workshop an initial action agenda was developed and key individuals to further the initiative identified.

113 The activities of the main provincial organisations supporting the tourism industry are summarised in Annex 4.
During the three months after the workshop a number of meetings were held with smaller groups. Attendance at these meetings was poor, and there was difficulty in substantively moving the agenda forward to action. There was no clear Champion during this time.

In July a Leadership Group was finally constituted, with Pepi Silinga (CEO, Nqgura IDZ) appointed Chair. The two Deputy Chairs were Graham Vass (Director, Emfuleni Resorts) and Craig Nancarrow (CEO, Tourism EL). Other members were Peter Miles (CEO, East London IDZ), Zilindile Makapela (Acting CEO, EC Tourism Board) and Victor Poswa (Provincial Secretary, SACCAWU). In August, Malibongwe Yokwe was released from CIMEC (Special Programmes Manager) to act as the Cluster Facilitator.

Through funds that were allocated for the Fish River SDI, R800,000 has been made available to support the cluster's activities. In addition the EC Department of Economic Affairs, Environment and Tourism have made available a skilled administrator to support the initiative.

A workshop is scheduled for November to finalise the Business Plan.

6. Fish River Cluster - The Next Steps

The elements of the forward agenda identified here require discussion and agreement amongst the Leadership Group. The focus of these comments reflects the scope of the pilot project and therefore concentrates on the process of moving forward rather than the detail of the action agenda itself. The comments are based on The Tourism Consortium's understanding of the opportunities and constraints facing the cluster. A more detailed strategic review of the cluster was beyond the scope of this project.

With the establishment of the Leadership Group and the appointment of Malibongwe Yokwe as the Cluster Facilitator, resources are now in place to finalise the strategic priorities and move from strategy into action.

6.0. Finalising Strategic Agenda

The strategic agenda needs to be reviewed by the Leadership Group. This review should take into account:

- the April workshop conclusions;
- subsequent cluster meetings;
- the November planning workshop;
- the KPMG Tourism Infrastructure Report findings;
- the more recent one-on-one discussions between the facilitator and cluster participants;
- the conclusions from The Cluster Consortiums activity at the National and Thematic levels, and the other three pilots;
The findings from the October visit to Queensland's Sunshine Coast which will provide an opportunity to study the growth of a more developed cluster;

The resources - in terms of people and funding - available to drive specific initiatives.

6.1. Establishing Early Momentum

A clustering initiative is neither a 'Talk Fest' nor an opportunity for yet more reports to be drafted. The focus is on generating action within an agreed strategic framework. In these initial stages of a cluster programme, it is important that early benefits are generated for the cluster stakeholders. The initial action agenda should therefore be able to generate early pay-offs for the participants.

6.2. Improving Linkages

Current alignment between participants in the Fish River tourism cluster is insufficient to underpin major growth. An improvement is urgently needed between all key stakeholders from both the public and private sectors. Moving into action to address a multiplicity of development issues is largely within the influence of the region's stakeholders, providing a team approach is achieved. The magnitude of the task is such that it is beyond the capacity of any one organisation.

6.3. Establishing Working Groups

With the active participation of the Cluster Facilitator, working groups addressing specific issues now need to be consolidated. In addition to the Facilitator, a member of the Leadership Group should participate in each of these working groups. The groups provide an important opportunity for an increasing cross-section of stakeholders - the shakers & movers within the local tourism cluster - to collaboratively participate in building the cluster's future. These working groups need to include participants from the black community.

Currently the various tourism related committees throughout the region are primarily focussed on promotion, and have white participants. The scope of action now needs to be broadened, supported by community wide participation.

6.4. Establishing Direct Contact with Key Cluster Stakeholders

An early step is for the Facilitator to meet with an extensive range of the current cluster participants, taking the opportunity to understand their individual opportunities and roadblocks, and to identify possible participants for the working groups. These meetings need to include private sector participants, Teknicons, local councils, community organisations, and Provincial government agencies that relate to tourism.
6.5. Improving Communication Links Across the Cluster

One subject that came through strongly at the April workshop was the need for improved communications across all aspects of the cluster. Many participants were unaware of the range of activities already underway within the cluster.

Effective communication is a key to collaborative action. The development of a regular newsletter would ensure a base flow of information. Meeting with community groups and other stakeholders on an ongoing basis is needed. As part of reaching out to the wider community, it is also important to supporting the media through regular press releases announcing specific achievements and events. To-date little use has been made of the media.

6.6. First Priority - Marketing

While promotion, product and capacity development all need attention, the early focus is likely to be on promotion. The immediate constraint to the development of the cluster is the lack of visitors; there is no shortage of capacity, particularly within the private sector.

Marketing initiatives need to draw on, and support the current CTA and Eastern Province Tourism Board activities and need to be underpinned by sound market research.

6.7. Market Positioning

The terms 'Fish River Tourism Cluster' and 'Sunshine Coast' both require early consideration.

Many cluster participants are of the opinion that 'Sunshine Coast' and its positioning as 'the most popular eco and family destination in South Africa' is gathering momentum. An issue, but not a critical one, is that the geographic area associated with 'Sunshine Coast' is wider than that covered by 'Fish River'.

Further investment in the use of 'Sunshine Coast' should ensure that the perceptions of prospective visitors are not limited to beach tourism. Queensland's Sunshine Coast has been careful to ensure that visitor perceptions of their region are much wider than surf beaches and sun.114

6.8. Improving Access

Developing the road infrastructure is a pre-condition for growth. Neither independent nor group tourists will tolerate the potholes, poor signage, wandering animals, and lack of basic facilities. Tourists are also reluctant to stray from the main roads, which confines their spending to the more popular destinations.

6.9. Personal Security

Remains a major concern facing tour operators, who tend to be cautious and well informed, and the international tourists, who are very alert to security

114 An outline of the development of the Queensland Sunshine Coast is given in Annex 5.
problems in destinations they aspire to visit. Both the perceptions and the reality of security need to be faced, and adequately addressed.

6.10. Developing Product

Whilst the Coast already has a number of attractions, a wider range of attractions of international standard need to be developed to attract tourists who have other options available, and then to persuade those tourists to stay longer. The development of profitable attractions often requires a community-wide involvement. Product that is located in close proximity to current tourism pathways, including the "Friendly N6", is particularly needed. East London at this time has no "Must See" attractions.

6.11. Developing External Partnerships

The external resources that are available to support the Fish River clustering initiative, and its participants, need to be identified and accessed. These include both soft infrastructure (in particular skill development) and the hard/physical infrastructure (in particular roading).

Partnerships need to be developed at National, Provincial and local levels. Links should also be formed with international organisations.

Key agencies include the Tourism Business Council, IDZ, Hotel Industry Training Board for Learnerships, the EU and the World Bank funding, as well as local sources such as the ECTB, CIMEC and the Provincial Government. There is, for example, R27 million currently allocated to labour training across all activities within the province but tourism is not well equipped to access these funds. More formal links with Tourism Sunshine Coast in Queensland could also bring benefits.

Linkages should be developed with other tourism clusters within the Province, especially the Wild Coast, and beyond the province to the Garden Route. A few issues of the critical may be best addressed at this higher level, but most will require action at the Fish River level and this is where the focus and effort should be.

As in other aspects of the cluster's development, developing full access to these resources requires a team approach.

6.12. Additional investment

At this early stage in the development of the cluster the constraints to growth are more within the public portfolio than in the private sector.

Public investment is the key, including improved access (roads and signage) and for skills development.

Private investment leading to the development of additional attractions along core routes will develop as tourism numbers increase. Opportunities for black participation, particularly in the eastern part of the cluster.

For example providing visitors with more opportunities to spend with the region will also increase as numbers grow, road access improves, and skills are developed.

Joint public and private investment is required in promotion.
7. Strategic Learning

Fish River was one of four pilots, with an objective being to learn from the pilot process and to make available this leaning to other tourism clusters. The key elements of our learning from Fish River are identified here.

7.0 Leadership Team - Slow to Settle

The team that was identified at the end of the first workshop had 21 participants, with few having a vested interest/knowledge of tourism. Some had unrealistic expectations that the clustering initiative would fund their travel expenses in attending meetings, even their time. Attendance at early meetings was poor, some meetings had to be cancelled.

This situation was compounded by inadequate resources being available to support the leadership team. The initial working groups had insufficient time and resources to pursue their action agendas, and as a result interest waned.

7.1. Workshop Participation not Optimum

The April 23 workshop would have benefited substantially from having a wider range of participants, in particular from more of the larger private sector operators. Attendees representing Community Tourism Associations were predominant. A number of these came from well beyond the geographic boundaries of 'Fish River', and their subsequent interest in participating was slim.

7.2. Procrastination

Substantial delays occurred in the four months immediately following the workshop. There was uncertainty as to the Champions' identity. Earlier resolution of Malibongwe Yokwe's role would have significantly sped up the process and moved it ahead through gaining commitment and resource.

Momentum was lost. Stakeholders lose interest when an initiative, for whatever reason, fails to offer the potential of early benefits.

7.3. Media Appetite Unfulfilled

Media coverage quickly faded after initial activity covering the workshop and the MEC's participation in April. An initiative such as this requires broad community involvement, and the media is a key means of securing this. A result of the lack of clarity over the Champion was that no one person within Fish River had responsibility for maintaining media contact, yet there was strong media interest in covering this positive initiative for the province.
8. ANNEX 1 - THE FISH RIVER PROCESS

A brief description of the Fish River process follows. The learning from this pilot process is reflected in earlier comments.

The local lead in initiating the process was taken by Stephen Keet, the then Fish River SDI Manager, and Malibongwe Yokwe from CIMEC.

A two day programme in Fish River was undertaken over 22 & 23 April, organised by Fish River SDI and CIMEC. The programme started with briefings with senior stakeholders in East London and PE.

An introductory presentation on clustering was held the evening before the workshop at the Fish River Sun, and opened by Mr Enoch Godongwana, the MEC.

8.0. April Workshop

The public workshop at the Mpekweni Sun attracted 65 participants. Invitations to this workshop were limited to government departments, parastatal tourism organisations, publicity associations and other bodies representing tourism organisations. Attendance was particularly strong from community tourism agencies that came from as far afield as Cradock and Graaff-Reinet. These CTAs had heard of the workshop and asked to be included.

The workshop was opened by Mr Zandisile Pase, the then CEO of the Eastern Cape Tourism Board. There was active contribution from the participants during the day which identified a preferred future for the local cluster, shortlisted the key stepping stones in reaching that future, and then started to develop an action agenda (see Annex 2).

8.1. Post-workshop Sluggish Movement

During the three months after the workshop a number of meetings with smaller groups were held at Tourism Indaba, CIMEC, Port Alfred and the Fish River Sun.

Discussions at these meetings covered a wide range of topics including the possibility of marketing PE and EL as 'the twin cities', the need to review current marketing initiatives in the region, the roading difficulties, the concept of a 'Renaissance Splash concert' and the establishment of three working groups covering events, eco-tourism and heritage tourism. Only one of these working groups subsequently met. Meetings to discuss the development of the two nodal clusters, PE and EL, were not well attended. Overall, these meetings had difficulty in moving from discussion to action.

This difficulty in moving forward was compounded by a lack of clarity as to who was leading the process during this period.
8.2. Leadership Group Now in Place

A Cluster Leadership Group was finally established in late July. This put in place for the first time key individuals with the vision, energy and commitment to drive the Fish River tourism cluster forward.

The Leadership Group is chaired by Pepi Silinga (CEO, Coega IDZ) with a team of senior representatives from PE, EL and Bisho. Malibongwe Yokwe has been released from CIMEC to support the team and drive the programme.

An initial area for action was confirmed - the development of road signage throughout the region. Subsequently a focus on Heritage tourism has been agreed to, and a fact-finding mission to Queensland's Sunshine Coast.

9. Annex 2: April Workshop

After an introductory presentation on clusters, the results of a brief questionnaire returned prior to the workshop were as presented as the three graphs in Figure 5

FIGURE 5 WORKSHOP GRAPHS
9.0. Key Elements

In small round-table groups the participants then worked through three stages, with report backs to the whole group at the end of each stage.

Developing a preferred future for the cluster

Following table discussion this was summarised as follows:

*We in the Eastern Cape are a world class destination for quality Tourists. We offer adventure and exploration experiences to domestic, regional and international Tourists seeking a relaxed, stress free and safe holiday.*

Tourists visiting the Eastern Cape can enjoy our Safaris, Nature reserves and special eco experiences (such as Tsitsikama, the Fish River).

They can experience our diverse culture from Khoi to Xhosa, and our history, from ancient battles to the struggles of yesterday.
If this is not enough, they can enjoy specialist activities for the enthusiast, (Golf, Fishing, Birding and Archaeology, anthropology, palaeontology and other outdoor pursuits are just a few niches where we enjoy competitive advantage) and the finest of African fusion cuisine supported by the only specialist training facility in sub Saharan Africa.

**9.1. Identifying the stepping stones to achieving the preferred future**

After discussion by each table all participants voted on priorities. The results were as follows:

**Cluster Culture** – 104 votes in total (community involvement 31, cooperation between everybody 16, shared vision 15, PPP 14, moving vision to action 12,

**Physical Infrastructure** – 52 (roads/signage 38)

**Skills development** – 48 (education & training 38)

**Market Development** – 34 (aggressive awareness campaign 14, integrated marketing 13)

**Personal Security** – 22 (addressing crime fundamentals 19)

**Business Environment** – 22 (enabling environment 12, access to capital 10)

**New Product Development** – 21

**9.2. Establishing the early action agenda and the leadership team**

For this final stage the participants moved to ‘issue’ tables to take a first cut at an action agenda for six of the broad issues that had been identified. The items identified within each of these six topics were reported back as follows:

**Cluster Culture**

Participants in the cluster are currently not always aware of things that are happening.

Need to move from talk to action

An interim steering committee needs to be established with participants from each of the task teams to take matters further

East Cape Tourism Board needs to participate on this committee along with CIMEC, Department of Economic Affairs and SDI.

**Community involvement**

The province has urban and rural communities; both need to be considered
Invite communities to be involved in the clustering process.

Again, highlighted the need to move from discussion to early action

**Skills Development**

Current Situation: a lack of tourism knowledge; inconsistency of standards and accreditation processes; lack of facilities; industry input lacking; adult education inadequate; legislation unfriendly.

Action Agenda needs to take into account: an aggressive tourism awareness campaign - Primary school and entrepreneurship; establishing funding for the programmes; training for educators; decentralisation of facilities away from cities; franchises; public learning adult centres; industry input; incorporate training; breakdown into units; industry interaction; adult education; push for user friendly education.

**New Product Development**

Fish River current attractions: Malaria free game viewing; hunting; only ski resort in South Africa; unique historic-culture sequence (incl bushman painting, 100 yr war, Fort Hare struggle archive); railway

Current events; GHT Festival/Science; Bathurst; Splash Fest; Buffalo Rally; Sports - E London; Kowie Regatta

The group concluded that new product development needs to concentrate on building the unique attributes of the region.

**Market Development**

Market research is needed to identify priority markets

**Marketing Strategy to include:**

- Local tourism awareness/ education and awareness through LTOs;
- The development of appropriate marketing tools (maps, brochures, and web sites);
- Marketing material available at airports, travel agents etc.
- Development of marketing links with other provinces, cooperative marketing.
- Develop routes within main routes eg Langkkaaf;
- Use of electronic mass media and magazines;
- Events - development of additional events to attract new visitors, and persuade existing visitors to stay longer;
- Funding options to support the tourism marketing body include: bed levy; casino levy and tourism related businesses.

**Physical Infrastructure**

This groups focus was on roads - national roads; proclaimed roads; access roads.
**Situation:** The Provincial Public works are not providing funds for district council to maintain and create roads. This situation is compounded by legislation preventing private maintenance of proclaimed roads.

**Solution:** Public works to be approached to de-proclaim roads where private maintenance can be assured. (Tom Wanklin to action).

Strategic intervention at a National level required to draw funding (Peter Miles to approach Infrastructure Working Group at a National Level).

Tolling roads was considered as one means of generating funds, but it was decided to try other avenues first. The response to the major roading problems has to be aggressive.

### 9.3. Leadership Group

As the final step of the workshop participants nominated the following as possible participants in an initial Leadership Group. Not all were present at the workshop:

- Mr P Silinga
- Mr P Miles
- Mr T Wanklin
- Mr P Myles
- Mr M Yokwe
- Mr D Tassiopolous
- Mr D Langner
- Ms L Ganda
- Mr H Bartus
- Mr Z Makapela
- Mr V Poswa
- Mr M Zokoza
- Mr C Nancarrow
- Mr N Ferreira
- Ms B Burke
- Mr B Bovula
- Mr W Buschhold
- Ms N Ningi
- Mr G Vass
- Mrs N Nini

Malibongwe Yokwe agreed to provide support to this Group
9.4. Feedback on the Workshop

Before leaving the room participants were asked to fill in a short questionnaire. The immediate response from participants was very positive, rating the workshop on a scale of 1 = Extremely Poor to 5 = Excellent, the average ratings were very positive:

- Organisation – 4
- Contents – 4
- Overall – 4

9.5. Conclusion

The workshop participants were keen to maintain the dialogue that was initiated and eager to move from strategy to action. A number commented on the wide geographic spread of participants. As the next step consideration was to be given to establishing two local cluster initiatives, one centred on Port Elizabeth and the other East London, with each group establishing a Leadership Team to drive the Action Agenda forward. Coordination would be needed between these two groups so that selected issues that can more effectively be handled at the Fish River level can be adequately addressed.

10. ANNEX 3: FISH RIVER ATTRACTIONS

The Fish River region has a diverse range of individual attractions, a number of these are world-class, while others have a strong domestic pull. At this stage the region is predominantly a seasonal domestic destination.

10.0. Anchor Facilities and Attractions

Shamwari…voted the world's leading game reserve at the 1998 World Travel Awards… the Oscar's of the travel industry.

Addo Elephant Park…one of the country's best known tourist attractions, drawing in 100,000 visitors annually…more than Serengeti…and offering the Big Five in a malaria-free environment. The Greater Addo Park, extending from the sea to the Karoo, could become the third largest in South Africa and one of the most ecologically diverse in the world.

Political relevance. … Steve Biko…Fort Hare.

The Sunshine Coast, with some of South Africa's finest beaches and countryside.

The meeting place of Xhosa (culture, arts and crafts, cuisine), English settlers (Victorian villas, Bathhurst, Grahamstown) and Afrikaner history (starting point of all the major treks).

A range of biomes.

Key events include Port Elizabeth's Splash Festival (attracting over half a million participants) and Grahamstown's National Arts Festival.
Port Elizabeth's new casino, scheduled to open by Easter 2000, will be a further key attraction.

10.1. Crossroads of Routes and Trails

The Fish River region is much more than a series of individual attractions. These attractions are already building up into tourist routes:

A range of routes and trails within the region…British Settler routes…The Great Treks…The Frontier Cultural route…Donkin Heritage Trail…Township Tours.

Cruise liner routes linking the Indian and Atlantic oceans.

Extension of the MTN Cape Whale Route to East London.

East London …gateway to the Wild Coast and drawing on its location as almost equidistant from Johannesburg, Durban and Capetown, positioning itself as "The Sports Capital of South Africa".

Port Elizabeth …terminal for the Garden Route, though only 30% of Garden Route visitors stop in PE before or after taking the Route.

The region is also well positioned between the Western Cape - the premier international destination - and KwaZulu-Natal - the premier domestic location. The "Friendly N6" provides a direct route from Gauteng.

10.2. Wide Tourism Appeal

Together these attractions appeal to a diverse range of visitors, in particular domestic travellers:

Family vacationers … both black and white…VFR.

Adventure tourists….hunters…4x4s…farmstayers…nudists…backpackers.

Struggle tourists…township tourists.

Cruise passengers…currently around 15 cruise ship visits a year to PE/EL.

British…German…Dutch heritage visitors.

11. Annex 4 - Other Tourism Initiatives

A number of organisations are active in supporting the local tourism industry. These include:

11.0. The East Cape Tourism Board

The board was established in 1996, based in Bisho with offices in Port Elizabeth, East London, Umtata and Aliwal North. Annual budget has been R6 million. The Board is currently without a CEO. It is seen by some key industry participants as being remote. The Board's promotion line is - 'Naturally South Africa's best' - www.ectourism.co.za
11.1. Tourism East London

TEL promotes the river port city of East London domestically as a holiday destination, as a conference, sport and group travel centre and as the gateway city to the Sunshine Coast and to the Wild Coast. Information is provided to tourists, including a free map with a print run of 40,000.

The annual budget of around R500,000 is provided by small business, major corporations and the City Council. The Founder Members of Tourism East London are Mercedes-Benz, Johnson & Johnson, ACSA and SA Breweries. 5 Members include the Border Kei Chamber of Commerce, SA Airways, the Daily Dispatch, Edgars, local hotels and tour operators. The manager is Craig Nancarrow.

11.2. Tourism Port Elizabeth

In positioning PE as 'The Fun-seeker's City'. Also 'The Friendly City' services a prime holiday destination. Splash Festival is an annual anchor event. The organisations budget doubled between 1995 and 1997 through demonstrating the pay-off to council and is currently around R3 million. The manager is Shaun van Eck - www.pecc.gov.za

11.3. CIMEC

The Centre for Investment and Marketing in the Eastern Cape, based in East London. CIMEC's role is to pro-actively seek out, promote and facilitate, within the framework of the economic and development strategy of the Eastern Cape Government, job creation opportunities through investments in all sectors of the provincial economy.

CIMEC is an affiliate establishment of the Eastern Cape Development Corporation (ECDC), a parastatal group which has been actively promoting the development of business and industry in the region, for the past 25 years. CIMEC provides a "one-stop-shop" assistance programme of information and support to potential investors. www.cimec.co.za

Malibongwe Yokwe, CIMEC's Special Programmes Manager, has nurtured the clustering initiative from inception.

11.4. Fish River SDI

The initial cluster champion was Stephen Keet, Fish River SDI Manager who involved Malibongwe Yokwe at an early stage. The Fish River SDI ceased to operate at the end of July 1999.

12. Annex 5: A Case Study - Australia’s Sunshine Coast

Over the last 2-3 decades Queensland’s Sunshine Coast has evolved into a major tourism destination. Tourism has become the local economy's lead driver. This synopsis reviews the development of this region, and draws some conclusions for the much more embryonic tourism cluster on South Africa’s Sunshine Coast.
The synopsis is based on a discussion with the General Manager of Tourism Sunshine Coast, at Maroochydore on 17 September 1999 and a brief review of published information.

All $ are Australian dollars, equivalent to 4 rand at time of writing.

There are a number of common aspects between the two Sunshine Coasts – both have exceptional beaches, climates are similar with sun hours well above national averages, both are growing into international tourism from a predominantly family/domestic tourism base. On the negative side, unemployment rates on both Coasts are higher than respective national averages.

The Sunshine Coast, Queensland is situated 100 km north of Brisbane, covering an area of 3200 sq km with a population of 240,000. The region comprised four local government areas – Noosa, Caloundra City, Maroochy Shire and Coolum. The region includes part of the Great Barrier Reef, and extends inland to the Glass House mountains and the Blackall Range.

In the early part of this century only a few hardy travellers came the 100 km up the dirt tracks from Brisbane to visit the long sandy beaches on the Pacific Coast. During the 50s, the 60s and the 70s this area became the in-place to spend 3-4 weeks of holidays. Over the past two decades the permanent population has grown to such a degree that the beach towns have formed what is known today as the Sunshine Coast. It is the fastest growing area in Australia, with only one in five of the local inhabitants born within the region. The popularity of this region is demonstrated by the Wallabies having their training ground here.

Tourism is the local economy’s main driver, accounting for income of $700 million a year, some 30-40% of the local economy. Agriculture today only accounts for 5% of the workforce. Characteristic of a community built around tourism and services, 44% of the population is engaged in part-time work.

12.0. Local Attractions

Include the beaches, rainforests, rivers, lakes, and family oriented themed attractions such as The Big Pineapple, The Ginger factory, UnderWater World, marinas and pubs. Queensland’s Sunshine Coast benefits from being just a 90-minute drive from a major city, Brisbane, and from Brisbane airport handling 200 flight arrivals a day.

Events include surf life saving carnivals, triathalons and ocean swims, rodeos, pro-am golf tournaments, a hot and spicy food festival, winter bowls carnival, a country music muster, and a trail run.

12.1. Accommodation

Facilities range from 5 Star resort hotels to high rise apartments, lakeside cabins and caravan parks.

Currently the region receives 1.4 million visitors a year, up from 600,000 10 years ago. Growth indications are very positive – Australia as a whole is looking to attract 8 million international visitors in 10 years time, double the current number.
Of current Sunshine Coast visitors, 72% come from within the State of Queensland, in particular Brisbane. International visitors are the fastest growing segment, accounting currently for 188,000 visitors coming in particular from New Zealand and Europe. Few Asians visit the region. The international visitors are the highest yielders – spending A$140 a day. Brisbane visitors spend $75 a day, inter-state visitors $110 and conference attendees $160 a day. Average expenditures are $120 a day, significantly higher than the Sunshine Coast’s main competitor – the more popular Gold Coast 100 km south of Brisbane where daily expenditures are $90 a head.

The term ‘Sunshine Coast’ has been in existence for 30+ years with some 20 years of cumulative promotional support now behind the identity. The strength and acceptance of this identity across Australia is demonstrated by the 1994 naming of the ‘University of the Sunshine Coast’ and the main highway being known as ‘Sunshine Motorway’. Further, every Queensland car numberplate carries the by-line ‘Sunshine State’.

12.2. Tourism Sunshine Coast

TSC has a budget of $500,000 a year funded equally by membership fees (contributed by 850 businesses), the four local councils together and the Queensland government. In addition a further $500,000 is raised by contributions from the private sector to fund specific promotional programmes.

Tourism Sunshine Coast’s primary function is promotion, in particular attracting tourists from the higher value international markets – New Zealand, UK and Europe - and inter-state tourists from Sydney and Melbourne. A recent focus is on Conventions and on Events – such as a "Festival of the Sea". In order to ensure that perceptions are not limited to the 'Coast', promotional activities particularly emphasise activities and interests beyond the beach. The programme has four components:

‘Coast into Nature’ with Eco tours (prolific birdlife, kangaroos, wallabies, crocodiles, Wetlands National Parks…);

‘Coast into Action’ with bush walking, abseiling, parasailing, go-karting, 4X4s, game fishing, golf, scuba diving, nightclubs;

‘Coast into Culture’

‘Coast into Cuisine’ with a range of eateries and cuisines.

The Sunshine Board is composed mainly of elected private sector representatives, with the four Shires also having council representation. The Chair is elected from the authority board, and has just been elected for a sixth year. The Chairman has indicated his priority is the formation of the first regional tourism strategy for the Sunshine Coast.

The organisation has a staff of around 10, including a General Manager, Promotions Manager, Membership Manager and Assistant, a Projects assistant, a Marketing Services manager, a Convention and Events Manager and Co-ordinator.

Key strategies being developed by Tourism Sunshine Coast include:

- Improving the seasonal troughs in terms of visitation;
➢ Improving the yield from tourism by targeting selected niche leisure markets and a stronger focus on conference business;

➢ Directing more attention to the drive market for the benefit of smaller operators;

➢ To more effectively theme the region as more than just a beach, through new brochures and visual aids that highlight the hinterland and that are activity based;

➢ To reduce the regions dependence on the south east Queensland market by targeting the Sydney, Melbourne and New Zealand markets with consumer advertising campaigns;

➢ To improve the structure of tourism on the Coast and to link leisure, convention, event and sport tourism more effectively;

➢ To bring greater synergy and cooperation between TSC and local tourism bodies to maximise opportunities and reduce duplication of effort and expenditure;

➢ To play a vital role in the future planning of tourism;

➢ To increase the awareness of, and support for tourism as the major industry in the region.

12.3. Relevance to South Africa’s Sunshine Coast

It has taken time for the Queensland Coast to be known as 'Sunshine Coast' with strong promotion activity both domestically and internationally over at least two decades.

This promotional activity has emphasised to potential tourists that the region has much more that just sun, sand and the Coast.

While there is no formal strategic plan in place yet, there are a muliplicity of informal linkages between the various tourism associations on the Coast, the four Councils, Queensland's tourism office and Tourism Australia. Elected private sector participants on Tourism Sunshine Coast and the four local tourism bodies ensure close links with the private sector. An effective team is in place, operating at different levels.

Further information on the Sunshine coast and Tourism Sunshine Coast is available through the web site:  www.sunshinecoast.org
Appendix D
International Case Studies

1. Tourism Lessons from International Case Studies

South Africa possesses all the elements key to the creation of an idyllic holiday destination. The challenge lies in finding the successful formula for assembling these elements.

To this end, there is much that can be learned from the experiences of a select group of South Africa's competitors. The section that follows includes brief accounts of strategic measures undertaken in Australia, Bali, Cancún, the Caribbean, Ireland, Napa Valley, New Zealand, and Spain. The studies all provide valuable examples of what can work--and what may not--in the tourism development process.

Implications for South Africa’s Strategy

The key element in the majority of the case studies was the presence of a strong central tourism organisation focused upon a clear strategic direction, with clear and measurable goals to be achieved. This organisation was typically responsible for the development of a detailed master plan that outlined every step of the tourism strategy. While in many cases, this organisation was governmentally-led, South Africa’s unique situation calls for an aligned movement of the public sector, private industry leaders, and labour. A strong organisation with staying power as well as an effective and experienced CEO, is key, and in a democracy in transition, the government should not be burdened with the responsibility of such an institution. Rather, all stakeholders involved can take the initiative, and the sense of ownership that this participation engenders will lead to further commitment to the project.

In addition to illustrating the importance of clustering, the cases provide additional success factors which run throughout the studies, which can be categorised under three broad groupings: marketing strategy; institution-building strategy; and governmental strategy.
**Marketing Strategy**

- A broad-based marketing approach, with strong public and private campaigns at the national, regional, and local levels, has reaped significant rewards in New Zealand.

- Market segmentation and diversification to continually maximise market share are the key to sustainable growth.

- A strong national brand image has worked wonders for both Australia and New Zealand.

- Clear market positioning when initially trying to establish an unknown commodity proved essential to the success in Cancún and Bali.

- In order to maximise the tourist’s period of stay and spending, the “total package marketing” has worked remarkably well. Rather than going for the Napa wines, tourists go for the “Napa experience.”

- When facing limited marketing resources in Ireland, high yield target markets were carefully chosen and the resources were focused exclusively on these.

- Make ample use of the Internet. This medium is a powerful marketing tool, and an inexpensive means to reach a vast audience.

- A co-operative effort among key industry leaders in Napa Valley to share ideas provided the seeds for a trusting, collaborative cluster movement, paving the way for future joint participation in marketing the region.

- The separate marketing of Bali, disassociating it from the turmoil in the rest of Indonesia, will be essential to its recovery from the Asian financial crisis. The same concept could be applied at the provincial level in South Africa, isolating areas such as Mpumalanga from the crime associated with Johannesburg.

- No matter the reality, it is the perceptions that are all important. As demonstrated by Spain's ability to minimise the impact of ETA's attacks on tourists during the eighties, as well as Indonesia's mishandling of the press after the Jakarta riots, quick public relations action to counteract negative media is crucial.

**Institutional Building Strategy**

- Early attraction of the international hotel chains was key to development in Cancún and Bali.

- Ensure that the development of infrastructure extends benefits to surrounding communities, not only to maximise the economic benefits, but also to engage the support of the local communities.
A detailed master plan for sustainable development is crucial to the success of any tourism development project. This plan includes tourism product development, infrastructure development, investment planning, environmental impact assessment, and analysis of the social impact.

There is an international expectation of high levels of service in most segments, and it is incumbent upon industry leaders, labour, and government to work together to create a well-trained workforce.

The Caribbean Tourism Organisation provides an excellent example of the value of a strong, central organisation that can leverage marketing and training capacity.

As the Spain and Caribbean experiences have proven, heavy reliance upon beach and holiday tourism creates wide seasonal variations that have a disruptive effect upon the economy. A diverse base of attractions will better spread the tourism throughout the year.

Napa Valley made a conscious choice of limited growth, however they off-set some of the negative effects of this policy by finding ways to bring in more revenue per visitor. The South African eco-tourism regions may need to evaluate whether limited growth is desired in order to maintain the environmental integrity and ambience, and if so, whether a commensurate elevation in revenue received per visitor will be feasible.

Take advantage of economic downturns to emphasise the increased returns to tourists through foreign exchange.

Involvement of indigenous groups as direct stakeholders will help develop eco-tourism efforts in a sustainable fashion, as seen in New Zealand and Australia.

Use the tourist trade to promote local industry, as exemplified by the benefits brought to the Balinese garment industry.

An strong organisation that lobbies for the rights of the indigenous peoples, such as New Zealand's Maori Tourism Federation, would be beneficial in South Africa.

Not only can the evolution of Cancún have a direct application to the South African tourism development project, but the efforts to expand the economic benefits to southern Quintana Roo can also provide a valuable lesson. Established, powerhouse destinations such as Cape Town can be viewed as a springboard for expansion to outlying regions, thus broadening both the economic impact and the market base.

**Governmental Strategy**

Deregulation of the airlines to allow easy access resulted in a dramatic increase in visitors in Bali and Cancún.
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- Involvement of World Bank provided much needed funding in the Caribbean, Bali and Cancún.
- Concurrent deregulation by the Mexican government to encourage foreign investment was a key factor in Cancún's meteoric growth rate.

These are all actions which could be encompassed within South Africa's tourism development plan, with some adaptations to take into account the political and cultural conditions unique to each of the provinces.

Safety and Security

Finally, a global sample of tourism spots was studied in an effort to pinpoint successful manners of defusing negative perceptions about crime and violence.

In the state of Chiapas, Mexico, tourism was crushed by political violence initiated in 1994 by the Zapatista National Liberation Army. The violence was not directed at tourists, and only had a duration of two months. However, nine months after the declaration of a cease fire, tourism was still down 70%, and numerous tourism-dependent small businesses throughout the region were forced out of business. In an attempt to regain the tourist base, one million informative brochures were sent in a mass-mailing to businesses and travel agencies in key target markets. The Chiapan government also offered tax incentives, and lowered hotel and conference rates. The scheme met with limited success--although tourism did slowly recover, the recovery has been impeded by continuing outbreaks of violence in the region.

Guatemala needed to rebuild its tourism industry after a prolonged civil war. To this end, the budget allocation for tourism promotion was increased by nearly 75 percent--to partially fund this measure, an increased airport tax was established. Ingua, the Guatemalan tourism agency, commercially sponsored popular United States game shows, and established a partnership with McDonald's, whereby 580 McDonald's in the northeastern United States raffled off eco-tourism vacations in Guatemala. To promote this, McDonald's printed up 14 million placemats depicting the Guatemalan rainforests. McDonald's invested a total of $4 million in radio and television advertising to promote the campaign, while the Guatemalan government paid $675,000, the cost of the placemats and the raffled vacations.

Arms proliferation after the civil war resulted in a high crime rate in Guatemala. In order to address the security issue, a 24-hour tourist assistance hotline was established, and special government security for tour groups and bus tours were established. The results of the campaign have been impressive. Tourism grew by 11% in 1997, and rose by 20.6% in the first half of 1998, in spite of a highly publicised attack on an unescorted tour bus in January 1998.

In the U.S., which has one of the highest crime rates in the world, New York and Miami have adopted practices which now serve as international best practices. Miami's campaign to ensure tourist safety include improved street signs that help prevent tourists from stumbling into dangerous
neighbourhoods, a law prohibiting rental cars from having any kind of identifying markings, and a Tourism Safety Task Force—a police unit whose sole duty is to patrol tourist zones. New York has adopted a zero-tolerance policy, which seeks to flush vandals, drug addicts, and thieves out of the city by treating all infractions as major crimes. Before the implementation of zero-tolerance policing, such criminals received warning or light sentences. Since the establishment of this policy in 1993, the murder rate in New York has declined by 49%, and the major crime rate is down by 39% percent. This policy has been adopted in Johannesburg, and has met with early success.
A. Cancún

Cancún is located on the Yucatan Peninsula, in the Mexican state of Quintana Roo. Located on the turquoise waters of the Caribbean, along miles of pristine, white sand beaches, the resort town is the result of a Bank of Mexico initiative; development was overseen by the National Tourism Development Fund (FONATUR). The initiative called for the creation of resort towns in rural and impoverished regions of the country. These resorts were to be marketed as world-class, international vacation destinations. The plan would serve a twofold purpose--not only would it bring jobs and investment to the country's impoverished areas, but it would also attract much-needed foreign exchange.

Thirty years after the project’s commencement, Cancún is thriving, and a testament to the success of this initiative. Due to the excellent results in Cancún, the integrally planned resort concept has since been applied in creating the Mexican resort areas of Ixtapa, Los Cabos, and Huatulco. By the 1990s, twenty percent of all foreign direct investment was channelled into the tourism sector. The industry contributed 3.3 percent to Mexico’s GDP in 1995, with Cancún alone generating 30 percent of Mexico’s tourism GDP. Now, the challenges that face Cancún entail the expansion of its market, as well as extending the economic benefits of its success into the southern parts of Quintana Roo.

Nothing more than a desolate swamp in 1973, today Cancún is a world-class, international vacation destination responsible for 30% of Mexico's tourism GDP.
1. The Master Plan

From the outset, FONATUR had complete responsibility for the Cancún tourism development project. The organisation was the result of the merger of two government agencies: the National Fund for Tourist Infrastructure, charged with developing infrastructure for tourism sites; and the Tourism Guarantee Fund, which oversaw the financing of hotel and tourist developments.

FONATUR was charged with the task of site selection, development of a master plan, and project oversight. The work was forecast to be completed in a series of three phases, over a period of twenty-five years. The ecologically sensitive master plan outlined every phase of the project, from ground breaking to infrastructure building, from hotel construction to attraction of foreign investors. At a federal level, the Mexican emphasis on deregulation and economic liberalisation complemented and facilitated the FONATUR plan.

1.1 Step One: Locating Paradise

The location was chosen in conjunction with IBM de México, which performed a computer study of potential sites, searching for the best combination of natural attractions, as well as an area in which the added infrastructure of roads, electricity, and water would provide the largest economic impact for the surrounding region. When chosen, Cancún was nothing more than a small fishing village located in the midst of a series of swampy islands, with none of the existing accoutrements that are considered essential to Western civilisation. However, all the requisite criteria were present: a tropical region with miles of white sand beaches, fronting the clear blue waters of the Caribbean, together with an area rich in archaeological sites.

As a first step, FONATUR acquired all the land in the planned resort area. Of the 13,231 hectares purchased, only 2,237 hectares were able to be developed—the rest encompassed the coastline, lagoons, and surrounding wilderness. The Cancún region offered favourable land development conditions—at the time the initial purchase of land was made, the island itself had a population of three, and the largest nearby town was Puerto Juarez, with only 47 residents. The few land claims that were made had clear titles, which facilitated the FONATUR purchase. Given the desolation of the region, however, even the most basic elements of infrastructure were nonexistent. Future president Luis Echevarría performed the inaugural speech at the commencement of construction; however, in order to arrive at the site, workers spent months cutting a road out of the jungle to provide access.
1.2 Step Two: Building from the Ground Up

The initial development phase was largely financed by a $27 million loan from the World Bank. This primarily contributed to the development of infrastructure in the region: roads, electricity, telephone, water, sewage, and water treatment plants. Due to the reluctance of investors to bet on an unknown area, the Mexican government financed the first nine hotels. Later, once the venture was a proven success, these were purchased by private corporations. The population of Cancún steadily grew during this period, with people coming from all parts of the Yucatan Peninsula in search of work. By the early 1980s, Cancún had been transformed into a resort town, but was still a relatively small and undiscovered destination with only a dozen hotels.

1.3 Step Three: Attracting Foreign Interest and Investment

Due to intensive marketing efforts by FONATUR, as well as the Mexican market's increasing attractiveness to international financiers, foreign investors discovered the region in the mid-1980s and a building boom finally vaulted Cancún into the global tourism arena. The key to the establishment of Cancún as a major international destination was the attraction of the first high-profile international resorts. Once these properties invested in Cancún, their presence would validate the location in the eyes of other potential investors. In addition, the international chains all have well-established marketing programs, and through their own efforts, significantly increased the resort's exposure. Once the resort's success was established, FONATUR sold off the plots of land that it had acquired at the beginning of the project to partnerships formed by Mexican and international hotel developers. Income from the sale of the plots was reinvested in further infrastructure development.

During the initial phases of development in Cancún, the Mexican government carefully regulated initial foreign participation. The city was designed and built by Mexican architects and engineers, Mexicans were the majority investors in all the hotels, and all the operating companies were Mexican corporations, even when they bear the names and logos of the foreign chains with which they are affiliated. However during the Mexican economic liberalisation that took place in the late eighties, the easing of these regulations significantly boosted tourism growth. Mexican air regulations were eased, permitting charter flights, more flights from Europe, and bilateral partnerships with U.S. airlines. In addition, the foreign investment restrictions were lifted, allowing for 100 percent foreign ownership.

Cancún is now Mexico's premiere tourism region, accounting for 30 percent of the country's tourism. Cancún has grown to house 400,000 residents, and annually attracts 2.4 million visitors, eighty percent of which are international. Of the 2,237 hectares of developable land that FONATUR initially purchased, 609 hectares remain. By 1998, Cancún had 30,000 hotel rooms, a number which is still increasing by about 1,000 rooms per year.
The average annual hotel occupation rate rests at 81 percent, though during the high season this rate jumps to about 90 percent, and the average length of stay is 8.1 nights. FONATUR's investment of US$300 million over the 25 years of the project reaped substantial rewards. In 1998, Cancún was responsible for an annual influx of US$2 billion in foreign exchange. The final phase of development is forecast to be completed by 2003, and will include two mega-projects: a new 1,500-slip marina/resort complex, and a 170-acre lagoon resort complex.

Though its role in the creation of Cancún is now complete, FONATUR still plays an important role in the maintenance of the infrastructure, and expansion of the resort town. The tourism industry in Mexico employed 10 percent of the Mexican population in 1998; that number is expected to increase by 50 percent by 2006, providing Mexico with 1.1 million new jobs.

2. Cancún's Attractions

Cancún is comprised of four distinct but integrated areas:

- **Cancún City.** A small, carefully planned city on the mainland, characterised by winding streets that define neighbourhoods called supermanzanas. This area has a more provincial flavour, with markets rather than malls, and outdoor cafes instead of air-conditioned bars. Most of the city's residents live in this district, as well.

- **The hotel zone.** This area, located on the island of Cancún, is 22.5 km in length, with the Caribbean on one side, and two lagoons on the other. This is where most of the upscale hotels, modern malls, and sophisticated discos are found.

Through eco-tourism and more culturally authentic experiences, Cancún can now attract a wider range of tourist, as well as expand the benefits of tourism to rural areas.
Las Regiones and Puerto Juarez. These areas were not originally in the master plan, which now contain low-cost housing and light service industries such as auto parts and repair, laundries, warehouses, and all the other facilities required by the hotels, businesses and the general population.

The airport and main service areas on the mainland south of the resort. A large part of this area is owned by a rural cooperative originally set up to provide Cancún with Agricultural products. The farmers soon discovered that there was more money to be made in construction, therefore nearly all of Cancún's food now arrives by truck, air or sea.

Hotels along Cancún's resort zone boast some of the most innovative architecture of any beach resort in the world. From the start, the idea was to make this a first-class resort area, and the hotels have all tried to outdo each other in their use of Mayan-inspired pyramid designs and elaborate swimming pools. Motorised water sports, snorkelling and scuba-diving on coral reefs, and deep-sea fishing add to the allure of the Caribbean oasis. Cancún also boasts two 18-hole, par-72 golf course, renowned for phenomenal views and fast greens. Additional attractions include over 1200 archaeological sites in the near vicinity. Many sites have been restored, while others are still shrouded by tangled jungle vegetation. Even Cancún's ultra-modern resort zone harbours ruins dating to the 12th century. Popular day tours to the sites of Tulum, Coba, and Chichen Itza draw tourists away from the city's confines, and into some of Cancún's outlying regions.

The area is easily accessible by Cancún International Airport, located 16 kilometres outside of Cancún City. While the recently expanded facility is considered one of Mexico's best, its capacity is still strained during the peak season, December through April. 33,658 flights pass through the airport each year, carrying 3 million passengers.
3. Cancún Tomorrow

Demand continues to rise, aided in part by a strong U.S. economy throughout the 1990s. To meet this demand, a diverse assortment of properties is still being developed in Cancún. Several properties in Cancún City cater to budget-minded visitors, while in the hotel zone, many properties have tapped into the trend toward all-inclusive resorts. Timeshare is on the rise, although sales have been impeded a bit by a recent ban on street sales solicitations. In order to attract convention traffic, recent additions to Cancún's entertainment attractions include a state-of-the-art convention centre, a US$30 million facility with over 150,000 square feet of meeting space and the Jai Alai Cancún sports complex, complete with betting and dining facilities.

For all of its success, there are still vast markets that the Yucatan Peninsula is only beginning to tap into. Cancún is located in an area of vast cultural and ecological diversity. Currently, the market make-up consists primarily of visitors from the United States, though FONATUR is attempting to expand its market base, by directing marketing efforts toward the European and South American tourist. This strategy is meeting with initial success--growth from European and Latin American visitors has grown to 30 percent a year. In addition there is an increasing proportion of U.S. travellers who seek out eco-tourism, as well as more culturally reflective experiences. The market segment that Cancún initially targeted does not particularly seek out the naturalist experience; conversely, those seeking such an experience are generally not drawn to Cancún. In order to diversify the demographic base to include Europeans, South Americans, and eco-tourists, the Mayan Riviera region is increasingly being emphasised in marketing efforts.

Theme Park Eco-Tourism: The New Engine for Growth

The Mayan Riviera is the coastal zone that extends 200 kilometres south of Cancún. Hotel capacity along the Riviera is expected to reach 15,000 rooms by the year 2000. Xcaret, Xel-Ha, Playa del Carmen, and Cozumel--these are just a few of the newest hot spots on the Riviera, each with its own unique appeal. Xcaret, 72 kilometres south of Cancún, is billed as a natural theme park that attracts thousands of tourists each day, and boasts ecological and archaeological wonders. Xcaret abuts a vast lagoon, is bisected by an underground river, and is sheltered by an offshore reef. This leads to a abundant variety of aquatic life. There is also a world renowned centre in the eco-archaeological park that does research on human-dolphin interaction. In a respectful, controlled environment, tourists are allowed to swim with the dolphins, and are educated about the creatures at the same time. For the archaeologically inclined, Xcaret was a former Mayan port, and there are numerous sites of historical interest. Further south is Xel-Ha, which centuries ago was a harbour for the Mayan merchant marine, and also offers an ecological theme park that was designed to allow 1,000 to 2,000 tourists daily to explore jungles, lagoons, and freshwater sinkholes in a environmentally sustainable manner.
Nearby Playa del Carmen is a former fishing village that has grown into a laid-back resort town, perfect for those looking for those looking to escape the bustle of Cancún. A boat ride away is the island of Cozumel, another relaxed vacation spot, and a scuba and snorkelling mecca. In the middle of the Mayan Riviera, one can find one of the Mexican Caribbean's premiere ecological attractions: Sian Ka'an Biosphere Reserve. Sian Ka'an is a 1.3-million-acre ecological park of forests, lagoons, wetlands, ruins, and exotic marine habitat, and has been declared a UNESCO Biosphere Reserve. For anyone wishing for a day-trip to any of the above locations, bus service from Cancún is readily available.

Xcaret, 72 kilometres south of Cancún, is billed as a natural theme park that attracts thousands of tourists each day, and boasts ecological and archaeological wonders.

**Spreading the Wealth**

Another challenge facing the Mexican government and FONATUR is the extension of the success of Cancún to the southern parts of Quintana Roo. These communities are currently dependent upon traditional agricultural activity, and tourism would provide an excellent means of bringing added revenue to the regions and offset seasonal unemployment. The first large scale venture to attempt to further capitalise on the success in Cancún is being developed on the Costa Maya. Again tapping into the market of tourists seeking a naturalist experience, the Costa Maya is located 400 kilometres south of Cancún, and consists of uninhabited coastline adjacent to the barrier reef at Chinchorro, is seen as a key tourism opportunity in southern Quintana Roo. This tourism zone, already under development, is being marketed as a tourist retreat that is at one with nature, that provides intimate accommodations at strategic locations, where the discerning traveller can experience an unspoiled environment with superior service. The initial hotel development is expected to reach 5000 to 7000 rooms by 2010.

The staffing for the Costa Maya will be provided by local residents, who will need to undergo intensive training to bring the service quality up to international standards. This will not be an easy process--while the vast majority of the hotels in Cancún were international chains with rigorous training programs, this is not the case in southern Quintana Roo. It is hoped that the Hotel and Motel Association of the area will shoulder the burden, by establishing benchmarks, and supporting a program for service delivery training throughout the sector. This program would be performed in conjunction with the Caribbean Tourism Organisation, which already has significant experience in this field. Ideally, this training would extend to all
Mundo Maya is another regional tourism project aimed at drawing visitors to rural areas. It involves not only the states of the Yucatan Peninsula, but also Guatemala, El Salvador, Honduras, and Belize. This region was once the cradle of the Mayan civilisation, and to this day boasts a variety of tribes, dialects, and cultures. Together, the Mexican and Central American governments are marketing the area for both its archaeological treasures as well as ecological diversity.

Sustainable tourist activities also provide other ways of drawing tourist dollars to the south. These not only attract a different breed of tourist, but at the same time can provide economic linkages into the rural heartland. To take an example from neighbouring Guatemala, tours of local coffee farms have met with great success. Lobster fishing is already being offered at some points along the Riviera, and meeting with great success.

Finally, another of the challenges of future developments will be the assurance that the benefits of the tourism will be reaped by locals, rather than foreign corporations. In the face of increasingly deregulated macroeconomic environment, it is increasingly difficult to differentiate between domestic and foreign ownership of the multi-national corporations that dominate the Cancún development market. The initial restrictions on foreign investment have been lifted, and the Mexican government now allows 100 percent foreign ownership in a wide range of industry sectors. Therefore, while further foreign investment still ensures job creation, much of the revenues generated are being repatriated outside of Mexico.

### 4. Strategic Implications for South Africa

Cancún's success can prove a valuable roadmap for other regions hoping to maximise their tourism potential. There are several factors that were crucial to Cancún's success:

- Clear market positioning when initially trying to establish an unknown commodity
- One central organisation overseeing process
- Initial acquisition of large block of land
- Detailed master plan for sustainable development, which included tourism product development, infrastructure development, investment planning, environmental impact assessment, and analysis of the social impact
- Ensuring that development of infrastructure extends benefits to surrounding communities
- Central organisation willing and capable of undertaking initial land development (which was later sold to investment groups)
- Land sale to investors under strict regulation
Involvement of World Bank
Diversification to continually maximise market share
Early attraction of international chain hotels
Concurrent deregulation by Mexican government to encourage foreign investment

These are all actions which could be encompassed within South Africa’s tourism development plan, with some adaptations to take into account the political and cultural conditions unique to each region. Though the World Bank veered away from tourism-related projects during the mid-eighties, the Bank is again involving itself in tourism, contributing to initial infrastructure investment, and aiding in the adjustment of government policy to facilitate tourism development. In addition, the International Finance Corporation (IFC), a branch of the World Bank, is willing to invest in tourism-related developments, where the project will have a significant economic impact.

The development of the eco-tourism market also applies directly to the South African case. FONATUR recognised the vast potential present in this market, and used it to broaden the appeal of the Yucatan Peninsula. In addition, the eco-tourism regions have consciously been developed in a sustainable manner, thus making the effort to preserve that which gives the regions their comparative advantage.

Not only can the evolution of Cancún and the Mayan Riviera have a direct application to the South African tourism project, but the efforts to expand the economic benefits to southern Quintana Roo can also provide a valuable lesson. Established, powerhouse destinations such as Cape Town can be viewed as a springboard for expansion to outlying regions, thus broadening both the economic impact and the market base.

A regional effort similar to that of the Mundo Maya project would be advisable for South Africa. In conjunction with other Southern African countries, a joint marketing project, such as the Game Preserves of Southern Africa, could be used to increase the awareness on the unique ecological systems found in the area. In this manner, the next time a tourist is faced with the choice of a safari in Kenya or a safari in South Africa, both will be equally known for their fascinating game preserves. But not only will South Africa have the oft-mentioned diversity of wildlife in its favour, but will also be known for its gorgeous beaches, and fabulous wine country, providing a well-rounded vacation destination.
B. Bali

Bali, a land of soft, white sand beaches, clear waters, and a balmy clime. This tropical island's fame is disproportionate to its size. However, with the onset of the Asian financial crisis, Bali has found itself playing an important role in the Indonesian economy. Due to rioting and unrest in Jakarta, tourism dropped off sharply in the archipelago. Peaceful Bali remained untouched by the violence, and the Indonesian government is now pinning their hopes on Bali as a gateway to Indonesia. Private and public sectors are coordinating efforts in an attempt to again draw tourists back to Bali, and help lift the region out of its severe recession.

Tourism in Bali: The key to Indonesia's economic recovery.

1. Background

Culturally Bali is very different from the rest of Indonesia. A Hindu minority in a predominantly Islamic country, the Balinese have a complex, village-oriented culture whose religion influences every aspect of their life from birth to death. Tourism on the island dates back to 1910, when the cruise trade discovered the island. In the 1920s and 1930s it was the select south-sea playground for the rich of America and Europe, and a Mecca for artists. During World War II, and throughout the years of the struggle for Indonesian independence, Bali suffered occupation, devastation and constant political and economic crisis. The tourism industry began to take hold again in the late 1960s when stability returned to the nation, and Bali became a stopping place for hippies travelling between Europe and Australia. Throughout the 1960s and 1970s the Indonesian government was ambivalent towards this type of tourist, and their supposed "negative influences" on the local population. Therefore efforts were made to develop Bali as a more up-market destination, with the opening of the first international hotel in 1966.
From the late sixties on, during the reign of former President Soeharto, Indonesian immigration and foreign investment policy has been highly protectionist. However in Bali, the government has practiced a policy of benign neglect in order to enhance its status as a tourism attraction. In 1971, the Bali Tourism Development Plan was created in conjunction with the World Bank. It sought the revival of Indonesia's national economy by focusing on tourism development in Bali, converting it to a mass tourism destination. The study recommended that the bulk of tourism development be in the southern part of Bali, concentrating in the Nusa Dua area of the Bukit peninsula. This plan met with significant success, and has guided Bali's tourism development since, resulting in the construction of the five-star tourism resort at Nusa Dua, as well as the continued development of the enclaves of Kuta and Sanur in the south. The target market was formed by the upper class tourists from Australia, Japan, Europe and North America.

2. Economic Development Through Tourism

In 1970, the villagers of Nusa Dua were barely surviving: the arid soil was unsuitable for growing much besides coconut palms; there were no roads, markets, or electricity. Food and fresh water were scarce. This made it the perfect area to locate a resort, with a minimum amount of negative disruption in the lives of the island's natives. Nusa Dua has been a resounding success, and the tourism development has been extended to other regions of the island. The main cultural centres of Bali are easily accessible by highway from each of the tourism areas.

The first step of the Bali Tourism Development Plan called for the creation of the Bali Tourism

Tourism Growth in Bali

Maximised benefits to the local population through extension of infrastructure to surrounding villages.
Development Corporation (BTDC), a state-owned company that was charged with the development and management of the Nusa Dua resort, as well as infrastructure creation. The BTDC guaranteed investors a supply of clean water, electricity, telecommunications, treatment of sewage, security, cleanliness, as well as beautification and maintenance of the beaches and surrounding area. The World Bank provided funds for infrastructure development in the new resort area. The guidelines set forth in the plan also aimed at maximising the benefits of tourism for the villages and population by extending infrastructure facilities to surrounding villages. By concentrating the hotels and facilities in one area, planning and installation of both on-site and off-site infrastructure would be vastly simplified. In addition, the final cost to the hotel's investors for land acquisition, access, utilities, and other services would be substantially reduced.

The Tourism Development Plan tried to minimise the negative effects on the culture and the ecology. It was decided that without safeguards and procedures to control development, the sheer magnitude of the tourism industry would soon destroy the unique aspects and charm of Bali and its people which was one of its key competitive advantages. Each new property had to project the image of Bali in its architectural design, and to the extent possible include the arts and crafts of the island. A limit was set on the height of buildings--no higher than that of the top of a palm tree, and set back 75 meters from the coastline.

The plan met with significant success--within a very short period of time, tourism in Bali was booming. Bali experienced early success in attracting international chain hotels to the Nusa Dua resort area, thus reaping the benefits of the well-established marketing programs and but government policies were directed toward the active promotion of non-oil exports and investments after the oil market collapsed in the early 1980s. Moreover, Garuda Airlines, Indonesia's national airline, decided to allow foreign carriers to fly directly into Bali, resulting in a dramatic increase in foreign tourist arrivals. Arrivals quadrupled in just six years, rising from 23,000 in 1970 to 100,000 in 1976. This increase was reduced somewhat during the worldwide economic slowdown in the late 1970s, but soon recovered in the eighties. Economic growth in Bali exceeded targets during most of the nineties, and provincial income per capita exceeded the national average between 1994 and 1996. By 1996 there were 87 star-rated hotels, 51 of which were two or three star hotels, catering to the mass-market family holiday clientele. These hotels had 23,827 beds available. In addition, in the non star-rated hotel sector there were 1,127 establishments ranging from small family-owned pensions with only half a dozen basic rooms for rent, to luxury boutique hotels with several dozen bungalows. These establishments had 29,782 rooms available. Most hotels or pensions in Bali are owned by independent small companies or individuals. Such a wide ownership base ensured that the hotel sector was fairly resilient in the face of the 1997 crisis.

Australians were the largest single national group among Bali's foreign visitors in 1996, accounting for 16.7 percent of Bali's 1.1 million foreign visitors in 1996. The Japanese ran a close second, though since 1997, the
economic recession has drastically reduced the number of tourists from Japan. Other major tourist groups include the Taiwanese, Germans and English. Domestic tourists were also a major component of Bali’s visitor profile, until the recent monetary crisis. Even prior to the crisis, foreign tourists formed the majority of the clientele. From 1994 through the first part of 1997, Bali experienced an average annual increase of 13 percent in foreign tourist arrivals.

Numerous tourism development opportunities still remain. Under the Development Plan, 21 tourism zones were declared throughout the island.

![Tourism stimulates local industries, as evidenced by the boom in Bali's garment sector.](image)

Only 11 of these zones have so far seen any development. In addition, a new focus on marine eco-tourism is prevalent in all of Indonesia, with Bali serving as one of the first provinces to explore the popular new trend.

2.1 Garment Cluster

A further benefit that the tourism brought to Bali was the creation of a thriving garment industry. The industry was initially started by word of mouth--tourists would return home with sumptuous, colourful Balinese clothing, and demand was created among associates who admired the workmanship. The opportunity was quickly recognised by traveller-traders who funded their travels by exporting small quantities of clothing to shops in their native countries. As the Balinese suppliers’ prices began to climb in response to the increased demand, a few traders moved into garment production, organising small production shops. The rapid growth of the garment trade was fomented by the lax foreign investment regulations in place to encourage Balinese tourism. Because of the presence of an international airport, with hundreds of flights carrying visitors to and fro, established shipping channels were already in place. By 1996, textiles were the second-highest revenue source, and were growing at a rate of 18.6 percent. The bulk of Balinese garment exports are destined for the small, boutique markets, characterised by small batch-orders, unique design, and high quality.
While the monetary crisis has had a negative impact on the Balinese economy, recent indications are that exports from Bali have grown in US dollar terms, in the first two months of 1998. According to the Department of Industry and Trade, Balinese exports for the period January to February 1998 were valued at US$59.52 million, an increase of 16.71 percent over the same period in 1997. Textiles and textile products accounted for the majority of these exports. These figures confirm anecdotal evidence from Balinese and foreign business people that there has been a rush of buyers coming to Bali since the depreciation of the rupiah, purchasing large quantities of stock for sale at high profits in Europe and America. Textiles in demand include batik and embroidered garments, sarongs and traditional woven fabrics.

3. BALI TO THE RESCUE

Bali is reeling from the effects of trouble in other parts of Indonesia. The country's economy was devastated by the 1997 Asian financial crisis. During the crisis, the rupiah fell by 70 percent against the U.S. dollar, the economy crumbled, and former President Suharto was forced to step down amid riots and violent protest in the Indonesian capital, Jakarta. By May 1998, Americans were evacuated from the capital city, and the U.S., the U.K., Japan, and some European countries had issued travel warnings on Indonesia. Given the distance and cultural differences, Bali was unaffected by the unrest that swept the country; there were no riots in Bali, even during the worst of Jakarta's unrest. However it was not until July 1998 that the majority of the travel advisories were amended to exclude Bali. The failure on the public relations front to differentiate Bali from the rest of Indonesia resulted in a long uphill battle to adjust public perception regarding the security of travel in Indonesia. In 1998, when the most damage control was needed, other competitive tourist destinations such as Thailand and Australia outswept Indonesia 100 to one on promotions.

To make matters worse, many hotels in Indonesia were slow to convert their rates from U.S. dollars to rupiah. Not only were the hotels not drawing increased traffic because of the favourable exchange rate, but they were also losing out to competitors in the neighbouring markets of Thailand and Malaysia who had reacted swiftly to adjust their rates. The death of domestic and intra-regional travel, plus a drastic drop in air capacity also affected the island's traditional markets. Major European carriers such as Lufthansa and KLM pulled out of the destination in the last quarter of 1997, due to political unrest and decreased demand. Bali now receives 44 fewer international flights per week, while domestic seats have dropped off 35 percent since last year.
Foreign tourist arrivals in the first three months of 1998 fell by 10.3 percent compared to the same period in 1997. The challenge facing industry leaders and policy makers was monumental. Though the tourists would be receiving excellent value for their money, this savings was worthless if the destination was considered unsafe. In order to overcome this problem, the BTDC, in cooperation with the Indonesian government created a plan to market Bali on its own merits, as a separate entity from Indonesia. An aggressive marketing and public relations campaign was planned to woo key markets.

3.1 Collaboration Works Wonders

One of the ways in which Bali's tourist industry is cutting loose from trouble spots in Indonesia is with new plans for a Bali tourism promotion board and a separate Bali Convention Bureau. These joint public and private ventures will share embark upon collaborative marketing efforts to bring Bali back into public favour. Internet marketing will play an increasing role in this campaign. In a break away from the centralised Indonesian Tourism Promotion Board, Bali will promote "Bali for Bali, Bali and beyond, and Bali for Indonesia". Bali's first island-wide tourism summit was convened in 1998, in which public and private sector leaders gathered to discuss ways in which to bring the tourists back to the island.

Following the summit, an official delegation was sent to Singapore to explore opportunities for cooperation and twinning of the destinations. Gede Rai, director of Bali Tourism Development Corporation, and Jack Daniels, Spice Islands Cruises general manager, and one of the key players in the private sector's coordination, met with Singapore's tourist industry coalition. With US$118 million invested in Bali and a new 400-room resort, the Hard Rock Beach Club, facing only 25 to 30 percent occupancy, the cooperative effort is in Singapore's interest as well. One of the primary goals of the coalition will be to create a total package to sell both destinations to overseas buyers.

At the national level, a total of 41 organisations have banded together to form a private industry promotion group, the Indonesian Association of Tourist Resorts. The association will prepare a blueprint for tourist resort development in Indonesia, listing problems which may halt development. The World Bank is also involving itself in the tourism-driven recovery plan; in May 1998, the Bank approved a loan for US$110 million. It will be used to improve urban infrastructure services in Bali to meet the basic needs in the important urban centres, as well as the needs of growing urbanisation in South Bali, a result of tourism and other economic activities.

4. Strategic Implications for South Africa

There are several valuable parallels between the evolution of tourism in Bali and tourism development in South Africa today. Some key points that can be applied in South Africa:
Early attraction of the international hotel chains was key to Bali’s development.

Deregulation of the airlines to allow easy access to Bali also resulted in a dramatic increase in visitors.

Bali is benefiting from a joint effort with Singapore to market the region as a total package. In the case of South Africa, collaboration with other countries of Southern Africa, a marketing of the region as a total destination package will prove beneficial.

The separate marketing of Bali, disassociating it from the turmoil in the rest of Indonesia, will be essential to its recovery. The same concept could be applied in South Africa. While marketing operations are going on at a national level, concurrent marketing should take place at the regional level, marketing the wine country or the wild coast as the idyllic vacation retreat, differentiating them from the crime of Johannesburg.

Take advantage of economic downturns to emphasise the increased returns to tourists through foreign exchange. Hotels in Bali were slow to adjust their rates, and lost business to resorts in Thailand and Malaysia, who quickly switched to local currency after the Asian crisis. With the global financial markets still far from peaceful, and emerging market investors wary, the rand has been fairly weak relative to the key currencies. By keeping hotels and tourist attractions denominated in rand, the tourist industry can benefit from this by attracting increased numbers.

Take advantage of tourist trade to promote local industry, as exemplified by the benefits brought to the Balinese garment industry.

No matter the reality, it is the perceptions that are all important. Quick public relations action to counteract negative media is crucial. When the violence erupted in Jakarta, the national and local governments were slow to perform the necessary damage control. South Africa has similar experiences with violence and negative press, and should remain very conscious of its positioning in the eyes of the international community.

Aggressive marketing to key markets, as exemplified by Bali’s attempts to regain their tourist base. Through Internet and television advertising in English and Japanese, as well as cut rate deals promoted through travel agencies, Bali is intensively marketing to the Australian, English, American, and Japanese markets.
C. Napa Valley

For over 150 years, vineyards have been part of the Napa Valley scenery. This lush growing region is located at the northeastern tip of San Francisco Bay in Northern California. Because of its proximity to the Bay, the region houses numerous microclimates that provide the perfect conditions for the growing of grapes. The Napa wine industry's progress can be tracked through five distinct periods:

- The establishment of the industry, from 1838-1900.
- The decline of the valley, due to the damaging infestation of phylloxera, followed by Prohibition.
- The renaissance and recovery, after the repeal of Prohibition in 1933.
- Tremendous expansion throughout the 1980s, and the beginnings of the tourist industry with the establishment of the first bed and breakfast in 1982, and the opening of vineyards to wine tastings.
- The 1990s have focused on refinement of the product, as well as emphasising the development of ancillary clusters.

Though the region has experienced devastating setbacks, the cooperative spirit of the growers and vintners have resulted in a recovery that has led to the development of a world-class winemaking and tourism region. The challenge today lies in ensuring the continued growth and improvement of the region's wines, while also developing other clusters, in a constant effort to improve the region's economic well-being.
1. THE ROOTS OF NAPA’S SUCCESS

The first Napa vineyards were planted by explorer George Yount in 1838. During the following ten years, Yount was joined by other settlers who recognised the region’s excellent grape-growing potential, and in 1848, the town of Napa came into being. By the mid-1850s there were about 50,000 grapevines planted in the Napa Valley; this number had quadrupled to 200,000 vines by 1860.

1.1. Collaborative Approach Spurs Growth

Charles Krug is credited with establishing Napa Valley's first commercial winery in 1861. The industry continued to expand, and by 1889, there were over 140 wineries in operation, many of which won international acclaim. Before long, however, the rapid expansion of the new wine industry saw prices plummet amidst a sea of surplus grapes. At the advent of the 20th century, the arrival of phylloxera dealt vintners another blow, and much of the Valley's vineyard acreage fell victim to the destructive root louse. An even greater threat to Napa Valley's wine industry arrived in 1919, with the enactment of Prohibition. Winemakers were forced to find other trades during the next 14 years. Vineyards were abandoned, and many replaced with prune or walnut orchards. Only a handful of wineries continued to operate by producing sacramental wines.

With the repeal of Prohibition in 1933, Napa Valley's wine industry began its recovery. During the wartime years the industry faced a number of problems, including price controls and a daunting shortage of Labor, bottles and rail cars. 1943 marked an important year in the valley's development, when industry leaders formed a vintners forum, that would allow winemakers a regular opportunity to exchange ideas on grape growing and winemaking amidst a convivial atmosphere of shared camaraderie, good food and wine. More importantly, this provided them with the opportunity to work as a group to overcome obstacles and to elevate the status of Napa Valley wines. This group provided the foundations for the Napa Valley Vintners Association, a trade organisation dedicated to advancing the valley's wines both domestically and abroad.

Even with the new cooperative efforts, the recovery process was arduous; by 1960 only 25 wineries remained in Napa, an all time low for the valley. However, the spirit of cooperation established with the vintners’ association carried on, and slowly reversed the valley's decline. In 1966, the first new winery since Prohibition was built in the valley. Then, in 1975, independent growers joined forces to form the Napa Valley Grape Growers Association. In 1976, Napa Valley drew international attention when its wines won high acclaim at blind tastings in Paris, France. It was at this time that the tourism boom began. Beginning in the early eighties, the growers' and vintners' associations joined forces on projects of common interest, devoting much of their time to an active marketing program. The 1980s also marked the birth of the tourism cluster in the region. The first bed and
breakfast was established in 1982, a number which grew to over 150 by 1990. Wineries also opened their doors for tastings, furthering the appeal to the tourist sector.

2. NAPA TODAY AND TOMORROW

Today, Napa Valley is home to more than 240 wineries. Its growers and vintners combine cutting-edge science with traditional techniques, and its reputation for producing world-class wines is firmly established in an ever-growing global market. Now Napa is expanding its focus to include ancillary clusters, in an effort to ensure continued growth and prosperity well into the 21st century.

3. NAPA’S NEW CLUSTERS

A key value essential to Napa Valley residents’ concept of a high standard of living involves limited physical growth in order to maintain the agricultural heritage of our area. At the same time, residents seek well-paying employment, which will generate enough money to improve the area’s standard of living. The trick is do this within the self-imposed constraints of limited growth and the small amount of land set aside for economic development in Napa Valley.

In the early 1980s, the local Napa government, along with private industry, established the Napa Valley Economic Development Corporation (NVEDC), an organisation created to help diversify the County’s economic base while supporting local agriculture and slow growth policies. Those leaders saw that a strong local economy needs high quality jobs in a number of sectors upon which to build a community. In 1995 NVEDC created a strategic plan that envisioned identifying and working with those business clusters outside the largest current employers, such as the wine industry, that represented the best opportunity for future high paying jobs for local residents and additional wealth for the community.

During 1996 and 1997 NVEDC assembled substantial data on businesses in Napa County. Data on regional, state, national and international trends in key industries was incorporated into the study and some survey work was done with local businesses as well. In mid-1997 NVEDC selected three candidate industries that the data showed were both established and growing rapidly. They also represented the industries that the organisation believed could sustain that growth and high quality within the limited amount of development opportunity allowed and with the best return to the community based on their success. The three selected industry clusters are:
Hospitality and Tourism
Food and Beverage Products
Technology

4. Hospitality and Tourism

The hospitality and tourism cluster is the largest and best organised of the three but it is far from mature and has unique challenges. The tourism industry in Napa is still relatively young—prior to 1976, there was no established visitor infrastructure. As the recognition of the Valley’s wine quality grew, so did the tourist traffic. Throughout the 1980s, Napa absorbed the tourist traffic, and gradually built an infrastructure to support it. No active marketing began until 1990, when industry leaders realised that the tourism potential could not be fully realised until Napa shifted its image from a day-trip destination, to a multiple day, overnight getaway.

5. Maximised Returns with Limited Growth

![Napa Tourism and Revenue Growth 1992-1997](image-url)

As the tourism industry in Napa continued to grow, the Napa Valley Convention and Visitors’ Bureau (CVB) was created, a public and private cooperative that engages in joint marketing and advertising activities. A conscious effort was made to package the entire “Napa experience”, encompassing not only the wineries, but also the hot springs and spas in the northern part of the valley, the romantic hot air balloon ride over the valley, and the gourmet cuisine. In marketing the Valley, the CVB not only utilised conventional mediums, but also became one of the pioneers of Internet marketing.
Due to Napa's policy of limited growth, the actual number of visitors increased only slightly during the nineties. Napa's total visitor number has climbed very slowly in past several years, from 4.6 million in 1991 to 5.1 million in 1995, an annual increase of 2 percent. Since 1995, the number has hit a plateau; in 1997 the Valley received 3.4 million leisure visitors and 1.7 million business visitors. Eleven percent of these visitors were international, up from 5.5 percent in 1990. Bay Area visitors make up approximately 1.8 million of the total visitor number. Of that number 400,000 stay overnight and the rest visit for the day. The constraint to growth of visitors, particularly higher-end business visitors, is the lack of space to accommodate them. The CVB now turns away seven out of eight requests due to lack of space. In December, 1997, one of the Valley's largest country clubs was forced to turn down requests for meeting space at a rate of four requests for each placement.

While the number of tourists is stagnating because of Napa's capacity constraints, the revenues collected are still on the rise.

As the supply of rooms and convention space cannot rise to meet demand, the price that each room garners has risen significantly. As there are only 2,664 sleeping rooms spread over 160 properties in Napa County, there is very little elasticity to accommodate the high season. Occupancies were running 10 percent above the national average in Napa County in 1995, and anecdotal evidence seems to indicate that the occupancy and room rate levels have done nothing but escalate in the past two years. Average daily rates of hotel rooms in Napa were 40 percent higher than national averages in 1995.

Therefore, while the number of tourists is stagnating, the revenues collected are still on the rise. Total visitor spending in Napa County grew from $384.5 million in 1992 to $650 million in 1997, a 12 percent annualised increase during the heart of the nationwide recession. Another significant statistic to note, Napa virtually doubled its tourism revenue in five years without significantly increasing its supply of meeting rooms and overnight sleeping rooms. The total employment generated by travel spending rose from 6,100 people in 1992 to 8,300 in 1997.

In addition, an effort to spread the arrival of visitors to Napa Valley throughout the year is bearing fruit. Napa has transformed a seasonal tourist industry to a year-round industry by directing marketing at Bay Area visitors looking for a weekend getaway, as well as attracting convention traffic. Transient Occupancy Tax (TOT) for the County has jumped 25.5 percent from 1992 through 1995. In the City of Napa, the TOT shows not only that the tax levels increased 26 percent since 1992, but the largest gains have been made in the "off-season" months of March (34.2 percent increase in 1996 over 1995), May and June (over 27 percent increase in 1996 over
1995). Total TOT for Napa City was $2.75 million for 1996, a gain of 15.8 percent over the previous year.

One issue that is seen as a challenge to further growth of the industry is the lack of trained service personnel. Through the NVEDC, industry leaders and local educational institutions have developed a workforce development program to encourage entry to the hospitality industry as an ongoing career, rather than just a summertime job, and to provide a trained workforce that meets the Napa’s high standards.

### 6. Food and Beverage Products

The food and beverage products cluster is the smallest of these business groups and the one most analogous to the wine industry in its formative stages. It is also growing quickly and faces a number of shared challenges and opportunities. National trends are toward larger sales of prepackaged high quality food products as the number of two income households continues to rise, and during the last ten years, Napa has built a reputation as one of the premiere culinary centres of the United States.

The Napa County food product industry appears to be in its infancy. The entire Napa County food product related cluster of businesses represents a total of approximately thirty businesses with over $50,000,000 in sales and over 500 employees. However, three beverage firms, Calistoga, Crystal Geyser and Pokka Beverages dominate the category with approximately half of those employees and sales. The remaining firms engage in a diverse array of food businesses that rely principally or entirely on local products. Whether the product is olive oil, mustard, herbs, bread, sausage, greens or a host of other products, each business in some form trades upon the reputation of the Napa Valley to help it develop and increase sales. Through the NVEDC, the gourmet food cluster is realising the benefits of maximising the economies of scale, through joint requisitioning, as well as shared marketing of the Napa gourmet cluster.

### 7. Technology

Over the past two decades, the San Francisco Bay Area has become world renowned for its thriving technology industries. Napa offers the proximity
to the technology hub in Silicon Valley, while at the same time boasting a higher quality of life—less traffic, fewer people, lower crime rates. As a premier and somewhat undiscovered site for business location, the area has begun to develop its own technological synergy over the past decade. The technology cluster is growing dramatically in Napa and its businesses share a host of similar concerns. Until they were convened as a group most of its members had never met and often did not know the others existed. An independent study performed for the NVEDC in 1994 identified the seeds of the technology cluster. A census of technology firms yielded a total of 79 firms based in Napa County. In total these firms employ over 1,700 people and generate revenues in excess of $200 million. Napa’s new business fall primarily with two sub-clusters: Biotech and Medical Technology, and Information Technology (computers, computer maintenance, computer processing, service and design.) The technology cluster is currently collaborating to overcome constraints to growth presented by insufficient infrastructure in Napa County, as well as a shortage of well-trained technology workers.

8. STRATEGIC IMPLICATIONS FOR SOUTH AFRICA

Like Napa Valley, the wine-growing regions of South Africa are also internationally acclaimed. In their ability to translate their success in wine-making into the ancillary clusters of tourism and culinary excellence, South Africa, too, can expand their wine-making cluster to encompass a broader panorama which would bring increased revenue to the region. Some of the key factors to the success of Napa Valley's clusters could also be reproduced in South Africa:

- A cooperative effort among vintners, which shares ideas on growing methods, as well as jointly participating in marketing the region.
- Emphasise the hospitality aspects of the wine-regions. Increase visitors' access to the wineries.
- Diversify the base of tourists, in order to attract more visitors in the off-season.
- The limited growth was a conscious choice in Napa, however they off-set some of the negative effects of this policy by finding ways to bring in more revenue per visitor. In its stages of development, the South African wine region will need to evaluate whether limited growth is desired in order to maintain the agricultural integrity and ambience of the region, and if so, whether a commensurate elevation in revenue received per visitor will be feasible.
- There is an international expectation of high standards of service in wine-growing regions, and it is incumbent upon industry...
leaders and government to work together to create a well-trained workforce.

- In order to maximise the stay and spending, the “total package marketing” has worked remarkable well. Rather than going for the Napa wines, tourists go for the “Napa experience.”
- Make ample use of the Internet. This medium is a powerful marketing tool, and an inexpensive means to reach a vast audience.
D. Australia: A Case Study in Integrating Strategies

Australia, like South Africa has a Federal System of Government with overlapping responsibilities for tourism. In most instances it has avoided destructive competition between the various levels of government.

Australia and South Africa both have States/Provinces involved in tourism.

The importance of this case study is how various levels of strategic planning has helped Australia and Queensland avoid the problems caused by the Asian crisis and still develop the ecotourism market in Northern Queensland.

1. Australian Situation

Australia’s (and Queensland's) tourism focus has recently been on coping with the Asian crisis. The effects have been particularly exacerbated for Australia given its dependence on the Asian market.

1.1 International Visitors

As the graph indicates, Australian tourism strategies have had to cope with a sharp fall in Asian visitors.

1.2 Asian Crisis

Japan's total outbound market declined 5.9% during 1998 (Japan Travel Bureau). Australia has suffered declining market share in Japan but Japan
still remains Australia’s largest origin market. Australia is still the No.1 preferred destination for Japanese followed by Hawaii, France, Italy and Switzerland. (South Africa wasn’t in the top 8)

Importantly, though, Queensland has fared less poorly than Australia. The losses have been partially offset by increased arrivals from New Zealand, and long haul origin markets such as the United Kingdom (10%), Germany (7%), and USA (20%).

Middle East and North Africa markets have also experienced strong growth (6%).

2. AUSTRALIAN STRATEGY

2.1 Communication behind the Plan

The Australian strategy is the product of consultation between the states and industry. Its importance goes beyond the paper it is written on to the communication which goes into the strategy. The communication behind the strategy has progressed from merely circulating drafts to prior interviews with State officials and industry stakeholders.

Furthermore the Government commissioned an industry leader to consult widely and coordinate a separate industry input into the plan. It has committed to developing constructive partnerships with governments at all levels, industry bodies and other interest groups in working towards the plan's successful implementation. Ownership is gradually moving from Government to industry.

Consultation between National and state organisations also occurs with the Australian Tourist Commission. It’s communications with stakeholders were recently reviewed by the Audit Office and passed muster with some room for further improvement, for example:

- regular meetings to identify needs and discuss issues pertaining to tourism and the ATC’s role;
- surveys of stakeholders to determine the level of satisfaction with ATC’s performance and services;
consultations with other Commonwealth agencies on strategies to progress the ATC’s statutory objectives;

- ensuring publications and information provided to stakeholders is relevant, sufficient and timely to meet industry’s needs; and

- improve stakeholder access to ATC research, on an appropriately priced basis.

Australian organisations at the national level all recognise the need for communication channels and have recently developed an Industry Interactive Strategy Discussion Paper which recognises the need to increase the opportunities for effective two-way communication with industry.

2.2 Elements of the Strategy

The plan is based around three broad themes: Selling Australia better; A more competitive Australia; and Australia -- being better prepared.

Rather than repeat the plan itself, elements of the Strategy will be examined as they relate to the subordinate strategies of Queensland and ecotourism.

Firstly, the Strategy recognises the role of regional diversity in the total mix of the Australian product. Like South Africa, the Australian states have a constitutional role in tourism development and marketing. The larger states maintain development organisations and marketing offices overseas. The strategy recognises that the States will compete vigorously for the domestic tourist. In reality they also compete equally vigorously for the overseas tourist.

This sets the stage for Queensland to develop its industry and concentrate on niches it is competitive in.

Secondly, ecotourism is recognised as an niche market opportunity for Australia and one of particular relevance to rural Australia.

World Heritage status is recognised as a beacon or branding for ecotourism. Australia has 13 sites, many of which are tourism destinations. Each site has a management plan to ensure access and capacity is reasonable yet consistent with environmental and tourism needs.

3. The Indigenous Peoples Strategy

The National Aboriginal and Torres Strait Islander Tourism Industry Strategy (NATSITIS) was launched by the Federal Government in 1997. The NATSITIS establishes a foundation for enhancing Aboriginal and Torres Strait Islander people's participation in the tourism industry and aiding the development of culturally, environmentally and economically sustainable indigenous tourism in Australia.

The strategy has been developed by a Tourism Industry Advisory Committee, comprising Aboriginal and Torres Strait Islander representatives, tourism operators, the tourism
industry, and organisations and nominees of State/Territory and extensive consultations with indigenous communities, the tourism industry and other stakeholders.

The NATSITIS addresses issues such as: ensuring the availability and accessibility of appropriate training courses; managing the social, cultural and environmental impacts of tourism; gathering data on visitor demand; developing and consolidating indigenous tourism product; fostering the exchange of information within the industry; and business planning.

A number of pilot projects, aimed at exploring the feasibility and appropriateness of draft recommendations, were funded during the development of the strategy. Especially significant is the establishment of Aboriginal Tourism Australia (ATA) to represent the interests of indigenous tourism operators and to foster the sharing of information and experiences among operators. It is too early to assess how successful this has been.

4. QUEENSLAND ECO STRATEGY

Under the Australian strategy sits Queensland's development aspirations. It recognises that Queensland with its many natural advantages has the potential to become Australia’s premier ecotourism destination.

The Queensland Ecotourism plan was launched in 1997 and has four objectives:

- environmental protection and management
- ecotourism industry development
- infrastructure development
- community development

The Queensland Tourist and Travel Corporation has responsibility for coordinating and implementing the plan.

Given that Australia and South Africa will be competing in the same markets for ecotourists and that any South African ecotourism strategy will be customer driven this case study focuses on the market aspects of Queensland ecotourism.
5. **ECOTOURISM MARKET**

5.1 **International**

Hard, long term data on the ecotourism market is not available but some surveys can provide insight into the scale and motivation of international ecotourists.

Of the 1000 respondents interviewed by the Australian Tourist Commission in 17 countries between 1989–92, 86 per cent were ‘extremely’ or ‘very’ interested in Australia's natural wonders. The IVS shows that in 1996 15 per cent of the 3.8 million inbound visitors aged 15 and over reported having undertaken a bushwalk/rainforest walk/wildflower viewing, 3 per cent went horse riding, 5 per cent undertook outback safari tours, and 2 per cent went whale watching.

A new Ecotourism Supplementary Survey conducted by the Bureau of Tourism Research, Canberra, in December 1996, looked at nature based visitors by country of residence and noted that although Asian tourists are the most common inbound visitors to natural areas (51 per cent of all such visitors), they are among the least likely to do so on a per visit basis. Visitors from Scandinavia have the highest propensity to visit natural areas (72 per cent) followed by other Europe, UK and American countries (all above 49 per cent).

5.2 **Spending**

Ecotourists have a greater than average expenditure than mainstream tourists. The IVS shows that the average expenditure per trip for international visitors undertaking bushwalks during their stay was $2827 in 1995, or 46 per cent above the average expenditure of all inbound visitors ($1936). Scuba divers spent 82 per cent more on average than inbound visitors as a whole, and whale watching enthusiasts spent 86 per cent more. The most marked difference was the whale watchers who spent more than twice that of all inbound tourists on average.

5.3 **Domestic Market**

In Queensland the domestic market is an important element of the overall tourism market. It is far larger than the international market and varies in importance within different regions in Queensland.

The international market is of greatest importance in the Tropical North Queensland, Gold Coast and Brisbane areas. International visitation is less important for many regional centres, due to the location of international airports with the proximity of developed infrastructure and attractions.

The Domestic market is more important to southern regions which have, on average, in excess of 40% of their total market from interstate. This is, in part, due to their proximity to the New South Wales border.

The domestic ecotourist was studied while on holiday in Queensland during April 98.
The main findings from research were:

- Approximately two thirds of visitors to these regions have some understanding of 'ecotourism', but their understanding is generally limited to the impact of tourism development on the local environment. Attitudes expressed towards nature and tourism reflect an appreciation of nature and some interest in concepts core to ecotourism.

- More specific reasons why visitors chose the destination they did, and what they looked for from their vacation, included: 'spending time with my partner or family'; 'visiting somewhere different from home'; and 'visiting somewhere I've heard a lot about'.

- Only 20% of respondents had planned specific activities before their arrival.

- Information used by visitors when planning for a holiday include word of mouth, personal experience and travel agents.

- The majority of visitors to these regions take part in some form of nature-based activity, in particular, guided or self-guided walks, drives or tours.

- The four issues most important to these visitors overall are 'spending time with partner or family', 'being able to escape the pressures of home', 'getting close to nature' and 'being able to relax and do nothing'.

5.4 Implications for Marketing

These findings have implications for marketing strategies.

Firstly, ecotourism products do not attract a wide enough market in and of themselves to motivate long haul travellers. Ecotourism needs to be associated with other motivations and presented to the holiday maker whilst on holiday.

Secondly, ecotourism products need to be bundled with other nature based products.

Thirdly, the existing association with adventure tourism is only relevant to a small segment of the market. The older ecotourists are looking for a softer experience.

Expectations need to be managed. - you are not going to see whales everyday, up close. Visitor satisfaction leading to word of mouth recommendations and repeat visits need to be stimulated by:

- Quality assurance
- Accreditation
- Broad range of products
- Environmentally sensitive infrastructure
- Consideration of the local community
6. **Ecotourism Capacity**

To meet these expectations Queensland has developed its capacity to deliver a realistic ecotourism experience.

6.1 **Australian Ecotourism Industry**

Ecotourism businesses are estimated to have an annual turnover of some $250 million and to employ a total staff of around 6500, the equivalent of 4500 full-time staff. Ecotourism operators typically offer a range of activities including guided bushwalks, natural history tours, outback safaris and whale watching. Their continued success will be an important factor in the growth and diversification of tourism and, in turn, employment growth beyond the capital cities.

There are an estimated 600 ecotourism operators in Australia today. It is a relatively small but dynamic sector of the tourism industry. The industry is characterised by small businesses offering personalised services. Approximately 85 per cent of ecotourism operators employ fewer than 20 staff.

6.2 **Queensland Ecotourism Industry**

The same study estimated that there were 105 ecotourism operators in Queensland in 1995. Now the QTTC database estimates the composition of the industry as shown in the graph.

Queensland’s visitors have enjoyed an increased accommodation supply which has outstripped demand and caused lower occupancy rates and profitability in the sector.
6.3 Standards

National Ecotourism Accreditation Programme (NEAP) is a national programme of ecotourism accreditation designed to increase the level of professionalism in the industry. It also ensures that tourists enjoy an ecologically sound experience.

Core criteria for the scheme are based on ecological sustainability and minimal impact. These are reviewed 3 yearly.

The scheme has been created by industry for industry and they have a high degree of ownership in the scheme. It has been adopted with enthusiasm in Queensland which has 60% of Australian accreditations.

6.4 Supportive People

In Australia ecotourism operates in a supportive environment:

- 68% disagreed that international tourism has a negative impact on the environment
- 83% felt that the benefits of tourism were economic
- 45% said there were no main disadvantages to tourism in Australia
- 47% indicated that Australia’s environment should be promoted overseas.\(^\text{115}\)

7. Lessons for South Africa

Ecotourism is a viable market segment for South Africa. In Australia it is a small but dynamic segment offering special benefits for regions and indigenous peoples.

South Africa has a similar opportunity as long as the various levels of government, and tourism institutions are able to clearly define who does what without bitter rivalry.

\(^{115}\) ATC Survey October 1998.
E. Spain

Although historical sites and unique cultural features had always made Spain attractive to foreign visitors, the tourist boom that began in the mid-1950s was based primarily on the recreational assets of the Mediterranean seashore areas. The country had fewer than 1 million tourists in 1950, but the number rose steadily, reaching more than 34 million in 1973 and 43 million in 1996.

World's top five Tourism destinations (1997)

<table>
<thead>
<tr>
<th>Destination</th>
<th># of arrivals (‘000)</th>
<th>% of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>66800</td>
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</tr>
<tr>
<td>US</td>
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<tr>
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Spaín – Top Destinations -Growth

<table>
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<th>95/96</th>
<th>96/97</th>
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<td>South Asia</td>
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</tr>
</tbody>
</table>

Top Destinations of Spanish Tourists 1987

- Africa
- Americas
- East Asia
- Europe
- Middle East
- South Asia
1. Importance of Tourism to the Spanish Economy

The importance of tourism to the Spanish economy was substantial. Net tourist receipts averaged about 5 percent of GDP in the early 1970s, but in 1987 that figure rose to almost 10 percent, as receipts rose to US$14.7 billion--more than enough to cover the country's merchandise trade deficit. On a net basis, Spain's tourist revenues were the highest in the world. The United States had higher gross revenues, but its tourist expenditures exceeded revenues by a considerable margin.

<table>
<thead>
<tr>
<th>World's top five Tourism earners (1996)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$ mil</td>
</tr>
<tr>
<td>US</td>
</tr>
<tr>
<td>Italy</td>
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</table>
### World's top five Tourism spenders (1996)

<table>
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<th>Country</th>
<th>US$ mil</th>
<th>% of total</th>
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</thead>
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<tr>
<td>Germany</td>
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<tr>
<td>US</td>
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<td>Japan</td>
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<tr>
<td>UK</td>
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<tr>
<td>France</td>
<td>17746</td>
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<tr>
<td>Spain (20th)</td>
<td>4916</td>
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</table>

The tourist boom had a significant, and not wholly beneficial, impact on the Spanish economy. Though it was a welcome source of foreign exchange and created new employment opportunities, it also diverted capital investment and construction efforts away from more stable economic activities to a sector subject to seasonal fluctuations, the whims of fashion, and worldwide economic conditions.

### 2. Major Attractions

The most popular resort areas are the Balearic Islands and the Mediterranean coastal areas. The Balearic Islands generally account for...
the majority of the number of nights foreign tourists spend in Spain. The **Costa Brava and the Costa Dorada**, stretching from the French border through Barcelona to Tarragona. The **Costa del Sol and Costa de la Luz**, extending from Almeria on the southern--or Mediterranean-- coast to Ayamonte on the Atlantic coast at the Portuguese border. The distant **Canary Islands** attract a large portion of Spain's foreign guests. Land-locked **Madrid**. Cultural festivals are instituted in Santander and Madrid in an effort to increase the attractiveness of these cities. **Barcelona**. Host of the 1992 Olympics Games an economic centre of note.

The seaside resorts continue to dominate the tourist industry, however, despite considerable government effort to stimulate interest in visiting historical and cultural sites.

3. **Cyclical Nature of Tourism in Spain**

Like most nations dependent on tourist trade, Spain was concerned about the under-utilisation, and sometimes over-utilisation, of facilities that was caused by seasonal variation in weather. These variations caused marked differentials in monthly tourist revenues and international trade receipts. July and August were the most active months; February was the least active. Efforts were made to develop winter sports facilities in order to increase the number of tourists visiting Spain during the colder months; however, competition from France, Switzerland, and Austria, where snow conditions were more reliable, constituted a formidable obstacle to success in this area.

4. **History of Tourism Development Strategy**

Tourism was recognised, even before World War II, as an important economic activity worthy of government support. A chain of official hotels, known as tourist inns (paradores), was initiated at historical sites in the 1920s during the Primo de Riviera regime, and it was extended during the postwar years. Tourist promotion was a function of the Ministry of Interior until 1951, when the Ministry of Information and Tourism was created. In the late 1980s, the Ministry of Transportation, Tourism, and Communications took on this responsibility. The National Tourist Company, a state-owned enterprise, was engaged in the construction of hotels and tourist complexes.

Although most tourist accommodations were privately owned and operated, there was considerable government supervision of the industry. All restaurants and hotels were inspected, classified, and controlled by the Ministry of Transportation, Tourism, and Communications. Prices for meals and accommodations were controlled, and establishments catering to tourists were required to maintain complaint books which were intended to help the ministry's inspectors identify any shortcomings. In addition, the government operated a number of accommodations. These establishments included the above-mentioned paradores, many of which were converted castles, palaces, or other buildings of historical or cultural interest.
Government-operated inns (albergues) were maintained on highways away from larger cities and towns, and many areas had hostels (hosterias), which were government-operated restaurants featuring traditional regional dishes. The ministry also maintained a number of mountain lodges (refugios).

5. Tourism Promotion

Tourist promotion encompassed such routine activities as advertising and distributing maps, information folders, and lists of accommodations and shops. In addition, tourist offices were maintained in major foreign cities in order to encourage, to advise, and to assist people planning visits to Spain. Within the country, tourist assistance was provided by a network of more than seventy local tourist information offices found in all major cities and sites of interest.

6. Spain, Terrorism and Tourism

Tourism figures following the height of terrorist activity in the eighties illustrated the serious reaction of tourists too political and security risks. In Spain tourism decision makers realised that they needed to become sophisticated in their approach to crisis management and needed to be aware of the political dimensions of tourism development. In addition it was recognised that government policy per has an impact on investment opportunities of among other multinational hotel chains.

Proactive measures were taken wherever possible to ensure that the overall political environment remains favourable to tourism development. Crime prevention, law enforcement and community involvement programmes were launched.

An issue that was identified as critical to the success of tourism development was information freedom. Measures were taken to ensure that all tourists had access to as much reliable information to ensure their safety. Issues such as general safety information and the what to do and not to do while in certain areas in Spain was covered on a broad base.

Events such as the booming of tourist buses in Egypt in 1993, IRA mortar attacks on Heathrow airport in 1994 and kidnapping of tourists by the PPK in Turkey in 1994 further highlighted the need for a proactive strategy relating to tourism and terrorism.

Following the hijacking of Iberial Airlines flight 6621 from Madrid to Cuba in July 1996, Spain recognised the negative impact of being branded a “troubled” destination. This incident prompted the creation of a brand visual identity that minimised the negative mental image associated with the destination.

Faced with this crisis the tourism industry reacted with recovery marketing efforts. To encourage travel airlines began promotional campaigns and generous incentives, such as 2-for-1 ticket offers and packages including...
free car rentals. Hotels advertised rates reductions ranging from 25% to 50%.

Spain is an example of how proactive strategic planning led to a unified and co-ordinated industry wide response to tourism crisis created by terrorism.

7. Lessons for South Africa

Spain is a very good example of a country that identified its comparative advantages and used them to maximum advantage.

Of the most important comparative advantages identified are:

2. Unspoilt and easily accessible beaches
3. Very good climatic conditions during the European summer
4. Competitive regional / short haul destination (Ease of access, low transport costs, etc.)

South Africa is not in a comparable cost position but the lesson is in the identification of competitive advantages, marketing the identified advantages and the regional focus. Especially the regional focus could be of specific interest in the SADC scenario.

Not only can South Africa learn from the early development of tourism in Spain but also from more recent developments.

1. Due to some negative side effects, mainly in the environmental area, that threaten the sustainability of Spanish nature tourism more attention is being given to responsible tourism development. South Africa must ensure that responsible development aimed at sustainability is made a priority from the outset.
2. The initial focus of tourist development in Spain was beach / holiday tourism. Though Spain has achieved remarkable success in this area it has proven to be very cyclical. This has a very disruptive economic impact. Spain has recently made more resources available to diversify its supply of tourist attractions. New focuses are art, culture sport, and nature tourism.
3. The development of a proactive strategic plan relating to the management of terrorism and crime.
F. The Caribbean: A Case Study in Change For Survival

For more than two centuries the Caribbean has captured the popular imagination as a romantic tropical locale. From the days of galleons and privateers, through the Napoleonic wars to the plantation economies of the 18th and 19th centuries the region has conjured up a vision of palm trees, white coral sand beaches, lush tropical growth, adventure and romance. The nascent tourism industries in the post war period used these images to the full.

With the introduction of the jet airliner in the early 1960s the potential for rapid expansion of tropical beach tourism was to hand. Private sector investment provided the funds for the development of the tourism plant paving the way for the mass tourism which now characterises many Caribbean destinations.

Charter flights have brought the Caribbean within the reach of many and the growing affluence in metropolitan countries translates into an increasing demand for travel.

The advent of the scheduled passenger jet and the resulting expansion in Caribbean tourism coincided with moves for independence in many Caribbean countries. Trinidad became the first of many to achieve political self-determination. In so doing the local community were seeking a greater say in the direction of investment and enterprise that would spread the benefits of economic activity to the wider community.

This period also coincided with a time when the plantation cultures of the islands were threatened by competition from subsidised production elsewhere in the world.

Island governments and international donor agencies saw tourism as a viable option to diversify away from commodity crops that were under terminal attack from competition. International agencies have invested heavily in tourism plant, tourist facilities and training to provide a strong alternative to commodity crops.

In many island states this has been extremely successful to the extent where upwards of half their economic revenue is generated by the tourism sector. This very success has made these states vulnerable to a new commodity – mass tourism.

1. Maintaining Market Share

The sun, sea and sand product is under threat from new destinations, new tourism areas and new travel products that are capturing their own loyal market.
The high degree of dependence that many island economies and their communities now have on tourism activity makes the maintenance of visitor volumes an imperative.

The building blocks that have been essential in the past in establishing their tourism sectors remain critical areas that have to be addressed by island governments and tourism service organisations.

There are five principal building blocks in achieving a successful tourism sector:

- Marketing
- Infrastructure
- Training
- Information Management
- Security

Most of the smaller island member states, with limited resources, have great difficulty in marshalling sufficient threshold funding to mount an effective campaign in major markets within the US or Canada, let alone attempt to access emerging longer haul markets in Europe and South America.

1.1 Raising the Ante

In the past decade some Caribbean islands, which had been at the forefront of the industry, were finding themselves eclipsed by newcomers. The product and the superstructure were becoming tired and the price that could be demanded for facilities was declining. As the return diminished the ability to refurbish and upgrade, though a necessity, became problematic.

Departures from the US for a Caribbean holiday have remained relatively static over the past 10 years with the 3.2m visitors in 1987 growing to 3.8m in 1997. The numbers going to various island destinations have, however, fluctuated significantly during this time. The number of US arrivals recorded at individual islands is higher than the number of outbound travellers to the Caribbean due to multiple island visits on the one trip.

1.2 International Visitors

The USA is the major market for Caribbean tourism, contributing close to a half of the total numbers recorded in island destinations.

Other key origin markets are:

- Canada
- United kingdom
- France
- Netherlands
- Spain
A significant feature is the preference of tourists from metropolitan countries for holidays in former colonies. Family and cultural ties are an important factor in stimulating travel.

The Caribbean is a high cost area. Hotel and F&B prices continue to be maintained at high levels and the profits to be made are attractive to investors. The accommodation capacity in the Caribbean as a result continues to increase.

Another feature of tourism in the Caribbean is the havoc wreaked by hurricanes, which periodically flattens the entire infrastructure of an island or area. Restoration and often upgrading takes place but the affected region will be without tourists and their revenues for some considerable time.

1.3 The Cruise Sector

In this same 10-year period since 1985, the cruise industry has reinvented itself, commissioning purpose built vessels for Caribbean cruising. From a sector that hosted 500,000 passengers a year in the 1970s the cruise industry has grown to 6.3m a year in 1997, over 5m of them American. Today as many Americans visit the Caribbean islands on a cruise boat as have a shore based holiday.

The cruise industry in the US employs saturation marketing and has consistently expanded its market base into family cruises, special interest cruises and the like. The marketing emphasis has shifted from the destination or port of call to be visited to the cruise itself. The cruise ship is the all-inclusive destination.

In order to exert greater control over the revenues generated from the cruise package, cruise companies operating in the Caribbean have recently moved to purchasing small islands where they can take their passengers for that day’s sun, sand and sea experience. The facilities are owned by the cruise company and labour is transported to the island from the mainland and returned once the cruise ship has departed.

The marketing effort is capacity driven a mirror of the charter driven destination marketing of the 1980s.

In the US cruise bookings account for 14% of travel agent revenues.

For land based tourism this has created a threat. The benefits conferred to island populations from cruise visitors are a fraction of that accruing from land based visitors.

The importance of home porting is becoming more critical. In the US close to half of those cruises combine a land based content with their cruise. This occurs at their home port. For the Ports of call themselves the pickings is slim.

To meet this threat island tourism sectors have had to reinvent themselves and offer a range of products in addition to the sun, sand and surf traditional fare. This is ongoing and for some has been successful in retrieving tourist volumes.
Being a “sun, sand n’sea” destination is not sufficient to survive in the competitive 1990s. Product enhancement and the development of new product areas are essential. Heritage tourism utilising an island’s grand plantation houses for premium accommodation, music & cultural package options, ecotourism, nature tourism and diving have all been given impetus and investment funding to broaden the product offerings at a destination. This diversification has been successful for those destinations that have aggressively pursued such a strategy.

Jamaica at a low point in 1992 had slipped to half the number of US visitors recorded in the five years previous. Five years later, in 1997, numbers were rebuilt and Jamaica played host to 800,000 stay-over visitors from the US. While strong growth in the US economy was an important feature the diversification of Jamaica’s product was of considerable importance in stimulating repeat visits to the island.

During this same period from 1992 arrivals in other islands such as; Barbados, Antigua, US Virgin Islands and Bermuda all recorded declines in US arrivals. In Bermuda’s case a deliberate strategy of restricting visitor numbers to maintain a high yield and reduce the social impact of tourism was put in place.

1.4 The Influence of the CTO

The major influence in the region’s tourism sector has been the Caribbean Tourism Organisation (CTO). The CTO has been the umbrella marketing, lobbying and training entity providing small island communities with the necessary muscle to collectively negotiate with the travel trade and investor groups.

The CTO provides expertise to Caribbean member states in the areas of:

- Marketing
- Training systems
- Information Management
- Infrastructure

1.5 Marketing

The CTO has given effective and competitive support to its generic branding of the Caribbean in the giant US market. The organisation’s marketing function is split between North America and Europe/Rest of the World with a marketing manager and support staff responsible for each area.

Training systems developed by the CTO are particularly impressive and provide an excellent role model for South Africa to emulate. The CTO provides expertise.

The CTO has been particularly effective in its lobbying efforts with international donor agencies and the private funding sector to present the case for tourism as a serious industry competitive with primary, manufacturing and services a for national resources and investment. The
European Development Fund, IDB (InterAmerican Development Bank) & World Bank/IFC put a high priority on tourism projects in achieving commercial returns and achieving social and community goals.

The donor agencies have also placed importance on the role of education and training in the tourism sector in funding the establishment of both training systems and facilities infrastructure in hotel and tourism management schools.

Through these and complementary support services the standard of service delivery at all levels in the industry is being addressed.

The Caribbean Hotel and Tourism Association (CHATA) has played an equally important role for private sector tourism interests. CHATA acts as an umbrella group for hotel associations in each of the member islands. The integrity and maintenance of standards in the industry is the major concern of the association.

To support the strategies of culinary expertise, innovation and service delivery excellence CHATA undertakes annual Caribbean-wide competitions in culinary skills and bartending. These are hotly contested and provide both the platform for raising expertise, a fertile ground for innovation and most importantly the stimulation of as regional culinary style and experience. It is two edged; the cook outs in each of the islands is used as a promotion mechanism to hone chef skills and to raise awareness amongst the resident population. It also exposes the practitioners to international standards of preparation, menu selection, presentation and service. The trials also expose industry invitees to these same standards.

After all, a quarter of total spending by visitors in a country goes on food and beverage. Enhancing that experience and making it memorable is seen as an important element in building awareness and ensuring the Caribbean maintains a reputation as an exciting place to visit.
G. Mauritius

"Mauritius is an island of incredible contrasts: where people are unique because of their sheer diversity. Where the soft beaches, whiter than powder, embrace the volcanic mountains that are darker than ebony. Mauritius is a rainbow nation, where the people live in blissful harmony and welcome visitors to share their relaxed tranquillity, diversity of activities and the excitement of this exotic island."

Mauritius Tourist Promotion Authority: 1997

1. INTRODUCTION

Since independence in 1968, Mauritius has developed from a low income, agriculturally based economy to a middle income diversified economy with growing industrial, financial services and tourist sectors. This has occurred with an annual growth of between 5% and 6% for most of the period. This remarkable achievement has been reflected in increased life expectancy, lowered infant mortality, and a much-improved infrastructure. 90% of the cultivated land (49% of land is arable) is under sugarcane and this accounts for about 25% of export earnings. The governments export strategy centres on industrialisation, agricultural diversification and of course tourism. Also, in common with South Africa, the CIA has identified Mauritius as an illicit
producer of cannabis and a country facing growing problems surrounding heroin consumption and transhipment.

Mauritius is predominantly a holiday destination for beach resort tourists. It possesses a wide range of natural and man made-attractions, enjoys a sub tropical climate with warm sea waters, attractive beaches, tropical fauna and flora complemented by a multi ethnic and cultural population that is friendly and welcoming. These tourism assets are seen to be the main strength especially since they are backed up by well designed and run hotels, and reliable and operational services and infrastructures. The hosts are being seen more and more as the nucleus of the tourism product and the "hospitality atmosphere" has been receiving increasing attention.

2. Tourism in Mauritius

Tourism arrivals to Mauritius grew five fold from 103 000 in 1977 to 536 000 in the twenty year period to 1997. The principle tourist markets in 1997 were France (27,1%), Reunion (15.4%) and South Africa (9.6%) See Graph 4 in the appendices. In total 61% of the tourist arrivals are European with the most important shorthaul market being nearby Reunion.

92% of the tourists in 1997 visited Mauritius for holiday purposes, 4% visited for business purposes while the remaining 4% were either in transit or participated in sport activities.

The Mauritian population was estimated at 1.15 million people in 1997, 44% of which comprises the labour force. It is interesting to note that when the size of the labour force was estimated; Mauritian authorities considered all Mauritians aged 12 years and older. The wholesale, retail trade, restaurants and hotels sector constitutes 15% of the county’s employment, 28% of tertiary sector GDP and 17% of country GDP. According to the statistics unit of the Ministry of Tourism and Leisure in Port Louis, hotels and restaurants form the bulk of the sector.

Hotel and Tourism Statistics

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<tr>
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<td>Average Nights Stay</td>
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### South Africa

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<tr>
<td>Total Nights Sold</td>
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<td>2456</td>
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<td>Total Revenue (1997 USD)</td>
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<td>1424</td>
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Source: WTO

### Mauritius

<table>
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<tr>
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<td>422</td>
<td>487</td>
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<tr>
<td>Total Nights Sold</td>
<td>4610</td>
<td>4359</td>
<td>4434</td>
<td>4957</td>
</tr>
<tr>
<td>Total Revenue (1997 USD)</td>
<td>304</td>
<td>357</td>
<td>430</td>
<td>466</td>
</tr>
</tbody>
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Source: WTO

### Seychelles

<table>
<thead>
<tr>
<th>Year</th>
<th>1993</th>
<th>1994</th>
<th>1995</th>
<th>1996</th>
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<tbody>
<tr>
<td>Total International Arrivals (000’s)</td>
<td>116</td>
<td>110</td>
<td>121</td>
<td>131</td>
</tr>
<tr>
<td>Total Nights Sold</td>
<td>1115</td>
<td>1110</td>
<td>1147</td>
<td>1245</td>
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<tr>
<td>Total Revenue (1997 USD)</td>
<td>116</td>
<td>103</td>
<td>100</td>
<td>102</td>
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</tbody>
</table>

Source: WTO

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Average Expend per Tourist (Rupees)

<table>
<thead>
<tr>
<th>1999</th>
<th>2000</th>
<th>2001</th>
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<tbody>
<tr>
<td>12500</td>
<td>18600</td>
<td>18800</td>
</tr>
</tbody>
</table>

Exchange Rate: 1 Rand = 4 Rupees, 1 USD = 6 Rand.

Source: Ministry of Tourism and Leisure, Port Louis
The large hotels, which are those, defined as having 80 or more rooms had a room occupancy rate of 78% in 1997 (Average was 72%) and employed 37% of the people in the sector. The two major prestigious beachside holiday groups are Sun International (South African) and Beachcomber (Mauritian) with some of the smaller hotels being European owned.

Not all the visitors stay in hotels and it is estimated that 25% of visitors stay in non-hotel accommodation such as boarding houses, self-catering bungalows and with friends and relatives.

### 3. INVESTMENT INTO TOURISM INFRASTRUCTURE

The Association of Hotels and Restaurants in Mauritius (AHRIM) has stated to collect detailed information on the sector which in terms of national accounts is often aggregated with construction of shopping centre and other forms of retail. This renders the data less meaningful to industry. According to the association, in 1983 there was a change in government focus relating to tourism. Pre 1983 a large number of three star developments took place which effectively under utilised a scarce resource: the beaches. At this point minimum standards were set relating to the capital investment required per room. The AHRIM estimate of the average investment per room for the period 1983 to present day was 1 million rupees per room. This estimate could be used to calculate the investment into hotels. Statistics from as far back as 1968 are available in some cases. (See appendices).

#### 25 Years Ago

The Hotel School of Mauritius was founded in 1971, as a joint project of the UNDP (United Nations Development Programme), the ILO (International Labour Office) and the French Government. The objective was to train employees of the hotel industry that had then started to develop.

The school that started off in a small house in Quatre Bornes, moved to the former Mascareignes Hotel in Curepipe. Its development was entrusted to the firm AFCA-SIPCA financed by the French Co-operation Agency. At this time, on completion of the course students obtained a certificate in Food Production, Food and Beverage Service, Front Office or House Keeping.

In 1990, an agreement for the provision of technical services was signed between the IVTB (Industrial and Vocational Training Board) and the French Ministry of Education.

In 1991, the IVTB and the Caisse Française de Développement signed an agreement to fund the project for a new Hotel School at Ebène with a view to serve the needs of the tourism industry on both a national and regional basis.
The foundation stone was laid by the French Minister for Co-operation, Mr. M. Roussin, in October 1993 and the School began its operations on 1 July 1996. The Deputy-Prime Minister of Mauritius, Mr. Paul Bérenger, later inaugurated the institution on 20 December 1996.

4. **Government**

The national tourism policy emphasises low impact, high spending tourism. Selective upmarket quality tourism is favoured and it constitutes the major segment of tourists who stay in high class hotels. The Ministry of Tourism and Leisure has granted incentives for:

1. The development of hotels and hotel management
2. Tourism-related and leisure development projects

Any person wishing to invest in hotel projects in Mauritius or Rodrigues may apply for the incentives that include:

1. Corporate tax rate of 15% for the life of the project instead of the normal statutory rate of 30%.
2. Dividends received by the shareholders are income tax free.
3. Customs duty is exempted on the importation of an approved list of equipment.
4. Invested capital profit and dividends may be freely repatriated subject to having been approved by the bank of Mauritius.
5. Term loans and overdrafts at preferential rates from commercial and Development Banks in Mauritius.

In order to qualify for some of these significant incentives investors must be in possession of a hotel development certificate or hotel management certificate. In term of the former, a minimum investment of 2 million rupees (R 500 000 in Jan 99) is required per room. It is also required that the size of the hotel falls between particular minimum and maximum size limits. The Ministry of Tourism and Leisure encourages well-known groups to come to Mauritius to market and manage hotel complexes grants and these companies may receive the latter certificate and thus be eligible for incentives.

The rationale is that groups of international standing with a long experience of marketing and well-established representatives overseas are likely to guarantee a high occupancy rate partly because their management skills ensure that the establishments are run efficiently.

Mauritius is also a member of IOTO, The Indian Ocean Tourism Association whose vision is “To Enhance Regional Co-operation and Understanding Through Sustainable Tourism.”
5. Constraints to Growth

The primary attraction in Mauritius is beach resort tourism and the major constraint facing the industry is access to the beaches due to limited space. The ‘best’ access points have been occupied as the industry developed. With a circumference of only 177 kms (including Rodrigues, Cargados Carajos Shoals and the Agalega Islands), there are only so many hotels that can be located on the beach and there is also a limited quantity of beach space available.

Crime and terrorism are not problems in Mauritius and only occasional instances of petty theft are recorded. The major source of violence on the island is crimes of passion relating to domestic squabbles.

Note: Some parts of this document have been sourced from the CIA and other parts from the Mauritian Government web site.
## 6. Mauritius Appendices

### Series - Selected Tourism Statistics

#### A. Tourist Arrivals (1968 - 1997)

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<tbody>
<tr>
<td>Number</td>
<td>15,533</td>
<td>20,587</td>
<td>27,650</td>
<td>36,398</td>
<td>48,797</td>
<td>67,994</td>
<td>72,915</td>
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<td>108,332</td>
<td>128,360</td>
<td>115,080</td>
<td>121,620</td>
<td>118,360</td>
<td>123,820</td>
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#### B. Tourism Receipts (1976 - 1997)

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<tr>
<td>Rs. Mn</td>
<td>184</td>
<td>210</td>
<td>230</td>
<td>260</td>
<td>325</td>
<td>433</td>
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<td>1,786</td>
<td>2,381</td>
<td>2,796</td>
<td>3,630</td>
<td>3,940</td>
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#### C. Hotel Statistics (1971 - 1997)

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<td>37</td>
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<td>811</td>
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<td>1,499</td>
<td>1,881</td>
<td>1,981</td>
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<td>No. of Rooms</td>
<td>811</td>
<td>1,009</td>
<td>1,182</td>
<td>1,248</td>
<td>1,499</td>
<td>1,881</td>
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<td>2,204</td>
<td>2,300</td>
<td>2,488</td>
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<td>No. of Hotels</td>
<td>60</td>
<td>64</td>
<td>67</td>
<td>75</td>
<td>80</td>
<td>84</td>
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<td>No. of Rooms</td>
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<td>4,603</td>
<td>5,064</td>
<td>5,271</td>
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<table>
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<th>1997</th>
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<td>No. of Hotels</td>
<td>95</td>
<td>90</td>
<td>87</td>
</tr>
<tr>
<td>No. of Rooms</td>
<td>5,977</td>
<td>6,668</td>
<td>6,781</td>
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</table>
Graph I - Total arrivals, tourist arrivals and tourist nights, 1988 - 1997

- Total arrivals
- Tourist arrivals
- Tourist nights (x10)

Year

Number (000)

Appendix D International Case Studies

Graph II - Tourist arrivals by month of arrival, 1993 - 1997

Graph III - Tourist arrivals: Seasonality in 1988 and 1997
Graph IV - Percentage distribution of tourist arrivals by country of residence, 1997

- France: 27%
- United Kingdom: 9%
- South Africa: 10%
- Reunion: 15%
- India: 2%
- Switzerland: 3%
- Germany: 8%
- Italy: 7%
- Other Countries: 19%
- Other: 19%
H. Ireland

1. INTRODUCTION

Ten years ago, the Republic of Ireland was losing market share in a buoyant international tourism market and the Government was heavily involved with tourism development but without effective control or co-ordination of policies. It was acknowledged that tourism was an important mechanism in increasing foreign exchange earnings for a country with limited goods exporting potential. A further drawback within the tourism industry was a shortage of skills and expertise in management and marketing.

The Government set about developing a co-ordinated tourism development policy which included mechanisms for obtaining funding from the European Union and addressing the issues of upgrading tourism related facilities, training and marketing. This initiative was presented in 1989 as the Operational Program for Tourism and consisted of a detailed plan to run from 1989 to 1993 and was aimed at increasing the number of tourists to Ireland along with an accompanying increase in foreign exchange earnings and tourism related employment.

Investment funding of an amount of IR£ 450 million for development was obtained by the Government from the European Union for the duration of the operational plan. This plan was, in the main, so successful in achieving its objectives that a new program was developed for the years 1994 to 1999 with increased development funding from the EU of IR£652 million. To date, the vast majority of the aims have been met or exceeded and Ireland has experienced a resurgence of tourism to such an extent that the Government expects a labour shortage to occur in the next decade. The chart below shows the growth in the number of visitors since 1992 with the tourism related revenues that have been generated.

Foreign tourists
Until now, Ireland’s primary tourism markets have been Britain, Mainland Europe and North America and received, by far, the largest share of marketing expenditure. This trend in marketing expenditure will continue in the future due to the high yield tourists that visit from these countries and the fact that Ireland is seen as a short haul destination for European tourists. North American tourists are regarded as a highly lucrative source of revenues and, as a result, receive a substantial portion of the marketing initiatives, since some of the emphasis of the marketing has moved to attracting high yield tourists – quality rather than quantity. Other long haul destinations such as Australia, New Zealand and South Africa have begun to receive some of the focus of marketing to long haul destinations in recent years.

The operational plans emphasised the need for public / private sector partnerships and this type of collaboration is now the defining feature of the development of Irish tourism. In this respect, private sector investment has been steadily increasing over the years and is now believed to 2.5 times that of public sector investment.

2. Key success factors here include:

- The Government played a pivotal and major role in kick-starting the process – obtaining funding for development, co-ordinating this development and the successful marketing efforts.
- Government continues to play an vital role in facilitating and encouraging investment, growth and participation by all stakeholders.
- A clear, detailed and focussed medium term strategy was developed with well-defined objectives and activities with measurable outputs.
- Tourism education and training was developed and vigorously promoted.
- Initial (high yield) target markets were carefully chosen and the relatively limited marketing resources were focussed on these. A scattered or “shotgun” approach was not used.
J. New Zealand

1. Introduction

This case study summarises the changes in the New Zealand tourism industry over the last decade and focuses on those aspects of particular relevance to South Africa:

- the evolution of promotional and branding programmes at multiple levels, emphasising the leverage gained through different marketing networks,
- the emergence of active Maori participation,
- the New Zealand tourism institutional framework.

2. A Decade of Rapid Change

New Zealand attracted 1.5 million international visitors in 1997, and double the number of visitors a decade earlier, but just 0.2% of the international tourism market. Prior to the recent Asian crisis, tourism numbers had been steadily growing at 10% annually. Tourism is New Zealand's pre-eminent supplier of foreign exchange, and directly employs 90,000 people.

The Asian market represents 30% of the visitor mix, and the country’s private sector infrastructure has become dependent on Asian investors. Whilst the Asian crisis led to the sudden loss of the total Korean visitor market, and a fall in Japanese tourists, New Zealand is seeing steadily growing numbers of American, European and Australian visitors.

Today’s visitors are interested in finding out about the distinctive features of both the countryside and the people. The farm life, towns, arts and crafts and the multi-cultural mix all give New Zealand a distinctive appeal.

In contrast to a decade ago, the industry today is attracting those seeking a rewarding career, it has the support of Maoridom, new accommodation is keeping pace with visitor arrivals and a balance has been established between development and the environment.

Capital investment in 1997/98 was at unprecedented levels.

3. Promotional Leverage through Networks

A multiplicity of promotional and branding levels has developed over the last decade, all woven closely together.

Importantly, the activity at each of these levels is driven by the private sector, with the public sector as a partner. Taken together, this activity
supports the commercial objectives of the larger national corporates, the
niche specialists and the many small, dispersed tourism businesses.

1. **The 'Down Under' Brand** – Australia and New Zealand working
together to grow international market share.

2. **Brand New Zealand** – a joint venture between the Tourism and
Trade Development Boards, launched in 1993 and after a slow and
difficult start is supported today by 170 of New Zealand's leading
exporters and tourism operators. The Brand offers those businesses that are licensed to use it considerable leverage by
drawing together tourism and export promotion in key markets.

The Brand values underpin the unique New Zealand personality. Together
the licensees are re-imaging New Zealand with promotion, events and PR.
For example, a month long promotion on German Rail involved tourism
promotion and quality foodstuffs (NZ lamb, kiwifruit and wine) in a co-
ordinated programme.

3. **The New Zealand Tourism Board** – marketing NZ internationally
as a competitive destination, offering ‘the best fly and discover
holiday left on earth’. Due to budget limitations the focus is on
carefully targeted consumers and lifestyle segments, within
priority countries. The focus is also increasing the motivation
to travel. The emphasis is on the quality of tourists, not the
quantity.

The Board operates through fourteen overseas offices.

4. **Thematic marketing networks**: bringing together niche tourism
operators with an international focus – eg Cruise New Zealand,
a backpacker action group, fresh and salt water fishing
operators, conventions, skiing, luxury lodges and eco-tourism:
all partnerships between the private sector, often small
businesses, and the Tourism Board.

By working together through these networks, businesses are able to achieve
significant leverage on their individual promotional budgets.

5. **Domestic marketing campaign**: driven largely by the privately
funded Tourism Industry Association.

6. **Regional Promotion**: e.g. Centre Stage, a recently introduced
international marketing brand promoting the central region of
New Zealand, particularly to international visitors once they
have arrived in New Zealand. With Centre Stage four local
tourism promotion organisations are able to lever their small
budgets to attract international visitors.

7. **Local Promotion**: eg. Nelson, a popular holiday resort,
adventure centre and wine producing region. Nelson is one of
four regions participating in Centre Stage. The promotional
focus of the local tourism organisation, Tourism Nelson - ‘live
the day’ - is on domestic tourism and includes the management
of the local Visitor Information Centre. There are close links between Tourism Nelson and the vibrant arts/crafts cluster and the development of local cuisine through the local restaurant/seafood clusters. [www.nelson.net.nz](http://www.nelson.net.nz)

The levels with the most substantial promotional activity are Level 3 (The Tourism Board) for international promotion and Level 7 (Local Promotion) for domestic tourism.

### 4. The Maori Dimension – Today a Major Force

Symbols of Maori culture and images of Maori people are prominent in the promotion of New Zealand internationally. Visitor research has clearly identified the importance of personal contact with authentic Maori culture.

While tourism is a relatively new concept for Maoridom, hosting people has always been an important part of the culture.

Rotorua is one of New Zealand's must-see destinations, drawing in over a million visitors a year. Thermal activities, mud baths, geysers and a chance to experience Maori culture are the key attractions. In order to ensure that visitors have an authentic experience, the local college offers a Certificate in Tourist Guiding, developed in partnership with the local Maori people who were concerned about the way their history and culture was being portrayed.

Experience has demonstrated that it takes time to develop tourism products that are environmentally sound and culturally sensitive. Maori mechanisms of decision making differ markedly from traditional Western business forms, particularly in terms of how meetings are organised and the need for group consensus on decisions. The NZ Natural Heritage Foundation took almost four years to develop 'In the footsteps of the Maori', a heritage trail introducing Maori culture. When local product champions were eventually found, and this was essential for Maori protocol to be met, the project stumbled with the delays and difficulty in establishing marketing channels.

The Maori Tourism Federation was established in 1987 with the objective of ensuring that Maori hold an appropriate position in New Zealand's tourism industry. The Federation provides an opportunity for Maori operators to network, to coordinate their marketing efforts, to protect their values, and to lobby. The Maori Tourism Development Board is a private sector organisation with broad membership. The Ministry of Maori Development markets and promotes Maori tourism products and maintains a database of Maori tourism operators.

Maori are also involved in tourism as employees, employers, owner operators and investors - individually and jointly through their tribal affiliations. In many Maori regions tourism is the lead economic option, which with care can be developed with sensitivity to the Maori culture.

Even little Urupukapuka, north of Auckland, is now on the tourist's map with coach tours stopping so overseas visitors can call by at the Maori craft centre.
The careful and sensitive integration of the Maori culture has broaden the appeal of New Zealand to international tourists, and is a substantial generator of economic development in many regional areas.

5. **Institutional Teamwork**

A relatively small group of organisations provide the institutional framework for the tourism industry. There are close formal, and informal, linkages between these organisations.

The two central organisations are the NZ Tourism Board (government funded, private sector driven) and the private sector umbrella organisation, the Tourism Industry Association NZ.

The limited resources available for tourism development have forced these organisations into a low overhead and higher disbursement mode of operation. There is little duplication or turf fighting within this structure.

5.1 **NZ Tourism Board**

New Zealand's national tourism organisation was first established in 1901. The government split the policy advice and marketing functions into two separate functions in 1991, with marketing and development being the responsibility of this quasi-governmental body.

The nine private sector Board members are appointed by the Minister of Tourism. The Boards three priorities are

1. **Destination marketing** - giving people compelling reasons to visit NZ, through closely targeted promotions. For example, using the Discovery Channel in Asia and the US. The organisation's promotional budget is small relative to most competitors.

2. **Marketing networks** - encouraging the development much more co-operation and joint efforts. For example, establishing networks to give smaller operators marketing muscle. The Board acts as a catalyst for these groups, not as a leader or driver.

One thematic promotional network, Cruise NZ, is a joint venture between the board and port companies, ship agents and inbound tour operators. During the 1999-2000 season 276 port calls by 48 cruise ships are expected, bringing over NZ$80 million of direct revenue. Some ports will have double the traffic of the previous season.

3. **Providing quality research** - to enable tourism businesses to be more effective.

The 1996/97 budget was NZ$56 million. Leverage on these funds is gained through a substantial NZ$20m partnership programme. International airlines and overseas wholesalers have partnered with the Board to develop specific markets. The Tourism Board is recognised for it's below the line,
low budget, creativity in overseas marketing. New Zealand does not have the mega funds the Australians and other competitors have.

The Board manages the Annual Tourism Awards, and developed Kiwihost, (equivalent to Ubuntu) a service training package and then privatised it.

In late 1998, major differences between the Minister and the Board resulted in a new Minister, a new Chairperson and a new CEO of the Tourism Board. This substantially set back the overseas marketing campaign.

www.nztb.govt.nz  www.purenz.com

5.2 Tourism Industry Association N.Z.

TIANZ has become the tourism industry's umbrella organisation. It was originally established in 1953. Its functions have evolved as the tourism industry has increased in economic importance.

It is funded by direct membership subscription and by other national associations. TIANZ represents most major industry operators, and has an elected Board of 14 including one from the Tourism Board.

The breadth of activities represented by TIANZ, and the organisation's high profile, can be seen in the Industry Council structure, and the Chairs:

- Air Transport Council (Chaired by Air New Zealand)
- Surface Transport Council (Chair: Tranz Scenic Rail)
- Human Resources & Education Council (Chair: Skyline Enterprises)
- Distribution & Marketing Council (Chair: Pan Pacific Travel)
- Regional Tourism Council (Chair: Tourism Nelson)
- Adventure Tourism & Outdoor Activities Council (Chair: NZ Ski Council)
- Tourism Services Council (Chair: Tourism Publishing company)
- Tourism Research Council (Chair: tbc)
- Hospitality Council (Chair: CDL Hotels)
- Attractions & Shopping Council (Chair: Sky City Casino)

The association has a domestic focus, organising for example the NZ equivalent of Indaba.

5.3 Department of Internal Affairs

The Office of Tourism and Sport has been housed within this Ministry since 1998. The small team of staff focuses on policy advice to the Minister and the sustainable development of the tourism sector. The linkage of tourism and sports reflects an events-related focus.
5.4 Department of Conservation

DOC is responsible for managing all protected Crown land, around one-third of New Zealand’s total land area. The department provides campsites, back country huts, some airstrips and 11,000km of walking track. DOC directs the work of the Historic Places Trust.

In total some 1.5 million visitors a year are visiting DOC sites, double 10 years ago, with a strong growth in international visitors seeking eco-tourism experiences.

5.5 Qualmark

A joint venture between Tourism NZ and the Automobile Association providing an independent quality rating and classification for accommodation and hospitality.  [www.qualmark.co.nz](http://www.qualmark.co.nz).

5.6 Local Tourism Organisations

Tourism is of major economic significance to many New Zealand communities. In most locations tourism development is the only cluster supported by the local government. In total, local government and the private sector fund some 25 regional tourism organisations.

Some of these organisations have merged across local political boundaries to be more effective, others have formed strategic alliances with neighbours, for example the Center Stage promotional program bringing together four local organisations.

5.7 Chambers of Commerce

Chambers have little involvement in tourism, their main focus is retail and small service businesses.
K. Tourism Development Agencies: Cases from Canada, Mexico

1.Canadian Tourism Commission

Canadian tourism has increased its effectiveness in the last few years and has risen from 12th in the world in terms of number of visits to 8th (WTO). The travel deficit for Canada in the mid 90’s was high, at C$ 6.4 billion, but this had reduced to C$ 1.5 in 1998. Tourism employment is growing at 1.25% over the overall employment growth rate in an economy where the unemployment rate is 8% and 500 000 people are directly employed by Tourism.

During the deficit years, the Canadian Government cut spending substantially on Tourism marketing which had an enormously negative effect on the demand for Canadian Tourism products. Much discussion took place around the need for both Government and the Private Sector to “get serious “ about Tourism, but until Chretien came to power in 1994/5 little was implemented.

Once Chretien was involved, the Canadian Prosperity Agenda was reviewed and updated and the decisions were taken to “get serious” about tourism and to turn decision making regarding Marketing and Sales over to the private sector…with shared accountability with the Public Sector.

At this time, the Canadian Tourism Commission was formed as the implementing agency with an initial grant of C$50 million from the central fiscus. The idea was that the Private Sector would also contribute heavily to the CTC, and the first year of operation was the only year that the Public Sector funds outweighed those of the Private sector. Since 1995, the private sector funds have consistently exceeded public funds.

There is one other institution working in Tourism in Canada with a similar set of goals to the CTC, namely the Tourism Association of Canada, but this is perceived to be weak and fragmented.

The Commission has a board of 26 persons, consisting of one third Public sector officials and two thirds private sector business people. The 10 provinces (and the three territories) are represented on the board, and the private sector is represented by regional participants, recommended by their industry associations in a transparent process of selection. The Minister may accept or reject the nominations, but may not replace or initiate selection of nominees. The CEO position is a fully commercial position and paid as such.

Further private sector participation is taken up by the National entities such as the airlines, major hotel groups and Leisure investors. The chair is ex officio and is appointed by the Prime Minister.
The CTC works through a series of sub committees (or task teams, staffed by volunteers, as in clusters), five marketing sub committees, one product development sub committee and one research committee. There are 141 employees, 62 based in Ottawa and the rest in the field. The work of the CTC is supplemented by “thousands” of volunteers. (Doug Fyfe, CEO)

In each case, a senior business person is selected to chair the subcommittee. This person then finds other stakeholders and budget holders who are willing to get involved (rather like a cluster task team) and then develops and produces a Business Plan. This plan is put to the board, and accepted or rejected. If accepted, then the plan is funded by Private and Public funds on a negotiated basis. Each business plan is measured through agreed performance criteria and evaluated in terms of its ROI and other relevant variables.

There is no ongoing funding mechanism, cash is placed into a central account and earmarked for specific projects. Typical donors of the cash are the cities, provinces, larger players etc. The project is lined up, agreement is reached, cash is put in the bank, and the project begins. Last year, the CTC spent C$ 140 million on marketing.

Partnerships are negotiated under the business plan. The role of the Chair on the board is to make the conflict apparent. If there is a serious conflict regarding the proposed business plan, the players who do not accept the plan can and do walk away.

1.1 Image and Branding

Image is handled differently for different markets, it is not the same for Japan as it is for the USA. Brand consistency is not seen as a primary issue in that the consumer is less concerned with the brand consistency than with the image. The image itself is founded on higher order variables which cross all boundaries, such as “great outdoors” and “authenticity” and “friendliness”. The execution pitches these and other attributes differently in different countries.

The Mandate of the CTC is as follows:

1. Position Canada as a destination

2. Provide information to Industry to improve decision making (Stats Canada, Satellite Accounting)

3. Review the Performance Indicators for each Tourism Sector

4. Human resource development, Senior Officer oversees, but task teams run the various programs.

1.2 Domestic Tourism

The Provinces compete primarily in the Domestic market, using a budget of C$4 million per annum to do so. This work is primarily of interest for the smaller operators, and SMME’s in Tourism. Domestic Tourism accounts for C$28 billion of the C$ 32 billion revenues of Canadian Tourism, but has
a much lower yield. It has been very effective in keeping the Tourism economy buoyant and is a good creator of jobs, but profits are substantially higher from the International markets. As far as CTC is concerned, the agency focuses on import substitution and leaves the rest to the private sector. CTC will also help to develop products in Canada as a preliminary to launching them on the international market.

Over 500,000 people in Canada are directly employed by Tourism.

**1.3 Product Development**

This process of Product development occurs through “exhortation and suasion” in the CTC task teams and at the Board, and is not subsidised.

**1.4 Infrastructure Program**

This is separated out of any Tourism Mandate. Requires Real Estate investors, No Venture Capitalists. This portfolio is handled by the Business Development Bank. While this institution is the lender of last resort, it must still show an appropriate ROI. 23% of its lending are to Tourism.

**Mexican Tourism Development Organisations and Lessons for South Africa**

Mexico is a success story of strong, autocratic tourism development. While the basic structure of Mexico’s government dominated institutional structure may not be appropriate for South Africa, the success of Mexico’s concerted commitment to long-term planning, government-driven infrastructure development, and independently financed tourism development fund has important lessons for South Africa.

Ever since the 1960’s (post-Acapulco, a successful private sector developed Pacific coast destination resort developed in the 1940s-50s) the Mexican government has played a prominent role in identifying key tourism sites to be developed.

**1.1 Tourism Institutional Structures in Mexico**

The institutional structure supporting tourism development in Mexico is largely government-led and based on a long-term tourism development masterplan. The three key drivers of tourism development nationally are:

1. **Secretary of Tourism**: Government ministry in charge of tourism promotion and tourism development nationally

2. **FONATUR (Fondacion Nacional de Turismo)**
   National government tourism infrastructure development agency and National Tourism Development Fund

3. **National Tourism Council** (Consejo Nacional de Turismo)
   The leading private sector tourism association
These three institutions are both the shapers and implementers of tourism policy and development in the country.

Tourism Policy and Promotion

The Secretary of Tourism oversees all tourism development policies nationally and coordinates with state tourism agencies. The Secretary is also responsible for tourism promotion, internationally and domestically, with Mexican tourism promotion offices operating in major economic capitals in North and South America, Europe, and Asia. The Secretary coordinates with the private sector through the National Tourism Council on national marketing campaigns.

Major National Tourism Development Projects

FONATUR is the prime tourism development agency responsible for funding and implementing major tourism development projects and infrastructure. FONATUR and its development projects are financed by an independent national tourism development fund. This has been key to its success because it works independently of changes in government and can commit to long term development projects. Tourism development requires long term investments (15-30 years time frame).

Since 1970, FONATUR has developed eight key tourism destinations throughout Mexico, ranging from Cancun (1974) to Mundo Maya (today). The agency has been highly successful. The model for FONATUR’s success is in developing Integrally Planned Centres (IPCs). The basic formula is as follows.

1. Clear market orientation based on detail market analysis
2. Selection of site and land acquisition (long term “land banking”)
3. Development of a long term Master Plan
4. Infrastructure investment and development
5. Development of initial hotel(s) (investment by FONATUR)
6. Sale of land and development rights to the private sector
7. On-going management of infrastructure development, some management of public services by FONATUR

FONATUR has successfully developed the five integrally planned centres (IPCs) each with different market focus.

Cancún—international tourism, sun, climate, jungle, mayan ruins
Ixtapa—mexican style, second home market
Los Cabos—sun, beaches, sport fishing and golf
Loreto—sun, beaches, colonial tradition
Huatulco—sun, beaches, ecological tourism

*New developments of FONATUR*

**Proyecto Barrancas**—mountain, ecotourism

**Mundo Maya**—ecotourism, mayan archeological sites, forest

After the Cancun success FONATUR has implemented the IPC concept in other tourism developments

<table>
<thead>
<tr>
<th></th>
<th>Year</th>
<th>Hectares</th>
<th>Investment mm dls</th>
<th>Hotel rooms</th>
</tr>
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<tbody>
<tr>
<td>Cancun</td>
<td>1974</td>
<td>13,231</td>
<td>1,083</td>
<td>25,000</td>
</tr>
<tr>
<td>Ixtapa</td>
<td>1974</td>
<td>2,016</td>
<td>453</td>
<td>4,142</td>
</tr>
<tr>
<td>Los Cabos</td>
<td>1976</td>
<td>853</td>
<td>223</td>
<td>3,906</td>
</tr>
<tr>
<td>Loreto</td>
<td>1980</td>
<td>10,123</td>
<td>272</td>
<td>435</td>
</tr>
<tr>
<td>Huatulco</td>
<td>1984</td>
<td>20,975</td>
<td>316</td>
<td>2,031</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td></td>
<td>2,347</td>
<td><strong>35,514</strong></td>
<td></td>
</tr>
</tbody>
</table>

Cancun is the landmark and most successful IPC developed in Mexico. The dramatic results are summarised below:

**Results - Cancun After 25 Years**

- 25,000 hotel rooms, 1,000 hotel rooms per year
- Hotel occupation 81%
- Nights of stay 5.1
- Number of visitors 2,621,000
- Mexican visitors 551,900
- Foreign visitors 2,069,000
- Foreign exchange 1,869 million dollars
- Airline flights (year) 33,658
- Airline passengers 2,988,000
- Total land of development 13,251 has
- Usable land 2,237 has
- Developed land 1,628 has
- Land to be developed 609 has

**Economic Impact In Cancun**

Investment by FONATUR - US$1.1 billion dollars in 25 years

Foreign exchange for Mexico - US$1,869 billion dollars per year (1997)
LETSONS FOR SOUTH AFRICA

1.2 Success Factors

1. Clear and profound market positioning
   The main aspect for a successful integrally planned centre is to know precisely the market conditions, tourist product to be developed, and clear target market.

2. One central organization
   One central organization is in charge of implementing the project. This organization has to have a long range view and will give permanence to the project over local and federal governments.

3. Acquisition of land (land banking)
   Through different means—including buying, expropriating, and negotiating—the central organization has ownership of the land to be developed.

4. Master Plan for sustainable development
   A critical aspect in the process is the development of the master plan. This master plan will include:
   - Tourism product development
   - Infrastructure development
   - Investment planning
   - Environmental impact
   - Social impact

5. Infrastructure development
   The central organization is in charge of infrastructure development, such as: streets, electricity, water, sewage, telephone lines, airport development, highways, etc.

6. First sample hotel developments by central organisation
   Some of the first hotels developed under the master plan are investments of the central organization. In the future these developments are sold to investors.
Appendix E BEE

Annex A – Empowerment Benchmarks

- **Shareholding** - A deceptively simple benchmark for the empowered status of a company is the quantity of equity owned by historically disadvantaged people. However, this benchmark can be misleading as an empowerment indicator inasmuch as:
  - a significant portion of the equity can be funded through debt, in which case the equity might ultimately accrue to the financier rather than the empowerment vehicle;
  - a focus on equity empowerment has at times been associated with opportunistic deal-making rather than the development of strategic and operational skills.

Ultimately a focus on ownership alone is not a sustainable form of empowerment. Ownership of equity is no substitute for operational empowerment and capacity building.

- **Management Development** - A critical area for sustainable empowerment is the development of capacity to manage business assets. Capacity must be built in the process of delivering value. This often involves developing specialised incentive structures that encourage focus and allow executives to share in the wealth they create. To effectively integrate commercial and empowerment objectives, it is necessary for management to align and integrate business strategy, empowerment strategy and financing strategy.

- **Staff Development** - The development of staff capability and the building of a shop-floor culture of capacity building is an area where empowerment and business considerations overlap. Increased productivity results in greater wealth creation that can then be distributed to the advantage of all stakeholders. The establishment of staff equity schemes can increase both commitment to the company and the economic well-being of employees. In this context employment equity legislation is viewed as a business tool to facilitate transformation, rather than an imposition.
➢ **Affirmative Procurement Programmes** - There are two broad areas associated with affirmative procurement programs: small business development and large business screening:

- **successful small business development programmes** attached to affirmative procurement processes often include systematic opportunity identification and assessment, accreditation processes, assistance to facilitate increased market access, access to finance on both an equity and loan basis, training and technical assistance;

- **large business screening** takes into consideration the fact that ownership is not a conclusive benchmark through which to assess the empowerment status of a large business. Instead a large business screening program seeks to define and obtain disclosure of a prospective supplier’s profile against a number of benchmarks so as to produce a holistic picture of the company’s empowerment commitment.

➢ **Business Restructuring Processes and Special Initiatives** - These are often opportunities to facilitate empowerment initiatives. Restructuring processes include:

- privatisation;
- unbundling;
- outsourcing / insourcing;
- concessioning;
- new business developments.

➢ **Social Responsibility Programmes** - Such programs can be a critical component of corporate citizenship. Leading corporate social investment programmes have a clear philosophy and a tight focus.

➢ **Governance** - Empowerment considerations need to be built into the heart of the governance of a company if they are to be systematically pursued. These governance innovations require:

- the establishment of a committee responsible for empowerment objectives that answers to the Board (alongside, for example, the Audit Committee);
- the process of producing an empowerment report, overseen by the Empowerment Committee, regarding the company’s empowerment profile.

Rather than attempting to set out an exhaustive set of prescriptive guidelines as to what constitutes empowerment, it is important to emphasise that the principle of transparency/disclosure is a powerful mechanism to achieve
empowerment objectives. In particular, it is important that reporting is undertaken against the following levels:

- disclosure of the company’s empowerment profile in relation to the company’s definition of empowerment priorities;
- disclosure of the company’s empowerment profile in relation to the values and priorities of stakeholders.

**Annex B – Empowerment Drivers In Tourism**

- **Social Responsibility** - Corporate social responsibility results from an awareness that companies, like natural persons, function within a social environment and impact on that environment. Accompanying the considerable privileges associated with incorporation, are many social, some not necessarily legal, duties to employees, communities in which they reside and broader society. But corporate social responsibility is a generic driver. If unaccompanied by defined commercial considerations, it often lacks focus, impact and sustainability. Nevertheless it remains a powerful driver, one which helps to explain why tourism corporates seek to advance commercial objectives through social initiatives at all. In the tourism industry, leading corporates assessed all manifested high levels of corporate social responsibility.

- **Social Stability** – Tourism growth prospects are enhanced by a stable, crime-free and tourist receptive environment. Empowerment initiatives, inasmuch as they are designed to spread economic benefits by creating jobs, imparting skills and affording opportunities, above all by giving people an economic stake in their society, can play an important role in reducing crime and achieving social stability. Social stability, while apparently a social driver, can be seen to have an important commercial component. It is probably an implicit component of all empowerment strategies.

- **Stakeholder Support** – Industry-wide empowerment commitment and importantly, adequate disclosure of that commitment is essential in establishing relationships of trust and openness between all major stakeholders, government, labour, communities and business. And stakeholder support for tourism as an industry, and for industry initiatives, is fundamental to securing high-quality service offering and for overall industry effectiveness and cohesiveness. This driver becomes more significant in circumstance where the tourism corporate is required to obtain buy-in from stakeholders vital to the success of the commercial enterprise.

- **Differentiation with Government** – Government, including parastatals and other government organs/agencies, both as
regulator and tourism customer, exerts pressure on tourism companies to develop empowerment strategies consonant with its empowerment vision. Government is willing to reward tourism companies that demonstrably accord with its vision. These rewards take the form of significant commercial opportunities - procurement, concessions, licenses, infrastructure management, purchasing of government assets and finance. For those companies unwilling to embrace this empowerment vision, Government has instituted and is in the process of instituting different forms of punitive sanction. There is therefore, an overwhelming commercial incentive for companies to sharply differentiate themselves vis-à-vis Government, as empowerment sensitive. This sensitivity can be indicated through specific empowerment initiatives that dovetail with Government empowerment requirements, and crucially to through adequate disclosure. This is particularly so where access to state assets is required pursuant to the commercial venture. Government’s empowerment vision is encapsulated in a collection of policy documents and laws covering employment equity, affirmative procurement, skills development, SMME promotion and broader social and economic development. We list the primary policy and legislative initiatives in the following Annex, Annex “C”.

- **Cost Cutting and Efficiency** – The most obvious of commercial drivers, cost cutting and increasing efficiency can have a significant empowerment impact. This is evident in empowerment initiatives with far-reaching cost implications, such as empowerment outsourcing (hiving off of non-core business operations to empowerment players) or empowerment insourcing (setting up formerly disadvantaged employees in business to supply services). The driver is relevant cross-sectorally in the industry.

- **Product/Customer Differentiation** – To differentiate itself the tourism industry must produce a diverse and specifically African experience together with developing new and innovative tourism products. This will serve to enhance South Africa’s international competitiveness. Product diversification, and matching a specific product offering to a specific market is critical to achieving a range of commercial objectives. The uniquely African nature of the tourist product, be it cultural, adventure or eco-tourist, lends itself to extensive industry involvement by black entrepreneurs. In addition there exists a powerful local and overseas leisure and business market (e.g. African-American) that is empowerment sensitive and which would support enterprises that demonstrate an empowerment commitment. Empowerment initiatives serve therefore to differentiate specific companies in relation to targeted customers.

- **Quality of service** - As a service industry, tourism depends for its growth almost entirely on skilled and innovative human
resources delivering quality service. Because of the historical
development of the industry, South African companies are faced
with the challenge of competing against sophisticated
international service offerings. The tourism industry as a whole
and tourism enterprises individually, have to place a high
premium on capacity building efforts such as skills' training and
education programmes. Coupled with vigorous affirmative
action initiatives, this ostensibly commercial driver has profound
implications for empowerment within the industry and
particularly the service sectors of the industry, such as hotels and
support services.

Annex C – Overview Of Government
Empowerment-Related Policies, Laws And
Institutional Processes

The government has established a broad policy and regulatory framework
in which tourism’s economic competitiveness and BEE objectives can be
simultaneously advanced.

- The Reconstruction and Development Programme provides a
  founding policy framework. It lays emphasis on the need for
  sustainable socio-economic development by addressing a legacy
  of inequality in ownership, employment and skills so as to meet
  basic needs, develop human resources and build the economy.

- The White Paper on Tourism published in 1996, sets out a policy
  framework and a set of guidelines for tourist development in
  South Africa. The White Paper emphasises that tourism ‘perhaps
  more than any other sector, has the potential to achieve the
  objectives of the Reconstruction and Development Programme’.
  In the main this is because tourism creates linkages and
  invigorates many other economic sectors, has the potential to
  generate jobs, to create opportunities for emerging
  entrepreneurs, to bring development and community
  empowerment to rural areas and generally to provide the scope
  for integrating previously disadvantaged and neglected persons
  into the mainstream economy.

- The ‘Tourism in Gear’ document set out a programme of action
  to achieve designated tourism strategies within the policy
  parameters of the White Paper.

- Affirmative procurement policy has developed steadily and
  legislation is being prepared. Policy documents include a 10-
  Point Plan (procurement contract guidelines) and a White Paper.
  Policy is directed at ensuring that state procurement expenditure
  be utilised to meet government’s empowerment policy
objectives, particularly the creation of an enabling environment for the growth of black SMME’s, jobs, and empowering individuals and communities from previously disadvantaged sectors of society. Tender documents contain procurement empowerment guidelines and the procurement process has been simplified, affording SMME’s greater tender access.

A strategy for SMME finance has focused on mechanisms for operationalising and implementing the SMME promotion policies contained in the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa. Institutional mechanisms to give effect to this policy include Khula Enterprise Finance Ltd, Khula Credit Guarantee Ltd and the National Small Business Council. Khula Finance was incorporated and capitalised by government and mandated to fund SME’s. Khula works as a channeller of funds through new or existing retail financial institutions. The Industrial Development Corporation has also developed a number of programmatic incentives to facilitate SME involvement in industrial projects. Its Regional Industrial Development Programme Scheme for example provides capex assistance to SME’s and the Competitiveness Fund provides finance to SME’s to assist with exports. The Ntsika Enterprise Promotion Agency provides non-financial assistance to SMME’s and is engaged in a programme with Deloitte & Touche, Eskom and the Small Business Advisory Bureau to provide an integrated advisory service to emerging business with the focus on a comprehensive mentorship programme entailing skills transfer and access to specialised advice.

The Employment Equity Act 55 of 1998 will have a profound impact on the tourism industry. The Act has as a main objective the implementation of affirmative action measures to redress disadvantages in employment experienced by designated groups, such as black people and to ensure their equitable representation occupationally. Under the Act larger tourism employers (by staff numbers or turnover) are obliged to prepare and implement an employment equity plan to indicate how they will achieve reasonable progress towards employment equity in their workforce. A plan must set out inter alia objectives, affirmative action measures, numerical goals, duration and a timetable for achieving broad goals and objectives and a monitoring and evaluating procedure. Employers have additional reporting obligations. Minister of Environmental Affairs and Tourism, Valli Moosa has recently spoken of the need to radically increase the involvement of black South Africans in the tourism industry, not only in SMME participation, but also in management and career positions.

The Skills Development Act 97 of 1998 is aimed at providing an institutional and financial framework for developing the skills of the South African workforce in order to enhance work prospects,
labour mobility, productivity and competitiveness. In terms of section 9, Sector Education and Training Authorities will be established. This will have a profound effect in coalescing, within the National Qualifications framework, existing training initiatives in tourism, such as those conducted by the Hospitality Industry Training Board,

- The Skills Development Levies Act 9 of 1999 compels the payment by employers of a skills development levy from next year. It is expected that approximately R1b will be raised next year.
- The work of the Black Economic Empowerment Commission. The Commission was formed in 1998 to establish criteria for meaningful empowerment. It is at present drawing up a proposed empowerment blueprint for dissemination by late 1999.
- Proposals to be drafted by senior officials at the Department of Trade and Industry on how government can direct the process of BEE.
- The establishment up of the National Empowerment Fund to promote finance of emerging business and equity ownership and savings amongst historically disadvantaged persons.

Annex D – List Of Empowerment Indicators And Underlying Considerations

- Ownership and Operational Control
  - External black empowerment equity partner or partners
  - Manner of equity purchase
  - If financed, manner in which finance was structured
  - Employee, including management equity schemes
  - Percentage of the total equity held by empowerment shareholders
  - Voting power of empowerment shareholders
  - Voting structure
  - Link between empowerment equity and operational control of the business
  - If no empowerment shareholding, plans to bring in such a partner
  - Black representation at board level
  - Black representation at senior, middle and junior management level
• Employee or employee representative organisation involvement in company decision-making structures

➢ Small to Medium Business Development

• Policy or programme of outsourcing non-core activities to empowerment SME’s

• Policy or programme of insourcing non-core activities to black employees who are established by the company in SME’s for this purpose

• Affirmative procurement policy or programme, that is one favouring the purchasing of goods and services from empowerment SME’s

• Strategic non-equity partnerships or ventures with empowerment SME’s

➢ Affirmative Action

• Company obligations under the Employment Equity Act 55 of 1998

• How these have been met or are going to be met, in particular preparation and implementation of an Employment Equity Plan

• If no Employment Equity Plan, an established affirmative action programme

• Inclusion in the plan/programme of one or more of the following:
  - equal opportunity recruitment programme
  - internal training and development programme for affirmative action employees
  - monitoring and evaluating system
  - set of targets and timeframe
  - dispute resolution mechanism

• Involvement of recognised employee organisation in developing programme.

• Current staff race profile, i.e. number of black (by categories of African, coloured and Asian) employees who are general workers, skilled workers, junior, middle and senior management, directors

• Length of service of such employees

➢ Capacity Building

➢ Skills training programme

➢ Programme details including:

• Number of courses held
• When held
• Course content
• Number of attendees
• Racial profile of attendees
• Availability to staff
• Link to employee career opportunities

➢ Community Engagement

• Community consultation in, support for and benefit from corporate activities which affect them
• Environmental protection policy taking into account the needs of the community in which, or near to which it is located or from which its employees are drawn
• Extent and focus of the company’s social responsibility spending

➢ Corporate Empowerment Disclosure

• What is the level of reporting of empowerment initiatives?
• Would you say that stakeholders are aware of the company’s empowerment commitment?
• What disclosure mechanisms are employed, for example does the company have an empowerment code, does it produce an empowerment report, does it have an internal institutional mechanism for empowerment reporting such as a committee, has the company ever undertaken an empowerment audit?

➢ How are empowerment initiatives monitored and evaluated?

Annex E – Empowerment Case Studies
In Tourism Sectors

1. HOTELS

For the purpose of this study, we divide the sector into three sub-sectors - the leading hotel groups, the second tier, smaller hotels and the franchise hotels.

➢ Most of the leading players have hotel brands that cut across all three sub-sectors. The commercial drivers are in the main cost-cutting/efficiency and quality enhancement. To this end many of the leading players have developed empowerment programmes focussing on an enhancement of their supply chain, enhancing efficiency and generally making operations more cost-effective.
These programmes include affirmative procurement, the outsourcing of non-core activities to emerging SME’s and insourcing such activities to empowerment companies capitalised by these players and controlled by black employees. Extensive training initiatives respond to the quality driver. Within their pre-determined commercial constraints, the big players are also attempting to secure support from government as stakeholder. Forging downstream linkages with emerging enterprises offering unique African products and services is an important strategic gap. Another and linked strategic gap is that presented by a greater sharing of strategic learnings.

- The smaller hotel groups have a strenuous cost-cutting emphasis. Many operating functions are deemed peripheral and are hence outsourced. The key empowerment initiatives, employment equity and training, are focused on enhancing core hotel functions – room provision and administration. Many of the smaller groups lack co-ordinated supply policies making it difficult to devise appropriate small business development strategies. Greater operational scale and purchasing co-ordination therefore serve as possible strategic gaps.

- Foreign hotel brands franchised locally present a comprehensive range of empowerment opportunities, deriving in the main from the flexible nature of the franchising concept itself. Some of these hotels are relative newcomers and hence place greater emphasis on the need for stakeholder support. But the more common commercial drivers, quality and cost/efficiency are extremely relevant. The international uniformity of product offering inhibits the development of, or association with, a unique African product or service. Downstream SME promotion is therefore a strategic gap.

### 1.1 Leading hotel groups

<table>
<thead>
<tr>
<th>Case Study 1 – Leading hotel group: quality and cost/efficiency drivers</th>
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<tbody>
<tr>
<td>The large hotel group studied has extensive hotel interests in South Africa and exclusive rights to a number of foreign hotel brands.</td>
</tr>
<tr>
<td>The primary drivers underpinning empowerment strategy are cost cutting/efficiency and quality.</td>
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<tr>
<td>For this hotel group these drivers are expressed in an extensive and quite unique insourcing programme.</td>
</tr>
<tr>
<td>Insourcing is the term given to the creation of in-house business opportunities to previously disadvantaged hotel staff.</td>
</tr>
<tr>
<td>Staff performing specific hotel functions, for example housekeeping, are identified as candidates for business ownership, trained in business basics and service requirements</td>
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</table>
and run a pilot insourcing operation for a designated trial period through a separate corporate entity.

- If successful, contracts are awarded for the provision of services to the group and the business is officially launched. The hotel corporate provides start-up financial assistance, grants access to its premises, facilities and equipment and provides ongoing training and mentorship and assists in looking for new business opportunities. Performance is constantly monitored and evaluated.

- To date the group has formed 29 insourced businesses, the vast majority of which are providing enhanced standards of service than existed previously. The immediate objective is to increase the number to 36 by early next year. These businesses employ about 1050 staff.

- By the insourcing process, ownership and control over part of the hotel business, as well as associated incentives and skills, are passed on to employees. Insourcing therefore has potential for small business development. The enterprises created out of this process have the opportunity to grow organically by securing additional service contracts.

- While the programme bestows social benefits, it is apparent that the insourcing programme is aligned with focused commercial objectives. By insourcing, the hotel group is able in effect reduce its compliment of paid employees and hence potentially reduce obligations to existing staff. Insourced workers can be de-unionised, although they retain the option to remain union members. And the hotel group could choose to have no additional legal responsibility to such workers other than contained contractually in respect of the provision of the specific hotel service. In a down-cycle, where such services are required less, the hotel group would engage the services of the insourced business less frequently. These are the most obvious examples of the cost-cutting/efficiency driver underlying the empowerment programme.

- And to the extent that the commercial considerations of the hotel corporate drive the empowerment strategy, they can sometimes be destructive of it. A good example is provided by the corporate’s policy to assist in securing additional business. But these opportunities are in the main confined to the group. The insourced company very rarely obtains independent contracts and certainly never with a competitor of the group. In this way, the insourced enterprises are never truly freed from the commercial grip of the group that spawned them.

- To ensure the delivery of quality service within the corporate and in furtherance of its insourcing ambitions, the hotel group has made a heavy commitment to staff training. It is estimated that this hotel group has been responsible for over 30% of the entire hotel sectors’ recorded training efforts. The group offers
nearly 1000 formal training courses covering diverse fields such as basic skills training, service training and executive and management development. Four development courses have been introduced for Supervisor to General Management staff levels. Nearly two-thirds of training spend goes to formerly disadvantaged employees.

➢ The group has not responded fully to other empowerment drivers such as product diversification through providing a unique African experience. It seems, in the main, focused on providing the kind of quality hotel product that meets international standards and is virtually indistinguishable from an international offering. Some SME development opportunities are perhaps lost in this manner. There are few business tie-ins, for example, with local cultural or heritage experiences. These have the potential to be significant strategic opportunities.

➢ Group reporting on empowerment initiatives is quite extensive relative to other hotels. They provide a social investment booklet together with supporting facts and figures. In addition the group produces a newsletter which provides information on employment equity legislation, an equity ‘report card’, and features on other empowerment initiatives. But reporting has not been built into governance processes and remains entirely discretionary, albeit reasonably comprehensive.

1.2 Smaller hotel groups

Case Study 2 – Selected services hotel group: cost/efficiency driver

➢ The group has over 20 hotels across the country and in the main focuses on the business traveller, both international and local. Its hotels are mostly situated close to major arterial roads and airports. It has four main brands, which range from up-market to budget.

➢ The group’s main cost focus is on accommodation. Its concept of selected service provision entails the identification of a small core hotel operational focus. Every non-core aspect of the business is either not provided or outsourced. Over 80% of all revenue is derived from room charges.

➢ The group’s business relationships appear localised, with different hotels having different suppliers, different supply criteria and emphases. In other words the group does not have a uniform outsourcing policy and certainly not one that would systematically provide affirmative outsourcing opportunities to emerging SME’s.

➢ The group’s decentralised supply policy, makes it difficult to identify opportunities for affirmative outsourcing. But even on a localised level, it appears that all non-core functions have been outsourced already, making it extremely difficult for emerging SME’s to be preferred at this stage. Because of extensive
outsourcing very little direct procurement is undertaken by the hotels and what procurement there is, comes from large established suppliers.

- The group’s cost cutting exigencies have made it extremely difficult to devise an appropriate empowerment strategy, particularly in the area of small business development. This indicates that commercial objectives in the absence of a comprehensive, overarching empowerment policy, will not produce empowerment consequences.

### 1.3 Franchise hotel groups

**Case Study 3 – Franchise operation: stakeholder support, quality and cost/efficiency drivers**

- This large hotel group is American based. It has recently entered the South African market. The group is a franchise operator and a division of the world’s largest such operator. It only owns the hotel brand, not any hotels as such. The local master franchisor has the right to franchise the hotel brand in South Africa and regionally.

- The hotel group has targeted business travellers and families and has a range of conceptual hotel plans that will cut across the full range of hotel offerings.

- The commercial drivers of this group are almost identical to those in our previous example of a smaller hotel. In the main these are cost cutting and efficiency, but in addition a higher premium is placed on uniform quality throughout the group. But it is the franchise nature of the operation and the centralised nature of specifications that allow the group to provide a range of empowerment opportunities. These include:
  
  - black ownership and management. Formerly disadvantaged franchisees with business capabilities are identified. The potential franchisee must be in a position to invest in the business. This provides the necessary risk to ensure hands-on commercial engagement. The franchisee can choose to both own and manage the hotel, or only own the hotel or only manage it. The franchisor assists with arranging and structuring finance and later development and marketing;
  
  - small business development during the building phase;
  
  - franchisee and staff capacity building. The group has developed an extensive quality control system. The quality driver makes it mandatory for all franchisee’s even those that do not manage the hotel, to be trained in the group’s hotel management methods. Staff hired are trained in all aspects of hotel operations. Such
training is ongoing. Monitoring and evaluating is constant, to ensure quality control and to establish the individual hotels rating. It is the rating of the hotel that determines its rates and hence revenue. The quality driver operates both within the group but also as a commercial incentive for the individual franchisee;

• to reduce costs and provide efficiency most non-core activities are outsourced, providing a fourth set of empowerment opportunities. The group has an affirmative outsourcing policy and where commercially advantageous, will engage emerging SME’s to provide a range of services, including security, landscaping and gardening, housekeeping, restaurant and bar and entertainment. Even hotel sales and marketing can be outsourced to emerging companies. The group’s centralised purchasing policy ensures that franchisees enjoy cost saving through alliances with specific vendors; and

• the multi-franchise nature of the operating franchisor group allows the group to purchase regional licences for other services such as cleaning and maintenance and affords black entrepreneurs franchise opportunities in these areas. Thereafter these franchisees are used to service the hotel franchises. This is a unique combining of empowerment initiatives made possible by the flexible and opportunity-driven nature of the franchise business.

➢ The group, as a new entrant to the South African market is highly sensitive to the need to foster good stakeholder relations. Its marketing and feasibility study includes community impact assessment. And in employing staff preference is always given to the community in or near to which the hotel is situated.

➢ As the group develops it may look to other commercial drivers such as diversity of product offering, although this seems unlikely. The group’s presence in South Africa is very consciously marketed as an extension of its world-wide presence. The advantages of its offering lie in conformity to international group quality specifications, rather than to diversity.

➢ As a new entrant, it is perhaps early to assess the extent and depth of the group’s empowerment disclosure. However, it must be said that much of its corporate literature itself suffers from an international uniformity and little is said of the specifics of the South African market and the empowerment requirements it entails.
2. **GAMING**

Most of the leading hotel groups have attempted, with mixed success to reap the commercial benefits of the rapidly expanding and lucrative gaming sector. The predominant sector driver is differentiation with government. The mode of differentiation has been shaped by empowerment demands made by government through licensing requirements that are contractually enforceable and monitored by provincial gaming boards. The predominant empowerment requirement appears to be equity ownership rather than other signifiers of deeper empowerment, although these signifiers are by no means irrelevant. Hence the primary strategic response has been the formation of licensing corporate vehicles in which there is substantial black equity ownership. This remains the empowerment benchmark even where the gaming company is not controlled by a large hotel group. The gap to be taken is the devising and implementing of deeper, more comprehensive empowerment initiatives.

**Case Study 4 – Casino operator: differentiation with government driver**

- Ownership in the company is shared by a large hotel group and an empowerment consortium. The latter includes empowerment business and union shareholders. It is the vehicle for much of the hotel group’s gaming interests. It has obtained three casino licences, two in Mpumalanga and one in Gauteng. It currently operates a temporary casino. It has extended its interests into the conference facilities sector.
- It is ostensibly a corporate mechanism devised to meet the empowerment conditions set by government in its gaming licence requirements.
- These requirements which are secured contractually, include a need for significant empowerment equity stakeholding, employment equity and a strong focus on management capacitation and general skills’ transfer.
- To this end the company is considerably black owned and staffed. It is too early though to conclude whether all empowerment criteria have been definitively fulfilled.

3. **ECO-TOURISM**

Eco- and wilderness tourism provide specifically differentiated tourist offerings, with exceptionally high international appeal. The sector provides opportunities to develop uniquely African tourism products. Simultaneously the sector offers the prospect of providing socio-economic and developmental opportunities to rural, marginalised communities, which opportunities makes the conservation of natural resources beneficial to these communities. For the sector to grow it is essential that meaningful partnerships are forged with rural communities. It is only on the basis of community buy-in that ecological sustainability can be assured. The pre-
eminent drivers therefore are stakeholder support and product differentiation. These produce a variety of empowerment strategies, including employment equity, training and SME development. Noticeably, empowerment at the level of ownership and operational control is underdeveloped and this presents a significant strategic gap.

**Case Study 5 – Eco-tourism Group: stakeholder support, product differentiation drivers**

- This group is Africa’s largest eco-tourism group, employing more than 2 500 people and operating 16 lodges in 6 reserves.
- Its empowerment focus has largely been on rural socio-economic development. One of its founding corporate aims is to facilitate the creation of wealth amongst communities living adjacent to its reserves through employment, training and small business spin-offs, infrastructure and social services.
- At one reserve, 135 local people are employed in tourism-related jobs at the lodge camps. The group prides itself on its high minimum wages and good labour relations. Management remains in the hands of non-locals.
- Elsewhere, local communities undertook most of the construction work of the various lodges.
- Bushclearing has allowed plants and wood has been made available to local communities for fuel, and to support micro-enterprises such as wood carving, firewood vending, thatching, medicinal plant vending, pole building and furniture manufacture.
- It has established a rural investment fund to promote community development through eco-tourism activities. The fund concentrates on raising funds for creating environmental awareness, building community capacity, promoting community participation in land development and tourism projects, developing and financing small business development, providing infrastructure and services and facilitating cultural development.
- Development fora have been established primarily as institutions of community representation and to play a role in managing funds for development purposes.
- The fund has channelled money for rural roads, water reticulation, clinics and pre-natal facilities, schools, training centres, environmental education centres, bursaries and support of small business such as brick and charcoal manufacture, carpentry, sewing and transport. To date the fund has raised approximately R10m.
4. TOURS, TRAVEL AGENCIES, CAR RENTAL AND TOURIST MERCHANDISING

This sector houses several leading tour operators, travel agent and car rental groups. The most striking empowerment feature appears to be strategic joint ventures with empowerment companies whose management retain strong and incentivised operational control of the business. Two prominent rental companies for example have entered into joint ventures to form fast growing empowerment car hire ventures. The bulk of their business is government, pointing to the relevance of the differentiation with government driver. Where a group has merchandising and cultural tourism operations, significant opportunities exist for product/customer differentiation.

Case Study 6 – Cross-cutting travel and merchandising group: Differentiation with government, product/customer differentiation, cost/efficiency drivers

- This group is a leader across many tourism sectors. It consists of over 40 companies and is mainly focused on the lucrative foreign inbound tourist market but has growing outbound strength. It is also positioned as a leader in foreign exchange business. It has extensive tour and travel agency interests and a majority stake in adventure tourism company. Its merchandising arm comprises over 30 stores specialising in jewellery, curios and cultural artifacts and destination merchandise, located at some of the country’s premier tourist locations. It has recently purchased a popular cultural village as part of its cultural tourism thrust.

- The composite corporate structure lends itself to an operational empowerment ethos. Empowerment objectives – job creation, skills’ development, granting access to productive assets - are best furthered through joint ventures with empowerment partners, partners that have meaningful equity stakes, hands-on operational engagement and are capacitated to manage business assets. Incentivisation and capacitation are mechanisms to ensure that each company and the group as a whole are able to minimise costs.

- But the predominant empowerment driver is product/customer differentiation. There are many examples of this driver in operation:
  - the group has entered into a joint venture with a company formed by four former political prisoners to jointly operate the Robben Island Ferry Service. Robben Island is of course one of South Africa’s most unique tourism experiences and has particular appeal to an international transformation/empowerment sensitive market;
• it has also helped to create an empowerment travel agency that focuses on large corporate/government clients. It is well positioned to exploit the market opportunities presented by tourists seeking a specific African experience and should have a particular resonance with empowerment sensitive tourists;
• the recent purchase of a cultural village allows the group to further develop its product differentiation orientation; and
• the group has recently acquired the license to manage and operate curio stores at South Africa’s leading airports.

➤ Supporting this empowerment model is an extensive commitment to education and training. This commitment takes many forms – bursaries and other financial assistance for previously disadvantaged students, at-work practical training, staff management training, including transformation training, and involvement in study programmes, particularly through a partnership with the travel industry’s Reach & Teach programme.

➤ But while the group is positioning itself as a leading provider of unique African and South African products and has developed extensive empowerment initiatives in furtherance of this commercial driver, it lags in its empowerment disclosure. Product differentiation has not been matched by a level of disclosure that would differentiate it more fully with government.

5. FOOD AND BEVERAGE AND OTHER SUPPORT SERVICES

Companies in this sector provide a range of support services to the hospitality industry. Some have aggressively entered the tourism merchandising market. The predominant empowerment drivers include quality, cost-cutting/efficiency and government differentiation. The empowerment strategies that emerge include meaningful ownership and operational control, employment equity, staff development and downstream SME development. A strategic gap identified lies in the need to promote emerging SME’s higher up in the supply chain.

**Case Study 7 – Tourism support services group: Differentiation with Government**

➤ This group has a commercial food provision and training business units. Its In-flight division comprises two companies that provide in-flight catering, one in partnership with Transnet. The retail services division offers restaurant and shopping facilities at airports. A further business unit is involved in the
manufacture and retailing of African curios and the group has recently purchased a leading curio chain.

- The group has established commercial relations with government departments, parastatals, statutory bodies such as universities, and other quasi-government institutions. As such its primary commercial driver is differentiation with government, a major customer. This driver has been resulted in an empowerment strategy directed at equity ownership and supported by deeper empowerment initiatives.

- In 1997 the group sold of a third equity stake to an empowerment consortium. Subsequently the consortium upped its equity stake to 40% and then in April 1999, to 60%. A director of the leading consortium company, was appointed chairperson.

- This empowerment equity commitment is far and away the largest single industry commitment to black economic empowerment at the level of ownership.

- Ownership without operational control often provides illusory empowerment. But a shift in the ownership, where associated with a commitment and capacity on the part of new empowerment shareholders to exert real operational control, offers opportunities to drive deeper, focussed empowerment strategies within and through companies themselves.

- As CEO of one of the empowerment consortium members has put it:
  ‘It is the focus of all three empowerment groups to hold significant interests in investments where they can play an active role’.

- And the new group CEO:
  ‘The Consortium has played a meaningful role in ensuring ... full and measurable transformation’.

- By leading the transformation process, the consortium opens the door to further empowerment deals, facilitates enhanced stakeholder interaction and entry into new emerging markets.

- Among the deeper empowerment initiatives which in turn give enhanced effect to the competitive differentiator with government are:
  - an employee share option scheme;
  - an affirmative action programme in terms of which employment and promotion targets are set and particular emphasis is placed on black management development. In 1998 approximately 30% of all
managers and between 14% and 18% of senior and middle managers were black;

- a capacity building programme which has received over R20m in direct spend. It has a special training institute which is responsible for training approximately 2 250 employees per annum, of which 70% are black. The group also trains employees of other tourism corporates. Training and development is additionally undertaken at regional and on-the-job level;

- a programme for developing small to medium black-owned and -managed catering companies. This is achieved through the provision of a combination of some or all of the following: finance, expertise, staff support, training and skills transfer and market expansion. Examples of SME development include a company which is 60% black owned, a joint venture with a trust that assists unemployed youth to find employment and a black owned company which provides services to the mining industry; and

- ongoing contribution of a percentage of annual attributable income to RDP projects, with the immediate focus on employees and their dependants.

- The merchandising thrust of its new business, indicates a clear shift from support service to mainstream tourist product differentiation. As this side of the business grows so will the product differentiation driver become more significant.

- Research indicates that opportunities exist for emerging SME development initiatives to be implemented by large upstream suppliers, although not by the corporate itself.

- The group has produced an informative booklet setting out the background and current thrusts of its empowerment initiatives. As valuable as this text is, it marks the very beginning of the road to full corporate empowerment disclosure as a function of corporate governance.

6. Privatisation

Government privatisation efforts have been evident in the tourism industry. Other than the deal with a hotel management company to operate its resorts group and the potential sale and/or concessioning of camp and restaurant assets in National Parks, government has been active in privatising air transport and subsidiary businesses. The private, including foreign, companies that are allowed to buy in to government aviation business have to satisfy empowerment requirements, primarily, it must be said, confined to the equity ownership criterion. Here we see the operation of the
differentiation with government driver most keenly. In many cases though, the percentage shares held over for empowerment shareholders is in any event, quite small. South Africa’s foremost airline is controlled by transport parastatal Transnet. A 20% stake has recently been sold to Swiss aviation concerns. A leading local travel group has acquired the travel retail arm, and plans are afoot to sell off the baggage handling concern and the remaining equity in the in-flight catering company. On the evidence it appears as if there are opportunities to implement more comprehensive empowerment initiatives, initiatives that are not confined to empowerment shareholding percentages.

Case Study 8 -Privatised Airline: Differentiation with Government

- This airline, the former Bophuthatswana homeland carrier, is now is the subject of liquidation proceedings. Its major empowerment shareholder has sought in vain to have the airline and some of its staff taken over by SAA.
- Much debate has centred around the role of the empowerment shareholders that borrowed a substantial amount of money to invest in the airline as part of what was the government’s first complete privatisation exercise. The empowerment consortium has to make a final payment of R20m next year and has unsuccessfully entreated government to release it from its debt.
- It is apparent that the empowerment investors adopted a hands-off attitude to the operation of the business. They did not ensure that certain empowerment requirements of the deal were fulfilled, most notably the setting up of an employee share scheme.
- The shenanigans around this airline are a powerful reminder of the dangers of bringing empowerment players to deals through external funding in high risk sectors, in which the value of the underlying investment is tenuous or at least, variable, and in which the mode of business engagement is passive. Only recently a whole spate of national carriers went into liquidation.
- The airline’s collapse has resulted in considerable scepticism of the ownership empowerment benchmark and indeed, ultimately considerable disempowerment. Minister Radebe was frank in his assessment of the role of the empowerment investors:
  ‘the black empowerment investors in … have not been able to add significant value to the airline or to the industry’.

Annex F - List Of References


4. BusinessMap: *Sample Update* ‘BEE rating amidst new listings on the JSE’ (May 04 1999)

5. BusinessMap: *New Policy Directions in South Africa* ‘Mohammed Valli Moosa – strategising around the “new gold”’ (September 07 1999)


32. ‘South Africa’s Tourism Challenge: A Profile of the Tourism Cluster’ The Cluster Consortium (April 1999)

33. Southern Sun Group: Equity Update’ (1 1999)


36. Tourism Amendment Act 105 of 1996.
Appendix F
Supplementary Material - SA
Tourism Today
1 EXECUTIVE SUMMARY: STATUS OF TOURISM AND THE TOURISM CLUSTER IN SA TODAY

- **South Africa is at a critical crossroad.** The country is immersed in a profound change process, defined by the need to rebuild the foundations of international competitiveness while simultaneously providing real and immediate improvements in the living standards of all citizens.

- In the context of the country’s economic and political transformation, *tourism is accepted by government, business, and labour as one of the key “drivers” for job growth, wealth creation, and economic empowerment.* The government has pinpointed tourism as one of its thrusts to reverse a sluggish economy, high unemployment, and the lack of job creation.

- **This choice makes sense because tourism is internationally recognised as one of the world’s fastest growing industries.** Now, after years of isolation, South Africa has emerged as a highly attractive tourist destination, full of promise and potential, and is striving to position itself within this high growth global industry as a world-class contender.

- South Africa’s post-1994 tourism growth has been impressive, jumping from 700 000 overseas tourists in 1994 to 1.1 million in 1995. In 1996 the numbers rose at a slower rate to 1.172 million. During 1997, South Africa received 1.274 million visitors and in 1998 long-haul tourism growth with overseas tourist increased to 1.428 million.

- South Africa’s tourism challenge is formidable. The slowness in tourism growth is raising many questions about the constraints to further expansion. Nonetheless, the fundamentals of international long-haul tourism market are exceptionally positive for the emerging South African tourism industry. Because South Africa currently has a global long haul market share of less than 1%, tourism growth in South Africa is clearly not limited by market constraints. The positive side of this is that the constraints to tourism growth are within South Africa, that is, within our collective control. The key to overcoming these obstacles lies in our ability to reach affluent travellers, convince them to visit our shores, and provide them with a memorable world class experience while they are in the country. There is also enormous potential for developing South Africa’s regional and domestic tourism market, which is the base platform for tourism growth overall.

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116 Stats SA, 1999
However, South Africa’s emergence as a tourism destination could be seriously threatened by some fundamental weaknesses in the country’s economic foundations.

This chapter describes the international tourism trends, the structure of South Africa’s tourism cluster, and the strengths and weaknesses of the tourism cluster in meeting the challenges of growth.

It includes the following sections:

2. The Market for Tourism in South Africa: This section provides an overview of international visitor trends and projections, a profile of overseas tourists to South Africa and major segments, and domestic tourism.

3. The South Africa Tourism Cluster: This section examines the structure of the tourism cluster in South Africa. Using a cluster diamond competitive analysis, it provides an assessment of its key strengths and weaknesses of a) South Africa’s attractions, products, segments, and themes; b) key industries and suppliers in the tourism cluster; and c) factor conditions and enabling environment for the tourism cluster.

4. Conclusion—Strengthen Cluster Linkages: The final section evaluates the overall needs in the cluster to build and improve linkages between the distributors that bring in tourists and the suppliers of tourism products and services components.
2 The Market for Tourism in South Africa

2.1 International Visitor Trends & Projections

The Year 1998 in Perspective

World tourism continues to grow despite economic turmoil in some areas of the globe. Between 1994 and 1998 the growth in overall tourism numbers rose 14%. This growth was by no means uniform with many destinations in Asia experiencing a downturn in visitor numbers as a result of the currency devaluations throughout the region starting in 1997 and becoming more widespread in the 1998 year.\(^{117}\)

By contrast tourism growth in southern Africa and South Africa, in particular, has outpaced that in the world generally. Since 1994 tourist arrivals in South Africa have grown by almost half (48%).

Highlights of the world tourism scene as reported by the World Tourism Organisation (WTO) in a February 1999 news release profiled the following:\(^{119}\):

- World tourism grew by a healthy 2.8% during 1998, according to WTO sources.
- 625 million travelers visited a foreign country in 1998
- International tourism receipts (excluding airfares) rose 2% to US$445 billion in 1998
- European tourism benefited from major international events, such as the World Cup in France and World Expo 98 in Portugal.
- Visitors to France rose 4.7% to 70 million and visitors to Portugal rose 16% to 10 million in 1998
- Africa was the fastest growing tourism region with visitor numbers estimated to have risen by 7.5% in 1998

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\(^{117}\) World Trade Organisation, 1999, International Tourism Trends

\(^{118}\) As this section is concerned with international tourism, the definition of tourist used throughout refers to those visiting South Africa from another country and staying at least one night. The definition includes those on holiday, visiting friends or relatives (VFR), on business or attending a conference and those visiting for community, health or social reasons. It does not include those that have come to the Republic to work or be remunerated in some way.

\(^{119}\) These optimistic predictions for tourism outcomes in the 1998 year were based on forecasts made by National Travel Organisations (NTOs) prior to the end of the year and on arrival data typically covering only the early part of the year. The experience in the latter part of the year tempered the more optimistic predictions. As the economic knock-on effects emanating from Asia affected Brazil and other economies, outbound tourism growth took pause.
Visitors to South Africa on early estimates were forecast to rise by 10% in 1998, an outcome that would be substantially above the average in tourism growth then being experienced in the region.

Estimates of overall growth in arrivals to South Africa for the year indicate that while arrivals from neighbouring African states grew by 16% between 1997 and 1998, the growth in the all important longer haul travel market grew increased by only 12%.

**FIGURE 1 SOUTH AFRICA ARRIVAL TRENDS**

![Graph showing South Africa arrival trends]

**FIGURE 2: LONG HAUL ORIGIN MARKETS**

![Pie chart showing long haul origin markets]

120 Source: SATOUR
Europe is the dominant international origin market for South Africa. Historical, business, cultural and family ties ensure the Republic has a high awareness as a destination in the minds of many potential long haul travelers. Interviews with European travel agents and organisation leaders indicate that in the UK, Germany and Netherlands there are a substantial number of travelers who have visited South Africa and pass on their experiences to friends and acquaintances ensuring a high level of awareness for South Africa as a destination.

In addition, increasing awareness of Africa in the US market is having a substantial impact on visitation to South Africa. South Africa remains the #1 destination in Africa for US travelers to the continent, a position it has held since the end of the apartheid era.

Developing markets in Asia and South America have yet to reach a threshold for sustainable volumes to South Africa.

The economic strife currently being experienced in Asia and South America while anticipated to be short lived, will continue to affect outbound tourism for some time to come. In these origin markets, traditional destinations in Europe and the Americas have continued to have greater appeal than “new” destinations such as South Africa.

**FIGURE 3: MARKET DRIVERS EUROPE**

The two main drivers of tourism volume into South Africa, the United Kingdom and Germany, are expected to post slow growth in 1999, especially following another weak year of growth for Germany in 1998. This is in sharp contrast with the trends in the previous three years, when both economies, which together account for a third of total international tourism in South Africa, were booming.
The slowdown in the UK is largely explained by the very strong level of sterling, which puts a lid on export growth and chokes off growth in the manufacturing sector. Average real GDP growth in the UK this year should be less than 1%, and is expected to recover only slowly in 2000, providing that the exchange rate turns around. Business confidence is poor, investment low, but imports are still growing at a steady rate due to continued steady growth in consumption. The UK economy is, like the US economy, one in which incomes are more strongly linked to developments in stock markets than in the rest of Europe. Stock markets have risen strongly in the past years, boosting incomes above and beyond the growth that would be implied by the real economy’s growth. A downturn in stock markets – or even a stabilization from present levels, which is the most likely scenario for next year – will undermine UK real income growth and further slow demand for tourism.

In Germany, the growth slowdown this year is more associated with the downturn in demand for investment goods from emerging markets in crisis. Germany is a main producer of capital goods, and as such has been more seriously impacted by the downturn in Asia in 1998 than other EU countries. Both business and consumer confidence were negatively impacted by the uncertainty surrounding the government’s policy stance, which was very anti-business in the beginning of the year, under Finance Minister Oskar Lafontaine, and now seems to have turned more anti-consumers (with a tax reform plan aimed at consolidating public finances). Though the situation is now improving, especially thanks to the monetary policy easing earlier this year, room for growth remains scant. Germany has a major challenge ahead, that of finding financial means to pay the social benefits the country has committed to pay to an aging population, and will have to keep incomes and fiscal policies very tight into the next decade. Real income growth will thus remain slow in the years to come.

Other drivers in the European market such as France and the Netherlands are anticipated to continue to rack up increased visitor volumes into South Africa.

The buoyant US economy is boosting outbound international travel. Between 1996 and 1997, outbound longer haul travel to international destinations increased by 9% to over 21 million departures. This does not include travel to either Mexico or Canada. Travel to Canada has been static for the past decade and to Mexico has reached a plateau. Increases recorded in international travel are thus all for longer haul destinations.

Asia’s three driver markets of Japan, Taiwan and South Korea all suffered setbacks in 1998.\footnote{Outbound travel volumes range from bearable in Japan (down 10%) and Taiwan (down 5%) to catastrophic for Korea (down 40+%). Taiwan, after recording declines in the 10 to 15% range in the first ten months of 1998, started to turn around in November 1998. Korea on the other hand appeared to have gone into terminal travel aversion with declines of upwards of 40% being recorded in most months since November 1997. Anecdotal evidence would indicate that Korean outbound may have bottomed out and airline capacity out of the country is currently under considerable pressure.}\footnote{121} Japan, the largest outbound market in the region,
continues to drop, albeit at a declining rate. Outbound travel volumes in the 1998 year look to total 15 million, a decline on the previous year of 10%. The brunt of this decline has been felt by short haul markets in the immediate Asian area and Oceania. Travel to Europe continued to increase during this period and departures for Africa appeared little affected. This indicates that, as destinations, they hold particular appeal to an important segment of the longer haul traveler. In South Africa’s case, it indicates that this country has a niche market that can sustain further growth and exploitation.

**Long Haul Travel Forecasts**

The period 1995 to 1997 was characterised by strong economic growth in most regions, reduction in inflation and achievement of currency stability in the traditionally volatile economies of South America. The result was a period of strong sustained growth in outbound travel across the board, with some emerging economies displaying dramatic year on year increases.

Long haul travel was forecast by TTI to achieve higher than average growth as long haul destinations came within the horizon of an increasing number of people. The key component in this mix is the vacation visitor.

In the key market regions:

- **Europe** long haul growth to the year 2000 was forecast to grow overall at 5% per annum, between 2000 and 2005 overall annual growth at 7% and between 2005 and 2010 at 7.5%. Some individual origin markets were predicted to beat these growth prospects - in 1997 Europe contributed 70% of total overseas vacation visitors to South Africa.

- **US and Canada** long haul growth was predicted to continue at better than 7% throughout the 1995 to 2010 period - in 1997 US/Canada contributed 12% of total overseas vacation visitors.

- **Emerging markets in South America** were anticipated to show healthy growth in both short/medium haul and long haul trips. This was particularly the case for Brazil where long haul growth rates were predicted to better than 10% per annum in the period up to the year 2005 - in 1997 South America contributed 3% of total overseas vacation visitors.

- **Asian origin markets** were also predicted to show high outbound trip growth to long haul travel destinations. High level performers included South Korea, Japan, China, Thailand and Taiwan - in 1997 Asia contributed 8% of total vacation visitors.

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122 One of the more comprehensive and reliable tourism forecast vehicles is that prepared by Travel & Tourism Intelligence (TTI), previously contracted to the Economist Intelligence Unit.

123 Note: Their latest available forecasts were prepared in December 1997 before the currency crisis hit Asian economies with knock on effects elsewhere.
The implications of 1998’s currency crisis and the knock-on effects to other emerging economies and metropolitan countries, while anticipated to be short lived, are complicating forecasts of likely outbound travel-- a paradigm shift in travel incidence has evidently occurred in some origin markets. Despite the impact on travel incidence in Asia and more recently in South America, the trend in South Africa’s key markets of USA and parts of Europe continue to rack up significant outbound travel growth in line with TTI forecasts.

South Africa has been one of the tourism success stories of the late 1990s. Since 1994, growth in overall visitor numbers has been well above average and when considering the all important vacation segment, achieved at least a doubling and in some key European markets close to trebling in vacation arrivals in South Africa.

Maintaining this exemplary level of performance amid a changing market environment is the challenge facing South Africa’s tourism decision-makers.

In preparing its strategic options and coming to a consensus on implementation of the strategic vision, key issues will be:

- How the changing demand structure will influence the demand for the Republic’s core tourism products.
- The implications of demographic change.
- Developing a strategy of market concentration or dispersal.
- The changing distribution system.
- Product development options.
- The selective investment required in infrastructure, superstructure and products to meet demand from key niche markets.
- Downstream impacts of product development and tourism investment in meeting community expectations.

A critical element in maintaining strong growth relative to other competitive destinations will be the provision of timely and comprehensive tourism data to the industry. This is not available at this time, statistics are often at least 6 months late and certain key data are not available at all. This does not and cannot support an appropriate platform for strategic marketing programmes.
2.2 Profile of South African Tourism & Major Segments

*International & Long-Haul Tourism*

To get a detailed appreciation of the growth in tourism to South Africa since 1994, it is useful to examine changes that are occurring in the various segments within overseas visitor base.

Overseas visitors are more valuable on an individual basis.\(^{124}\)

In 1994, the proportion of true “tourists” —those on vacation in South Africa—within the total of overseas visitors was low compared to international standards.

In the 1994 overseas visitor total of 737,995, a total of 33,338 were recorded as arriving in South Africa for work (and thus outside the WTO definition) — leaving a total of 704,600 arriving for "tourism" purposes. Of these 185,000 (19%) were visiting on business, 488,000 (69%) on holiday and 69,000 (10%) in transit (visiting a neighbouring country using South Africa as the transit point). In the following year, the “Mandela bump” evidenced a significant jump in both business visits and holiday numbers, and the 1995 World Cup Rugby was a big draw for tourism.

Those visiting South Africa for vacation purposes have driven the growth in visitor numbers. In several key European markets, it was evident to travel agents specialising in international travel that a "latent" demand for South Africa was resulting in increased volumes. Considering only the “total” number of visitors obscures the relative importance of this growth driver.

The situation in the UK, South Africa’s principal overseas origin market, is a case in point. In 1994, high proportions (37%) of visitors to South Africa were travelling on business. Despite a growth of close to 60% in business arrivals, business visitors represented only 15% of total visitors from the UK in the 1997 year.

The primary component for growth in the UK market has been the holiday segment which has grown from 61% in 1994 to 78% of the total visitors in 1997, in absolute terms a doubling (112%) in holiday visitors.

\(^{124}\) Although Africans are more valuable in terms of overall spending, accounting for 75% of visitors at the time of the government changeover, only 54% of tourism revenue are spent by these visitors—meaning that overseas visitors are more valuable on an individual basis. Source: The Monitor Company, *Global Advantage of South Africa Project* (1994).
Key European origin markets mirror the UK market experience.

The incidence of arrivals from other developing and emerging markets was quite marked during this period:

<table>
<thead>
<tr>
<th>Country</th>
<th>Increase in Holiday Category 1994-97 %</th>
<th>Increase in Business Category 1994-97 %</th>
<th>Increase in Total Visitors 1994-97 (%)</th>
<th>Total Number of Visitors 1997</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>217</td>
<td>37</td>
<td>144</td>
<td>64,722</td>
</tr>
<tr>
<td>Germany</td>
<td>119</td>
<td>54</td>
<td>105</td>
<td>193,446</td>
</tr>
<tr>
<td>Netherlands</td>
<td>221</td>
<td>81</td>
<td>187</td>
<td>67,310</td>
</tr>
<tr>
<td>Italy</td>
<td>120</td>
<td>47</td>
<td>86</td>
<td>33,003</td>
</tr>
<tr>
<td>UK</td>
<td>112</td>
<td>57</td>
<td>95</td>
<td>283,735</td>
</tr>
<tr>
<td><strong>Europe Average</strong></td>
<td><strong>130</strong></td>
<td><strong>49</strong></td>
<td><strong>106</strong></td>
<td><strong>845,670</strong></td>
</tr>
</tbody>
</table>

Statistics demonstrate that an important portion of this “vacation” category is “VFR”\textsuperscript{125} travel, those describing their principal travel purpose as visiting South Africa to see family and friends. The VFR visitor has a low incidence in the use of commercial accommodation typically staying for most or their entire visit in private homes. Their contribution to the local economy in food, restaurant meals, transport and entertainment spending can, however, be significant.

\textsuperscript{125} i.e., “Visiting Friends and Relatives”. Note: It is always best to employ caution when basing conclusions on subjective data of this kind.
Several overseas origin markets generate a significant proportion of VFR visitors within the “holiday” visitor category. Notable in this regard are the UK, Netherlands and India.

The analysis based on absolute numbers presents the UK, Germany and the USA as the countries that provided the more important increases in visitors.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>159,604</td>
<td>321,281</td>
<td>101</td>
<td>161,677</td>
</tr>
<tr>
<td>Germany</td>
<td>105,109</td>
<td>195,878</td>
<td>86</td>
<td>90,769</td>
</tr>
<tr>
<td>France</td>
<td>27,956</td>
<td>72,994</td>
<td>161</td>
<td>45,038</td>
</tr>
<tr>
<td>Italy</td>
<td>18,525</td>
<td>37,204</td>
<td>101</td>
<td>18,679</td>
</tr>
<tr>
<td>Netherlands</td>
<td>24,834</td>
<td>83,022</td>
<td>234</td>
<td>58,188</td>
</tr>
<tr>
<td>Europe (other)</td>
<td>108,739</td>
<td>239,886</td>
<td>121</td>
<td>131,147</td>
</tr>
<tr>
<td>USA</td>
<td>74,743</td>
<td>166,071</td>
<td>122</td>
<td>91,328</td>
</tr>
<tr>
<td>Canada</td>
<td>15,050</td>
<td>27,544</td>
<td>83</td>
<td>12,494</td>
</tr>
<tr>
<td>Central &amp; South America</td>
<td>19,585</td>
<td>45,397</td>
<td>132</td>
<td>25,812</td>
</tr>
<tr>
<td>Australasia</td>
<td>35,749</td>
<td>68,485</td>
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<td>32,736</td>
</tr>
<tr>
<td>Middle East</td>
<td>15,162</td>
<td>27,385</td>
<td>81</td>
<td>12,223</td>
</tr>
<tr>
<td>Asia</td>
<td>91,263</td>
<td>130,198</td>
<td>43</td>
<td>38,935</td>
</tr>
<tr>
<td>Islands</td>
<td>8,265</td>
<td>13,056</td>
<td>58</td>
<td>4,791</td>
</tr>
<tr>
<td>Africa</td>
<td>2,964,372</td>
<td>4,303,638</td>
<td>45</td>
<td>1,339,266</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,668,956</strong></td>
<td><strong>5,732,039</strong></td>
<td><strong>56</strong></td>
<td><strong>2,063,083</strong></td>
</tr>
</tbody>
</table>

### 2.3 Travel Trends of Visitors to South African

**Trends in European Holidays**

Europe is a mature travel market. The diversity of product offerings, styles of holiday and distribution system cater to a sophisticated and demanding clientele.

Demographic factors are already having an impact on the attractiveness of competing products. The European (and world) population "bulge" is presently moving into the 40+ age group at the expense of the 20/30s age group market share. To remain competitive operators and suppliers will need to critically examine their products and the market match.

Changes in the structure of tourist demand will continue to pose a challenge to developing destinations such as South Africa. Structural changes in the prime European market that will need to be addressed in market development strategies include:
In the all-important European market the proportion of people taking a holiday in any one year has reached a plateau\textsuperscript{126}.

The incidence of cross border and long haul holidays as a proportion of total holidays continues to increase. In Europe, the UK (54%), Germany (72%), Belgium (79%) and Netherlands (71%) have high incidence of holidays spent abroad.

The incidence of long haul travel by these countries is also high: UK (22%), Germany (14%), Belgium (15%) and Netherlands (12%).

More people are working on contract, taking shorter breaks thus the length of each holiday is declining. The incidence of taking several holidays a year continues to increase. The average is currently 1.8 holidays for those taking a holiday (67% of the population).

Holidays are being booked at shorter notice.

**Key Origin Market Profiles**

Every tourism industry operates in an environment where it is imperative to choose between opportunities and accessing markets of promise.

South Africa is in the process of consolidating its representation in overseas markets and determining where the marketing and promotion dollar will have the greatest impact while meeting community and commercial expectations.

International markets provide major opportunities to capitalise on South Africa’s “new” political environment and its unique products while earning much needed foreign exchange. Domestic tourism and travel from SADC countries is an important part of the overall mix and is addressed elsewhere in this report.

The following takes a selection of current mature and developing markets to profile the key features of each origin market.

- Visitation to South Africa
- Composition of the market by purpose of visit
- South Africa’s competitive situation vis a vis other long haul destinations
- Visitor spending levels
- Characteristics of the travel distribution system in the origin market

The selection of origin markets includes:

\textsuperscript{126} While the incidence of holidays (both domestic and cross-border) increased throughout the 1980s it reached saturation in the early 1990s. Source: World Travel & Tourism Council
**Mature**

European markets that have had long term ethnic and cultural associations with South Africa. These same markets, in addition, have very high incidence of cross border and long haul travel. Renewed interest in travel to South Africa in the post-apartheid era is a feature in these origin markets. Note that business travel in the immediate post-apartheid era was at historically high levels as companies previously denied the opportunity to trade were keen to investigate opportunities.

Awareness of the tourism product is typically high in mature markets with long term associations.

Markets profiled in this selection are:

- United Kingdom
- Germany
- Netherlands

**UK Outbound Travel**

![Figure 4: Outbound Travel Trends](image-url)
The United Kingdom is one of the world’s key outbound travel markets. The number of travelers going abroad is close to double that recorded by the US with its much larger population.

FIGURE 5 PROFILE

As a consequence of this volume the UK is a sophisticated and competitive market place with destinations worldwide seeking access. Ethnic and cultural ties are of importance in choice of destination.

Profile of UK Visitors to South Africa by Purpose of Visit

Leisure and VFR visitors to South Africa together comprise over 80% of total visitors. The proportion of VFR in the total visitor mix is one of the highest recorded by an origin market. Business travel is also an important feature of the visitor mix, a reflection of trade and ownership with South Africa domiciled companies. The UK is South Africa’s major long haul market currently delivering over 300,000 visitors a year.
The Caribbean and Oceania have maintained a substantial lead over arrivals in South Africa. The Caribbean, a competitive destination with extremely attractively priced packages on the UK market, recorded close to 900,000 UK arrivals in 1998. The principal destinations for long haul UK travelers are North America and destinations in Asia.

UK visitors to South Africa on average made 1.8 trips to other countries in the region.

**Travel Spending in South Africa**

Spending levels of UK travelers in South Africa are at the lower end of the spectrum, a reflection of the high VFR component in the mix.

- Spending within South Africa is estimated at R550 per day or R10,400 per trip (US$2110 at the then exchange rate).
- The average length of stay at 21.5 nights reflects the long stay VFR component.

**Travel Distribution System**

- A highly integrated travel distribution system from wholesale to retail outlet selling house branded product.
- Dominant wholesale travel groups control a substantial share of total market. This is particularly the case in the long haul market where attractive packaging is the norm.
- Charter packages for Caribbean and Mediterranean destinations are an important feature in the market.
**Germany Outbound Travel**

Germany is the largest outbound travel market in the world and has a very sophisticated travel trade. The 64 million holidays taken abroad in 1998 represented 70% of all holidays taken by German nationals. With continued increases in income, outbound travel by Germans in 1998 was estimated to have increased by 20% (NIPO EHS Survey) from the previous year. Growth is likely to stabilise over the next couple of years due to expected constraints in overall growth of the German economy.

FIGURE 7 GERMAN INBOUND TRENDS

![Graph showing trends in outbound travel]

The German long haul outbound market also continues to grow.

FIGURE 8 PROFILE

![Pie chart showing 1998 profile of travel]

- Leisure: 63%
- VFR: 3%
- Business/Official: 8%
- Other: 26%
**Profile of German Visitors to South Africa by Purpose of Visit.**

Leisure travel comprises close to two thirds (63%) of total visitors to South Africa. This sector has shown substantial growth with German leisure arrivals, more than doubling in the past four years. The VFR component of holiday arrivals into South Africa at 26% is considerably higher than for the 12% recorded for all outbound travel by German nationals.

**Arrivals of German Visitors at Long Haul Destinations**

**FIGURE 9 LONG HAUL VISITORS**

Asia and North America are the dominant destinations for long haul German visitors, recording 1.5 million and 2.0 million arrivals in the course of a year. Visitor arrivals in the Caribbean and Oceania have been flat for the past three years. During this period German arrivals in South Africa showed significant increases. A pause in growth is estimated for the 1998 year.

German visitors to South Africa on average made trips to 1.6 other countries in the region.

**Travel Spending in South Africa**

- Spending within South Africa was recorded at R640 a day and R12,500 per trip ($2550 at the then exchange rate).
- The average stay for German visitors was recorded at 19.7 nights in the DSI Survey.

**Travel Distribution System**

- The largest outbound travel market in the world has evolved a sophisticated travel trade.
In addition to 700 tour operators, clubs and associations account for 10% of package holiday trip market.

Highly integrated market, 5% of tour operators account for over half of total market.

Top operators: TUI, NUR, LTU, DER.

Netherlands Outbound Travel

**FIGURE 10 NETHERLANDS OUTBOUND**

Despite the number of people taking a holiday in any one year having reached a plateau, cross border travel and intercontinental travel continue to grow. Long haul travel has been growing at 2% on average over the period. Charter packages have been important in driving this market with travel by charter being at similar levels to scheduled flights for holiday travel.

All the travel data referred to in this profile is for “holiday” travel.
Profile of Netherlands Outbound Travelers by Purpose of Visit

VFR visits comprise 11% of all outbound holiday trips. In destinations where there are close ethnic and family ties a higher proportion of VFR visitors could be expected in the mix. Based on the DSI survey the incidence of VFR travelers among holiday travelers from the Netherlands is in the region of 25%. The incidence is higher in the summer months, the time of north European annual vacation.

FIGURE 12: DESTINATIONS

The most popular long haul destination for Dutch travelers is the US. For some this is a springboard into Central or South America. The Caribbean is a popular “sun, sand and sea” destination serviced by many charter options. South Africa, since 1994, has increased significantly as a “new” destination overtaking Oceania in the process.
Visitors to South Africa from the rest of Europe visit 1.7 other countries in the region.

**Travel Spending in South Africa**

The DSI survey does not specifically break out spending by Dutch holiday travelers. However, German visitors to South Africa have a similar holiday mix to those from the Netherlands and a similar length of stay.

- Spending is assessed at R630 per day and R12,500 per trip (US$2550 at the then exchange rate).
- The typical length of time spent on an intercontinental holiday was 19.6 days in 1998, down from 20.9 days in the previous year.

**Travel Distribution System**

- The top 12 operators control more than 80% of the market.
- Tour operators control a high proportion of retail outlets selling their own products.
- Concentration has increased.
- Vertically integrated industry.
- Top sellers are: Holland International and Arke Reisen.

**Shifting Psychographics of the European Market: The Dutch Barometer**

The implications of structural change in the European origin market can already be seen. An indication of the changes in attitude and the incidence of holiday taking will influence which product offerings and packages are likely to succeed and establish a sustainable market is an issue of prime importance.

The Netherlands is often touted as a barometer for Europe. It is a mature and sophisticated travel market that has a high incidence of long haul travel on a regular basis. Features of the Dutch market which set the stage for product development and marketing initiatives are:

**Frequency of Long Haul Travel**

One in eight (12%) of holidays taken in 1998 were to long haul destinations.

Of those who had taken a medium/long haul holiday in the past year (1998)

- 11% intend to take a longer haul vacation in 1999
- 6% intend to take a longer haul vacation in 2000
- 5% intend to take a longer haul vacation in the near future
76% had no definite plans\textsuperscript{127} 

Those in the highest socio-economic categories have a very high propensity for long haul travel. For example close to half (43%) of those in s-e category A taking a longer haul holiday in 1998 intended to make another such trip the following year and a third (34%) in two years time (2000).

Despite an apparent slight decline in the intention to take longer haul holiday travel in the Netherlands market, the proportion of those intending taking longer haul travel in the following year has remained remarkably consistent for the past 7 years that monitoring has been undertaken.

\textbf{Favoured Destinations for Future Travel}

The most favoured intended destination for longer haul travelers continues to be the USA. However in the past (1999 compared to 1998) it declined in popularity by nearly a quarter.

Countries preferred as destinations change over time, influenced by fashion, perceptions of safety, promotion, marketing, and so on. Destinations growing in popularity for intending longer haul Dutch travelers this year include:

- Australia
- Canada
- South Africa
- New Zealand

For the same reasons, certain destinations have declined in popularity for intending longer haul Dutch travelers:

- USA
- Indonesia (Bali)
- Caribbean
- Thailand
- Mexico

\textbf{Style Of Holiday Being Sought}

The style of holiday that Northern Europeans are seeking in a long haul destination has remained consistent over the past five years. The typical proportions taking particular holidays are:

\textsuperscript{127} Source: European Holiday Survey: 1998/99
TABLE III-3.4: STYLE OF HOLIDAY

<table>
<thead>
<tr>
<th>Style of Holiday</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Touring/sightseeing</td>
<td>30</td>
</tr>
<tr>
<td>Sun, sea and sand</td>
<td>20</td>
</tr>
<tr>
<td>Active/sportive</td>
<td>14</td>
</tr>
<tr>
<td>Rest/lazy</td>
<td>12</td>
</tr>
<tr>
<td>Culture</td>
<td>10</td>
</tr>
<tr>
<td>Nature</td>
<td>8</td>
</tr>
<tr>
<td>City Stay</td>
<td>6</td>
</tr>
</tbody>
</table>

The perception of South Africa’s product offerings in the table above differs from the stated preferences for holiday style as outlined in V-7. Market match issues will need to be addressed:

- The tropical (or Mediterranean) beach holiday rates very highly as a popular holiday stay.
- Touring around and sightseeing; “a bit of everything” remains consistently high in the preference stakes.
- Active sports holidays such as skiing, trekking, water sports and adventure holidays have been in decline over the past 4 years. Snorkeling and diving are typically associated with a tropical beach holiday.
- Lazing around, not doing much remains a potent reason for taking a holiday break. The increase in the incidence of contract employment is a factor.
- Cultural, environmental and nature/wildlife, when combined, are at a similar level to those seeking a beach holiday.

2.4 Competitive Market Share and Market Penetration

South Africa has achieved an important level of penetration in several of its key markets. Analysis of market share in the long haul travel segment is the most appropriate basis for comparison of performance.

The following table outlines the level of long haul travel from several key origin markets and indicates the degree of penetration into this market being made by South Africa as a destination.

By way of comparison market shares achieved by competing destination area are shown in the following tables.

Destinations such as the Caribbean (and particularly areas in Asia) have been developing their tourism industries for a considerable time. South Africa is competing with established markets, products and distribution systems.
Competition is becoming more intense while tourism capacity and tourism infrastructure is expanding in most destinations. New tourism destinations are entering the market.

Table III-3.5: Long Haul Penetration by Market
a. Southern Hemisphere Destination Areas

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Long Haul (000)</th>
<th>RSA Share</th>
<th>South America</th>
<th>Australasia</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>9 360</td>
<td>2.5</td>
<td>2.3</td>
<td>5.4</td>
</tr>
<tr>
<td>Germany</td>
<td>7 664</td>
<td>2.5</td>
<td>6.2</td>
<td>2.2</td>
</tr>
<tr>
<td>France</td>
<td>6 132</td>
<td>1.0</td>
<td>4.5</td>
<td>1.5</td>
</tr>
<tr>
<td>Italy</td>
<td>3 102</td>
<td>1.0</td>
<td>13.0</td>
<td>2.2</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1 860</td>
<td>3.0</td>
<td>6.9</td>
<td>6.8</td>
</tr>
<tr>
<td>Spain</td>
<td>1 321</td>
<td>0.6</td>
<td>31.6</td>
<td>2.0</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1 590</td>
<td>2.0</td>
<td>9.5</td>
<td>3.3</td>
</tr>
<tr>
<td>USA</td>
<td>21 634</td>
<td>0.6</td>
<td>8.4</td>
<td>3.0</td>
</tr>
<tr>
<td>Canada</td>
<td>4 732</td>
<td>0.5</td>
<td>9.5</td>
<td>1.9</td>
</tr>
<tr>
<td>Japan</td>
<td>9 100</td>
<td>0.3</td>
<td>0.7</td>
<td>9.5</td>
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<tr>
<td>South Korea</td>
<td>837</td>
<td>0.7</td>
<td>1.3</td>
<td>8.0</td>
</tr>
<tr>
<td>Taiwan ROC</td>
<td>1 285</td>
<td>1.5</td>
<td>n.a.</td>
<td>6.6</td>
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<tr>
<td>Australia</td>
<td>2 740</td>
<td>2.0</td>
<td>0.9</td>
<td>*</td>
</tr>
<tr>
<td>New Zealand</td>
<td>558</td>
<td>2.0</td>
<td>0.2</td>
<td>*</td>
</tr>
</tbody>
</table>

* Short/medium haul destination

In its key European markets—the UK and Germany, South Africa is capturing 2.5% of long haul travel volumes.

While penetration of the North American market is still below 1%, the growth in visitors to South Africa is encouraging.

Despite the fall off in outbound travel from the three key Asian origin markets, a respectable level of penetration had been achieved, providing optimism for the time when these markets bounce back.
Australia and New Zealand provide a useful contribution in tourist numbers to the Republic that can be anticipated to grow.

International long haul travel volumes continue to grow. South Africa has few market constraints in increasing its market share. Its Southern Hemisphere location is a plus.

B. Northern Hemisphere Destination Areas

<table>
<thead>
<tr>
<th>Country</th>
<th>Total Long Haul (000)</th>
<th>RSA Share</th>
<th>Asia</th>
<th>Caribbean</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>9 360</td>
<td>2.5</td>
<td>22.1</td>
<td>7.7</td>
</tr>
<tr>
<td>Germany</td>
<td>7 664</td>
<td>2.5</td>
<td>19.6</td>
<td>7.7</td>
</tr>
<tr>
<td>France</td>
<td>6 132</td>
<td>1.0</td>
<td>16.7</td>
<td>12.4</td>
</tr>
<tr>
<td>Italy</td>
<td>3 102</td>
<td>1.0</td>
<td>13.9</td>
<td>12.6</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1 860</td>
<td>3.0</td>
<td>19.5</td>
<td>12.7</td>
</tr>
<tr>
<td>Spain</td>
<td>1 321</td>
<td>0.6</td>
<td>11.0</td>
<td>20.6</td>
</tr>
<tr>
<td>Switzerland</td>
<td>1 590</td>
<td>2.0</td>
<td>29.0</td>
<td>2.0</td>
</tr>
<tr>
<td>USA</td>
<td>21 634</td>
<td>0.6</td>
<td>18.4</td>
<td>17.8</td>
</tr>
<tr>
<td>Canada</td>
<td>4 732</td>
<td>0.5</td>
<td>16.0</td>
<td>18.0</td>
</tr>
<tr>
<td>Japan</td>
<td>9 100</td>
<td>0.3</td>
<td>*</td>
<td>0.1</td>
</tr>
<tr>
<td>South Korea</td>
<td>837</td>
<td>0.7</td>
<td>*</td>
<td>-</td>
</tr>
<tr>
<td>Taiwan ROC</td>
<td>1 285</td>
<td>1.5</td>
<td>*</td>
<td>-</td>
</tr>
<tr>
<td>Australia</td>
<td>2 740</td>
<td>2.0</td>
<td>40.0</td>
<td>0.1</td>
</tr>
<tr>
<td>New Zealand</td>
<td>558</td>
<td>2.0</td>
<td>28.3</td>
<td>0.1</td>
</tr>
</tbody>
</table>

* Short/medium haul destinations

**Favourable Market Conditions**

- In 1994, holiday visitors made up 70% of all long haul arrivals to South Africa. By 1997, those on holiday comprised 80% of all visitors.
- In those 3 years, holiday visitors more than doubled.
- Business visitors rose close to 50% in the same three year period.
- While 1998 saw a pause in long haul visitor growth the market conditions again appear favourable to increase market share in key origin markets.
- Air access is increasing with 71 airlines now operating into the Johannesburg gateway airport.

While the tourism products that South Africa has to offer are in general demand, the competitive nature of the sector makes it imperative that product development be a key element of tourism policy. The development of an extended range of products to widen and deepen the appeal of South Africa is a strategic necessity.

A review of South Africa's key product offerings, niches and themes is included in the following subsection "South Africa's Capacity in the Tourism Sector".
**Visitor Spending in South Africa**

As recorded in the DSI 1998 survey report, per-day and per-trip spending by visitors to South Africa is at relatively high levels when account is taken of the proportion of VFR travelers from several key origin markets. Compared to other Southern Hemisphere destinations such as Australia and New Zealand, visitor expenditure in Southern Africa is in a similar range to that of Australia. This level of spending is achieved despite the generally lower price structure in South Africa compared to Australia.

A comparison of visitor spending levels by key origin markets can be found below. Total trip and per-day expenditures per person are indicated. The expenditure relates only to spending undertaken in South Africa (or Australia). Expenditure in the destination as part of a prepaid package is allocated accordingly to its incidence. The length of stay in the country increases the overall expenditure but it is interesting to note from other destinations that the total spending by those on a leisure holiday is typically in the same range as spending by VFR (visiting friends, and relatives) travelers, because of the longer time VFRs spend at a destination. Per day expenditure by leisure travelers differs significantly from VFR spending levels.

**FIGURE 13: EXPENDITURE PER TRIP**

![Expenditure per Trip Diagram](image1)

**FIGURE 14: EXPENDITURE PER DAY**

![Expenditure per Day Diagram](image2)
North American (US) and Japanese travelers record the highest per-day spending levels. The visitor mix from Australasia is changing as VFR becomes a more pronounced component.

**Additional International Market Profiles**

For a comprehensive overview of South Africa's key international market targets and competitors, consult The Cluster Consortium's *South Africa's Tourism Challenge: A Profile of the Tourism Cluster - Discussion Report* (April 1999), Section V. "International Tourism Market Trends".

**2.5 Domestic Market Potential**

Although the domestic tourism and travel market has not demonstrated the dramatic growth rates (or per-individual revenues) of its international counterpart, it remains the "cornerstone" of South African tourism.

In 1998, South Africa was expected by the World Travel & Tourism Council (WTTC) to generate Rand 23.2 billion of personal travel & tourism consumption by residents--5.8% of total personal consumption.

Corporate travel expenditures of 7.1 billion and government employee travel of Rand 1.8 billion were projected to add a further Rand 8.9 billion of visitor activity.

Over the twelve year period leading to 2010, the WTTC projects personal travel and tourism in South to grow at an annual rate of 3.55% while business/government travel is expected to grow at an annual rate of 3.3%.

In 1998, South African residents were estimated to spend just under 6% of their personal expenditures on Travel & Tourism--lower than the world average of 10.5%. This is consistent with other developing countries, in which personal consumption tends to increase in proportional relation to the standard of living and per capita income.

By 2010, the WTTC projects South Africa to see Travel & Tourism personal consumption increase to 6.4% of total consumption.

The domestic market remains the cornerstone of the local South African industry, with about 10 million South Africans going on holiday each year. The domestic market spent an estimated Rand 3.6 billion in 1992, although it considered to be worth far more than that because of the multiplier effect of such expenditure. Domestic tourism represents 87% of South Africa’s

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128 The DSI figures do not distinguish between origin markets in Asia (small sample base) but experience in Australia and New Zealand would indicate that per day expenditures by leisure travellers are at similar levels to that recorded for Japan.

129 Note: Although most of this travel and tourism occurs within South Africa, some occurs abroad which accounts for variances between WTTC and other, competing, estimates.

total visitor market (77%--domestic leisure and 10% domestic business travel).131

FIGURE 15 DESTINATIONS

Most Popular Destinations for Tourists in 1996

Domestic tourism in South Africa has been greatly affected by the policy of apartheid. The demise of this policy is expected to lead to an inevitable restructuring and growth of domestic tourism. The Potchefstroom University-based Institute for Tourism and Leisure Studies predicts that the largest growth in the local tourism industry in the next decade will come from the black component of the South African population.132

3 SOUTH AFRICA’S TOURISM CLUSTER

3.1 Overall Structure of the Tourism Cluster

South Africa’s tourism cluster is composed of many elements—ranging from the principal tourism attractions, to the suppliers of direct and indirect services and products, to the soft and hard infrastructure that enables the system to function. The following map summarizes the key elements of the tourism cluster. The key elements are described in the sections that follow.

131 Source: Stats SA, Satour Domestic Tourism Survey (1996) & Grant Thornton Kessel Feinstein

132 Institute for Tourism and Leisure Studies, Economic Impact of Domestic Tourism on the South African Economy (Leisure Consultants and Publications; April 1998) pp. 4-7
Summary Definition of a Cluster

Clusters are geographic concentrations of interconnected companies and institutions in a particular field: a physically proximate array of linked industries and other entities important to economic success. They typically include suppliers of specialised inputs such as components, machinery and services, education and training, and the creators or developers of specialised infrastructure. The concept of an "cluster" is, in essence, a highly effective representation of the economic value chain, which provides for understanding and development of an industry along vertical, horizontal and synergetic lines.133

Cluster boundaries are not precisely fixed; they are rather, defined by the linkages and interdependencies between companies and institutions which are essential to collective performance, growth and evolution. They are, consequently, characterised by both competition and co-operation. Rivals

133 For more information on the characteristics and performance of clusters, consult Michael E. Porters' On Competition (Harvard Business School Press; 1998) or the article upon which this summary is based, "Clusters and the New Economics of Competition", Harvard Business Review (November-December, 1998), p.77
compete vigorously to capture and retain market share (and profits), but do so within a general environment of co-operation--typically vertical--which extends to both companies in related industries and related institutions.

This proliferation of linkages among cluster members results in a whole, which is greater than the sum of its parts, an economic synergy.

In the typical tourism cluster, for example, the quality of the visitor's experience depends not only on the appeal of the primary attraction but also on the quality and efficiency of the complementary businesses such as hotels, restaurants, shopping outlets, and transportation facilities. The tourist who stays at a 5-star hotel in Sandton, for example, is unlikely to have a five star experience if, when walking outdoors in the evening, she is provided with a 1-star taxi service. * Because the entities of the cluster, both primary and supporting, are ultimately interdependent, good performance by one drives and promotes the success of the others.

Once a cluster begins to form, it soon attains a synergetic "critical mass" -- a self-reinforcing cycle which supports and accelerates growth. This phenomenon can be especially pronounced or dramatic when supported by public/private co-operation, communication, industry initiative and when local competition is intense.

The South African Tourism Cluster currently provides an excellent case example of just such an emerging cluster: it possesses the requisite drivers and foundations for future, synergetic growth, even as it addresses diverse factor conditions which constrain its ability to capitalise on its present opportunities and potential.

In this section, we both describe the elements of the tourism cluster and assess how well the various elements relate to the functioning of the cluster, and to the “tourism experience” in general. For the evaluation of the strengths and weaknesses of the cluster and its elements, we use the competitiveness “diamond.”

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* K Karrim: Southern Sun

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\textit{Competitiveness (Diamond) Analysis}

A cluster is successful in determined segments if it possesses a favorable environment for competitiveness. The tourism clusters reach a high level of competitiveness when they meet the test of criteria from the Diamond of Competitiveness. To establish this fertile environment for competitiveness requires analysis, collaboration, and action.

The environment is composed of four elements that form the so-called “Diamond of Competitiveness”. The diamond is a valuable concept by which to diagnose the overall competitiveness of the cluster, as well as defining policies for greater competitiveness.

Therefore, the answer to the question how a nation reaches success in the tourism industry is found in four generic attributes that make up the
environment in which local tourist companies have to compete and that benefit or impede the creation of competitive advantage.

- **Firm strategy, structure and rivalry**—Operating conditions of companies of the sector
- **The Cluster of related and supporting industries**—Conditions of the connected and supporting sectors
- **Factor conditions**—Conditions of elements or economic infrastructure supporting tourism related companies
- **Demand Conditions**—Conditions of the demand captured by destination

These cardinal factors, originally identified and applied by Harvard University Professor Michael E. Porter, can be clearly depicted and utilised to assess the drivers, constraints and challenges of a particular cluster, regardless of its present state of development. Figure 17 shows the classic configuration of these factors in the classical "Diamond" or "Porter" diagram.

**FIGURE 17 DIAMOND**

Among the determining conditions of the competitiveness of tourist destinations continuous interactions are created that have to be analyzed to orient them towards the reinforcement of competitiveness of destination.

The competitiveness of destinations has to be focused on achieving sustainability over time, maintaining a focus on all the components of competitiveness during the medium and long term, reinforcing the sustainable character of the competitive advantages of the destination, although these can change by the competitive dynamics.
The four generic attributes of the diamond are the following:

1. Firm strategy, structure and rivalry. The operating conditions of the companies of the sector
This attribute looks at how the network of companies adapt to market requirements, the levels of rivalry, the existing barriers of entrance and exit, the legal, labor and fiscal structure, the competitive strategies jointly accepted, the way of organization, the performance of management of the location, etc.

2. The Cluster: Related and supporting industries. The conditions of the connected and supporting sectors
Referring to the linkages between firms and industries within the cluster, the degree of collaboration and the strength of networking organizations and associations.

3. Factor Conditions. The conditions of the economic infrastructure affecting tourism companies
Referring to the availability and conditions of basic factors. Including the tourist attraction resources both natural and cultural, the planning of sustainable use of these resources, the territorial regulation, the availability of infrastructure and basic services, access to the modern technology of lending and commercialization of services, availability and quality of human resources, access to capital resources, etc.

4. Demand Conditions. Trends and market conditions facing the industry
Referring to the characteristics of the demand captured by the destination: Volume and seasonal conditions, socioeconomic and demographic characteristics, markets of origin, tourist motivation and behavior, level of satisfaction demanded, previous knowledge of destination, image of destination among tourists, etc. Includes also the grade of adjustment between the image of destination in the tourist demand and the competitive position pretended, which can be object of investigations of a qualitative order

The process to improve the determining conditions of tourist competitiveness of a tourist destination implies the following:

- Choosing of a strategy of covering the segments and therefore a selection of the tourist products to offer, given the tourist potential of the zone
- Evaluation of the determining conditions of the tourist competitiveness, detecting the corresponding lacks and insufficiencies according to the products offered
- Identification of requirements to improve the competitiveness of the tourist products offered
Elaboration of action initiatives by the corresponding work groups

Elevation of initiatives and implementation of the corresponding decisions

Execution of initiatives.

Follow up of the executed actions and coordination with other zones when considered opportune.

Characteristics of a World-Class Tourism Cluster: a Benchmark for South Africa

Viewed within this context, several necessary conditions and factors logically emerge for consideration in evaluating the state of a Tourism Cluster. By providing a basic scheme and framework with which to encompass and organise situational data, the classic cluster "Diamond" analysis provides an efficient means of comparing or "benchmarking", of identifying key issues and challenges and of developing strategic action plans.

Through application of this approach to various tourism clusters in distressed, emerging or transforming economies, Porter and his collaborators have successfully derived a set of clear and specific characteristics for a world-class tourism cluster. For purposes of determining the present status and situation of the South African Tourism cluster, it is extremely helpful to view the present situation against the profile of the world-class, "ideal" or successful cluster.

The assessment of the strengths and weaknesses of South Africa’s tourism cluster is summarized in the following box:
In each of the sections that follow, we inventory and assess the characteristics of the cluster elements in greater detail. We also characterise, or benchmark, the strengths and weaknesses of South Africa’s tourism cluster with the characteristics of a world-class tourism cluster.
3.2 Basic Factor Endowments and the Tourism Cluster:
Attractions, Products, Segments and Themes

Key Tourism Attractions

South Africa’s tourism attractions lie at the heart of the tourism cluster. South Africa is truly a "world in one country" for the tourist, possessing a diverse array of attractions and activities with which to capture the interest (and revenues) of both the foreign and domestic traveler. The 1996 "White Paper" concisely asserts that "South Africa has a number of unique selling points ("USPs") which vary widely depending on the tourism market segment concerned. " 134

According to that watershed report, "the key USPs are those which attract foreign holiday tourists, and these particular USPs then act as supplementary or supporting USPs in most other markets. The foreign holiday tourism USPs are therefore the most critical when considering tourism policy and strategy".135

Key Unique Selling Points: These key international selling points are presented in the White Paper as falling into five basic categories. They can summarised as follows:

- **Main Generic Attractions**
  Varied and impressive scenic beauty; African wildlife and the opportunity to view the Big Five;136 unspoiled wilderness areas; diverse cultures, especially traditional and township African cultures; dynamic contemporary and social history, specifically the change from apartheid to non-racial democracy; a generally sunny and hot climate, in particularly during the northern hemisphere winter.

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135 Ibid.

136 The Big 5: Lion, elephant, leopard, rhino, and buffalo
• **Supporting Advantages**

• **A first world infrastructure base, i.e., roads, airports, retail, accommodation, medical services, and banking.**

Adventure activities such as wild water rafting, bungee-jumping, bush survival, hiking, paragliding; whale viewing; battlefields and historical sites of the Boer Wars and Zulu Wars; winelands and winemaking; unique and rare flora; unique and rare birdwatching; unique and rare animal life, including the "Big 5"; scuba diving; unique archaeological and palaeontological sites; and working steam trains.

• **USPs for Foreign Business Tourism**

A developed economy from which the African continent can be served; the diplomatic hub of southern, and to some extent, all of Africa; a diverse economic base; world leadership in some primary sectors such as mining; sophisticated financial markets, and; good communications.

Moreover, in specific foreign markets, South Africa possesses additional USPs important to generating international (and domestic) tourism and creating significant revenues, including:

- Conferences, Conventions & Exhibitions
- Sports Events and Related Tourism
- African Theme Tourism

These unique selling points contribute synergistically to South Africa's increasingly strong and formidable brand image as a unique, exotic, and diversity-rich destination of historical and cultural importance.

This brand image, currently offset by perceived safety issues, derives its strength directly from growing tourist awareness of specific attractions, locales, activities and cultures, i.e., from the growing awareness of South Africa's many "worlds."

**Key Product Offerings & Attractions**

The sheer volume—and attraction—of these unique offerings is readily apparent from even the briefest inventory of South Africa's principal tourist routes and destinations. A summary breakdown, by province, includes:

• **Western Cape**

Cape Town; Winelands; Garden Route; Cango Caves; Ostrich Farms; Beaches, and; Whale watching.

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137 The White Paper notes, properly, that "generally business and professional tourism is driven by necessity rather than unique attractions, however important the supporting role foreign holiday USPs play in generating foreign business tourism. Johannesburg, Sun City and Cape Town have the requisite image and product portfolios to compete on the global stage for meetings, incentives, conferences and exhibitions (MICE) with the likes of Vancouver, Miami, Perth and Sydney.

138 For a particularly striking example, see the travel pictorial *South Africa: A World in One Country*; Art Publishers Pty Ltd; Durban, Johannesburg & Capetown (1998).
• **KwaZulu-Natal**
  Beaches; Drakensburg Mountain Range; Durban; Midlands Meander; Important Battlefields such as Blood River, Rorkes Drift, Isandlwana, et cetera.

• **Gauteng Province**
  Johannesburg; Gold Reef City; Randburg Waterfront; Casinos; Pretoria; Soweto cultural sites, and; Shopping.

• **Northwest Province**
  Sun City and the Lost City; Game Reserves (Pilanesberg, Rustenberg and Madikwe; Magaliesberg; Hartebeespoort Dam.

• **Northern Cape**
  Augrabies Falls; Big Hole in Kimberly; Kalahari Gemsbok National Park, and; Namaqualand flowers.

• **The Northern Province**
  The Kruger National Park--Northern Section; Magoebas Kloof; The Valley of the Olifants; Tsonga Kraal Museum, and; Hoedspruit Cheetah Breeding & Research Centre.

• **Eastern Cape**
  Nature Reserves; Graaf-Reinet--"Gem of the Karoo"; Grahamstown National Arts Festival; Beaches, and; Snow Skiing.

• **Mpumalanga Province**
  Kruger National Park and other reserves; God's Window; Bourke's Luck Potholes; Blyde River Canyon, and; Pilgrim's Rest museum town.

• **Free State Province**
  Golden Gate National Park; Ficksburg Cherry Festival; the Qwa Qwa National Park.

(A more complete description of South Africa's extensive product offerings can be found in the provincial summaries of The Cluster Consortium's South Africa's Tourism Challenge: A Profile of the Tourism Cluster (April 1999), Section IV: Regional Overview.)

**Key Tourism Products**

One of the strengths of South Africa tourism is the ability of the industry to meet the needs of an extremely wide range of market segments--especially in its major gateways and destinations. In some cases, supply capacities fall short of what the demand could be --as in the convention sector--but in other areas, actual or potential supply can easily meet current as well as future, expanding demand. These include:

- Conferences and Exhibitions
Shopping Facilities
Casinos
Arts & Culture
Theme and Heritage Sites
Health and Spa Facilities
Adventure and Eco-Tourism Offerings
Cruise Trips and Yachting
Tourism Entertainment
Education and Research
Special Events (e.g. Sports)

These key products can be bundled and packaged in a variety of combinations, providing a basic menu of products, which supplement and support South Africa's uniquely diverse tourism offerings.

At present there are currently five key themes identified for packaging to the tourist--foreign or domestic.

**Key Tourism Themes**

There are currently five key themes in South Africa's tourism offerings, which have been identified by tourism leaders and travel. While these do not cover all of South Africa’s tourism assets comprehensively, each of these themes represents a key opportunity that will benefit from focused attention at a national level.

**Eco-tourism**

Eco-tourism can be generally defined as experiential interaction between individuals and ecosystems. In the South African context, the focus for eco-tourism is primarily to provide tourist some measure of access to the scenic, botanical and animal wonders of its diverse ecosystems--anything from a photographic expedition through Kruger National Park to subsurface research of the Great White breeding grounds off the Western Cape. Although the definitions and forms of eco-tourism can vary widely depending upon the standards of both operator and tourist, they can be said to generally consist of controlled approaches to nature emphasising an appreciation of unique environments.

(An extensive review South Africa's Eco-tourism issues and opportunities is included in Chapter 4B of this report.)

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139 e.g., Birdwatching, Bungee Jumping; Cycling; Deserts; 4x4 Routes; Golf; Hiking; Hot Air Ballooning; Safaris; Sharks; Watersport; Botany; Climbing; Canoeing; Fishing; Game Hunting; Hang/Paragliding; Horseriding; Rafting; Scuba Diving; Skydiving; Whale Watching; Educational and Cultural Programmes; et cetera. For a more complete description of this category, please see "Key Themes" in this section and its supporting appendices.
World Heritage Site Tourism

Heritage Sites are those “properties” which have national or international significance in terms of a cultural or natural definition. The concept of World Heritage Sites is already well known with 582 sites being officially listed worldwide. These sites are accepted onto the World Heritage Sites list by satisfying cultural (monuments, buildings, etc.) or natural criteria (natural features or biological ecosystems, plants and animals).

In the case of South Africa, all of these sites can also be classified as “eco-tourism” (relating to natural resources) or a “cultural” (relating to buildings, people, etc.) destinations and could therefore be classified under either Cultural or Eco-tourism. However, as many of these could be considered as icons (e.g., Table Mountain, Kruger National Park), it is worth considering them separately.

South Africa has numerous heritage sites that would meet the above mentioned criteria and, in addition, there are many more that could be considered of great importance to South Africa in terms of political and historical aspects. Currently, there are three sites that have been submitted to the World Heritage Committee:

- Greater St. Lucia Wetland Park in KwaZulu Natal,
- Robben Island, off the coast of Cape Town in the Western Cape and
- Sterkfontein, Swartkrans, Kromdraai and Environs located in the area of the common border between Gauteng and the North West Province.

Cultural Tourism

Cultural tourism has many definitions, forms and levels of intensity and, like eco-tourism, means different things to different people in South Africa. Subjects such as arts & crafts, heritage sites and natural geophysical landscape features have all been classified as cultural tourism. In addition, in some international markets, the above items are sometimes considered to be part of eco-tourism or “special interest” tourism.

Examples of cultural tourism packaging in South Africa might include such varied elements as a guided tour of Soweto, watching mine dancers do the "gum boot dance" in Gold Reef City or visiting Johannesburg art galleries.

Interviews with international and South African travel agents indicate that only small volumes of tourists are interested in strictly academic or educational aspects of nature or culture while, on the other hand, large volumes of people prefer to visit resorts and locales which provide the option of a cultural component in their travels.

Cultural tourism can be built. One promising example: a multi-million rand development at Modjadji, home of the Rain Queen in the Northern Province, is already capturing the interest of overseas visitors who are fascinated by the myths and legends of southern Africa.

There is a general consensus in the South African travel industry that cultural tourism remains underdeveloped for both international visitors and domestic tourists.

**Adventure Tourism**

Like Eco-tourism, Adventure Tourism means different things to different people. One person's adventure is another person's nightmare--or yawn.

The WTO report ("Tourism 2020 Vision") provides an excellent perspective on this tourism theme in which growing numbers of tourists are constantly seeking “new” destinations and exciting, unique or "extreme" experience, including such a wide spectrum of experiences as climbing Mt. Everest, travelling in a submarine, visiting geographical points of interest such as the South or North Pole, unguided river rafting or an Abercrombie & Kent safari.

South Africa's wide range of environments and attractions offer a number of adventure alternatives, each easily developed and marketed to appeal to specific market segments -- young, old, bold or conservative. The potential applications for South African tourism are immense. Adventure is in the eye of the beholder--and in the packaging of tour operators.

Due to the unique experience generally being offered, tourists pay more (willingly) for these types of trips. Currently, volumes remain small and it is therefore considered a niche market. South Africa is only beginning to identify and develop such market niches in adventure tourism. The potential for South African entrepreneurs to tap into this fast-growing market world-wide is great (ref.: Out There magazine).

**Sports Tourism**

The accessibility of organised sports to larger portions of the world’s populations has provided a relatively profitable source of income to countries around the world who are able to host large sports events, i.e. the Olympics or the soccer World Cup. Some countries perceive that developing this type of tourism produces benefit in the long term because of the potential of a sports person returning to a country to spend more time at a point in the future.

In the cases of events such as the Olympics, estimates of the potential revenues that the host country is able to earn run into billions of (US) dollars although, in recent years, the potential earnings did not materialise in the expected quantities. Nevertheless, this tourism theme is considered to have potential--especially in terms of promoting domestic tourism.

South Africa took on New Zealand in a rugby international 7 August in Johannesburg this year, followed by a match-up with Australia in Capetown the following week. On the soccer front, SA played Mauritius in...
Johannesburg on 5 June and a FIFA World XI team met South Africa at the FNB stadium on 31 July. The upcoming English cricket tour beginning this November is another example of a sports event draw with implications for domestic and international tourism.

**Integrated Product Development**

With this range of tourism products and themes, South Africa tourism serves a variety of market segments—affluent, middle-income, and low-income, tourists on holiday, visiting family and friends, and so on. They come from Europe, the U.S., Asia, and other parts of Africa. So, South Africa offers a range of segment-specific products, and they require integrated development. The packagers and suppliers of South African tourism experiences must be custom-designing segment-specific products, each tailor-made to serve particular market segments. There is not one single-focus tourist cluster, but many different sub-sectors, some parts of which are shared. Figure 18 illustrates different components for two distinct hypothetical product types and price options.

**FIGURE 18: INTEGRATED PRODUCT DEVELOPMENT**

**Summary Comparison: World Class Features and South Africa**

South Africa has an abundance of truly unique resources and offerings, not yet fully celebrated, which benefit from a stable political (if economically cautious) environment. These resources and offerings are being increasingly identified and developed in conjunction with a strong and developing SA branding effort. The recent stagnation of long-haul, non-business travel volumes presents opportunities for future growth and the maximisation of "lifetime" tourism revenues. achieve either satisfactory or
optimal levels, particularly as they relate to product development, delivery and marketing.

The following tables summarise how South Africa’s conditions in basic factor endowments and demand compare to world class conditions.

**South Africa Diamond Analysis**

**Factor Conditions**

<table>
<thead>
<tr>
<th>World Class Conditions</th>
<th>South Africa’s Conditions</th>
</tr>
</thead>
</table>
| Unique climatic, geographic, cultural or historical attributes | South Africa is World Class:  
  • Unique Scenery, Environments and Ecosystems  
  • Unique Culture & History  
  • World Heritage Sites  
  • World Famous Landmarks |

| Accessible by large, wealthy populations | South Africa is Potentially World Class:  
  • Strong International Transportation and Gateways  
  • Distance a current barrier to Long-Hauls |

**Demand Conditions**

<table>
<thead>
<tr>
<th>World Class Conditions</th>
<th>South Africa’s Conditions</th>
</tr>
</thead>
</table>
| Impulse, coordination and analysis of investigation of the tourist demand captured by destination:  
  • Volume,  
  • Seasonal conditions,  
  • Origin,  
  • Motivation, behavior,  
  • Characteristics, satisfaction,  
  • Knowledge of the destination,  
  • Image of the destination and its tourist products, etc. | South Africa needs a comprehensive system for permanent market research  
South Africa has to develop a clear market focus with integrated tourism products |
World class destinations have a clear market focus

World class destinations supply changing market preferences

Facilitation of tourist information to the tourists at destination, including the different products and services favoring its use and compatibility

South Africa has been one of the tourism success stories of the late 1990s
Visitors to South Africa for vacation purposes have driven the growth
European market (holidays) have reached a plateau
Countries preferred as destinations change over-time influenced by fashion, perceptions of safety, promotion, marketing

South Africa needs a comprehensive system for tourism information

3.3 The Cluster: Key Industries and Suppliers in the Tourism Cluster

This section reviews the key industries and suppliers within the tourism cluster, examining the structure of the cluster and the linkages between the key components.

Tourism Distribution System

In many countries, tourists typically make use of the in-country or onshore distribution system—composed of tour operators, travel agents, consolidators, and wholesalers—in order to access tourism attractions and suppliers. Most visitors to South Africa take care of their own travel arrangements, only about 42% go through traditional channels (travel agent or tour promoters), vs. 80% of visitors to Australia.\(^{141}\)

\(^{141}\) Source: Satour and the Australian Bureau of Tourism Research
**Tour Operators:** There are approximately 460 tour operators of whom 15 are major players in this sector. There is a growing need for specialisation, particularly along the tour-package lines. Several interviews in the tourism industry verified that tour operated packages (as opposed to self-assembled tours) are the most profound basis for repeat customers. Packaging of tourism components and integrated product offerings are greatly lacking on the supply-side of the tourism industry with operators inclined to work independently and little packaging of regional tourism in place.

**Travel Agents:** Deregulated in the early 1990s, this sector of the tourism industry is characterised by a high degree of competition. With no real differentiation between the end product they deliver, agencies must compete primarily on the quality of service they provide. The two travel agent associations, ASATA and IATA, have 440 and 820 travel agents as members respectively.

Both on- and offshore tour operators and travel agents provide a critical link between the tourist and the tourism attraction or component providers (such as the airlines, hotels, taxis, and attractions). Success with tourists depends as much on the services provided by the tour operators and travel agents as on the strength of the product. Managing the relationship between component suppliers and the indirect assemblers calls for a clear understanding of the roles of each and on good communication. Travel agents and tour operators have expectations of what suppliers should give, and the manner in which they should give it.

Figure 19 outlines the importance of the tour operators and travel agents as the key link between the tourist and the attractions and component providers.

**FIGURE: 19 ROLE OF TOUR OPERATORS AND TRAVEL AGENTS IN CREATING TOURISM EXPERIENCES**

```
Component Providers

- Product (specific and varied)
- Price
- Reliability
- Information
- Service
- Credit
- Capacity
- Marketing support

Travel Agents and Tour Operators

- Product choice
- Price
- Value
- Information
- Security
- Advice
- Package assembly

Potential Tourist

- Loyalty
- Money
- Choice

Component sales
- Destination promotion
- Customer segments
- Payment
- Information
- Commitment
```

1999 The Cluster Consortium - Strategy in Action
Interviews with key tourism stakeholders (TCC Interviews, May 1999) indicated that the linkages between the tourism distribution system (travel agents and tour operators) and direct suppliers or component providers has been hampered by the lack of co-ordination in marketing efforts nationally, and poor information pooling. Most large component providers have forged their own relationships with the major European tourism distributors, at considerable expense. Smaller component providers are less able to invest in developing independent relationships overseas and rely on on-shore distribution systems.

Review of Main Suppliers in the Tourism Cluster

The tourism industry currently provides some 250 000 direct jobs and 300 000 indirect jobs (ref.: Satellite Accounts Report). It is not known, however, what is the breakdown of jobs provided by various sub-sectors, e.g. guesthouses and B&Bs, or what they contribute to the GDP. For this reason, the description of the tourism cluster that follows is somewhat qualitative and any hard data is likely to be understated. The leading suppliers to the cluster include:

- Accommodation
- Attractions & Entertainment
- Transport

Each of these supplier sectors is capable of generating significant wealth and value-addition for South Africa, focusing on the international tourist, but catering to the emerging domestic market as well.

Accommodation

Hotels - The main hotel chains are: City Lodge, Hilton, Hyatt, Karos, Protea Hotels, Southern Sun (includes Holiday Inn) and Sun International. During the mid 1990s, South Africa experienced a severe capacity constraint at the luxury end of the hotel market in some regions. This led to a high rate of new hotel developments, which in turn placed increased pressure on occupancies and rates in the industry (see Figure 20).

142 Many firms refuse to provide employment information to industry associations, citing concerns regarding confidentiality. As a result, reliable estimates of this cluster’s employment and other characteristics by sub-sector are not available. While the main body of this section is largely descriptive rather than prescriptive, one comment about the state of data collection and management in South Africa is appropriate here. The task of analysing and understanding South Africa’s tourism cluster is complicated by the lack of data. Even using a standard of other countries with similar income levels, South Africa’s data availability is low. One consequence of this lack of data is that the information contained in this report relies more heavily on interviews and subjective judgements than would be ideal. More importantly, decision makers in the tourism cluster have limited information, which hampers their opportunities to co-ordinate, plan, and compete effectively in world markets. Because of the cross-cutting importance of this issue for the competitiveness of South African tourism, the authors of this report liberally highlight data deficiencies and measures that could be undertaken to remedy them.
FIGURE 20: OCCUPANCY RATES ARE DECLINING FOR HOTELS

The surge in overseas arrivals in 1995 translated into more jobs in the hotel sector, but employment has been essentially flat ever since\(^\text{143}\). More recently, investment in hotel capacity has eased off due to high interest rates, opportunity costs and the weakness of the rand. Table III-2.2 indicates the growth in hotel capacity by province over the past four years and is followed by a graph indicating the resultant effects on the number of people employed by the industry.

Table III-3.2: Hotel Capacity Growth

<table>
<thead>
<tr>
<th>Province</th>
<th>Beds 1993</th>
<th>Beds 1998</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Western Cape</td>
<td>1 763</td>
<td>1 808</td>
<td>2%</td>
</tr>
<tr>
<td>Eastern Cape</td>
<td>716</td>
<td>1 009</td>
<td>40%</td>
</tr>
<tr>
<td>Northern Cape</td>
<td>205</td>
<td>382</td>
<td>85%</td>
</tr>
<tr>
<td>KwaZulu/Natal</td>
<td>1 969</td>
<td>2 152</td>
<td>9%</td>
</tr>
<tr>
<td>Gauteng</td>
<td>1 110</td>
<td>2 968</td>
<td>167%</td>
</tr>
<tr>
<td>Mpumalanga</td>
<td>441</td>
<td>547</td>
<td>23%</td>
</tr>
<tr>
<td>Northern Prov</td>
<td>183</td>
<td>243</td>
<td>32%</td>
</tr>
<tr>
<td>North-West</td>
<td>367</td>
<td>664</td>
<td>80%</td>
</tr>
<tr>
<td>Free State</td>
<td>689</td>
<td>568</td>
<td>-17%</td>
</tr>
</tbody>
</table>

\(^{143}\) Source: Kessel Feinstein
Statistics South Africa indicates that more than half of the hotels in South Africa are currently ungraded, including previously graded hotels belonging to Southern Sun, Protea Hotels, City Lodge, Three Cities and others.\(^{144}\)

During 1998, the total trading revenue of all hotels in South Africa was R441 million, a 6.6% increase on the previous year.

**Game lodges and reserves** - There are currently in excess of 300 private game lodges (KPMG, Sept. 1998), of which Conservation Corporation is the largest operator with 11 lodges located in 6 separate reserves in South Africa and a number of other lodges throughout the continent. The private game lodges have traditionally occupied the upper-end of the market. The present trend is to physically incorporate private lodges into national game reserves or to occupy private reserves among several lodge owners.

South African National Parks manages most of the country’s public conservation areas, covering 3,1 million ha. They typically accommodate 1,6 million visitors per year, primarily in the Kruger National Park. The other public institution responsible for the management of conservation areas is the KwaZulu-Natal Nature Conservation Service, which manages 695 000 ha. Public and private parks are increasingly involving local communities in the management and conservation of natural resources, creating new community opportunities for financial benefit from eco-tourism.

**Guesthouses, B&Bs and Hostels** - This sub-sector has shown substantial growth in recent years (approx. 20% in 1997). Since neither type of accommodation requires formal registration, it is difficult to put an accurate figure to the exact size of the supply side of this market.

**Self-catering holiday resorts** - This sector comprises serviced executive apartments, chalets, caravan parks and resorts. The industry’s association, FEDSAS, currently represents 143 members throughout the country. The largest self-catering resort is AVENTURA, which has 15 resorts. This form of accommodation is growing in popularity, since it is usually cheaper and less formal than traditional hotel accommodation.

**Timeshare** – This sector offers vacation ownership and has traditionally provided developers with a practical means of funding new resort hotels. The growth recorded for this sector for 1997 was 26%.

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\(^{144}\) The bed levy associated with SATOUR’s star grading was considered excessive in terms of the marketing services received in return. This explains the apparent proliferation of “0 Star” hotels for 1998. (For more information, please consult The Cluster Consortium’s *South Africa’s Tourism Challenge: A Profile of the Tourism Cluster - Discussion Report* (April 1999).
Transportation

Airports – The largest airport operator in the country, Airports Company, operates 3 international and 6 national airports. This company is in the process of being privatised. In March 1998, Aeroporti de Roma successfully bid for 20% of the Airport Company; 10% will be sold to black-empowerment groups; 10% will go to the National Employment Fund; and a 9% to the company’s staff.

Although there has not been an increase in the number of airlines using its airports, it has experienced strong growth in the number of aircraft landings at its airports\textsuperscript{145}.

Airlines - During 1995-1996, five domestic carriers went insolvent. This turmoil seems to have largely abated and, the industry is now characterised by fierce competition. The main players are: SAA\textsuperscript{146}, SA Express, owned jointly by SAA and Thebe Investments; and Comair, the Southern African franchisee of British Airways.

The deregulation of the airlines, which began in 1991, has lowered prices, shifted market share and induced cost cutting in the industry. However, there is a perception that a more co-ordinated approach to attracting tourists is still required and could, in part, be achieved through more effective routing of the airlines. A further issue to be addressed is that of the deregulation of landing rights.

Car hire – The four biggest national firms are Imperial, Avis, Hertz and Budget. Together they account for 85-90% of the market. Approximately 35 other, small operators account for the balance of the share. The car hire industry is seen to consistently deliver service of a high standard, which interviewed tourism leaders generally accredit to the degree of existing competition.

Coaches – The degree of competition in this sector of the industry is low. Springbok Atlas dominates the charter service business, while Translux, Greyhound and InterCape dominate the scheduled inter-city business. Given the increasing cost of domestic airfares, coach travel is beginning to play an important role in accessing new destinations and encouraging emerging markets.

Railways – Although all the main tourism destinations are linked by railway, emphasis has been placed on freight delivery rather than passengers. There are three organisations responsible for the delivery of rail services: Transnet’s subsidiary, Spoornet, the South African Rail Commuter Corporation and Metrorail. The eventual aim is partial privatisation of Spoornet. Two trains, among others, are notable tourism

\textsuperscript{145} Source: Kessel Feinstein; September 1998. (For more information, please consult The Cluster Consortium's South Africa's Tourism Challenge: A Profile of the Tourism Cluster - Discussion Report (April 1999).

\textsuperscript{146} SAA’s first step towards privatising is its separation from Transnet. Until recently, SAA has tended to hold down flight frequencies in order to save its own market share. With its new corporate strategy, however, it intends to be prepared for a more competitive environment.
attractions: i) the Blue Train, a luxury train operating between Pretoria and key tourism destinations, which is owned and operated by Spoornet and ii) Rovos Rail, an organisation in the private sector which targets the affluent international traveler and links other key tourism destinations.

Cruise Ships – Ocean cruising is the fastest-expanding segment of the international travel industry, with an annual growth rate of 10%. Despite this growing demand, there are no significant passenger cruise liners operating off the South African coast. The diversity of attractions on the South African coast, combined with the nature of cruising, lends itself to ‘total experience’ tourism packages. There is capacity at most of the country’s ports to accommodate cruise liners. However, the nature of the seas around the Cape may not offer an entirely safe cruising experience to the tourist.

Cluster Linkages and Tourism Product Integration

TCC interviews revealed that packaging of tourism components and integrated product offering are greatly lacking in the tourism cluster. For example, a key part of South Africa’s cluster is Southern Africa, where there is little integration. Travel agents, tour assemblers and operators tend rather to fill existing packages than to explore risky new ventures.

A relatively small percentage of South Africa tourists use packaged tours (in South Africa only 14% of tourists use a tour group vs. 26% in Australia\textsuperscript{147}) indicating a lower level of integration among tourism suppliers and distributors.

A report by Monitor Company quotes an overseas tour operator’s evaluation South Africa’s capacity as follows: “Sub-elements are offered in a nice wide product range. But they compete against one another (and) are not integrated into a coherent package……In Australia, provinces do integrated offerings. Everyone sells their area and sub-sells their own product, hoping that their product is strong enough to be selected if the tourist comes to their province….South Africans sell only their own product rather than the range, their own game park rather than all game parks.” (Operations Manager, Thomas Cook Travel)\textsuperscript{148}

South Africa is challenged to assemble the different tourism product offerings for the different market segments in a coordinated fashion. Collaboration among tourism component providers, tour operators, travel agents, and public and private service and infrastructure providers around specific package offerings is relatively weak. Trust, communication, and coordination are lacking.

However, the work of the Tourism Business Council of South Africa (TBCSA), Federal Hospitalities Association of South Africa (FEDHASA) the Southern African Tourism Services Association (SATSA), the Association of Southern African Travel Agents (ASATA), and other

\textsuperscript{147} Satour and the Australian Bureau of Tourism Research

national tourism industry associations contributes to the deepening of cluster linkages and the coordination of action.

- TBCSA is an umbrella body representing all aspects of tourism, with the aim of ensuring that the business sector is effectively represented at national and provincial government levels.
- SATSA is the inbound tourism association of Southern Africa and represents major players and principals including airlines, coach operators, accommodation establishments, vehicle hire companies, attractions, conference organizers and related marketing organizations.
- FEDHASA represents more than 2,000 companies throughout South Africa and provides a “hospitality voice” for policy and legislation in government and industry.

These organizations and the industry-wide events that they sponsor and engage in and sponsor to facilitate communication and decision-making in the tourism industry help to create improved linkages within the cluster.

Other important organizations and initiatives that have helped to create greater alignment and linkages within the tourism cluster include:

**Tourism South Africa (SATOUR)**—At the national level the South African Tourism Board (SATOUR) has been restructured and will now be known as Tourism South Africa. In this regard a new logo and branding have also been launched. A new CEO and senior management have been appointed that are more representative. The international office presence of SATOUR has also been consolidated from 14 offices into 7 strategically located regional hubs.

Various mechanisms have been put into place to co-ordinate efforts between national and provincial tourism authorities. Formal guidelines have recently been formulated which outlines public sector roles and responsibilities in tourism in the different tiers of government from the national to the local levels.

**SATOUR Marketing Committee**—The formulation and implementation of the South Africa’s international marketing strategy and promotional campaign is currently being facilitated by the SATOUR Marketing Committee, which has been reconstituted to include 5 public sector members and 5 business representatives. This committee has formulated a comprehensive marketing strategy and is engaged in launching it during the fourth quarter of 1999.

As a result of the partnership initiative approximately R 215 million will be available for international marketing during the 1999 - 2000 period as compared to R 65 million during the 1998 - 1999 period. The R 215 million is made up of R 115 million from government, R 50 million from the tourism industry via the TBCSA and R 50 million from the Business Trust.

The National Business Trust has committed an amount of R 80 million towards learnership programmes in tourism, which is envisaged to culminate in approximately 6000 additional job opportunities. The Hospitality Industry Training Board will facilitate this initiative.
Tourism Forum—In terms of the strategic partnership agreement between Government and the private sector, a high-level Tourism Forum has been established to address issues of national and strategic interest and to serve as an on-going co-ordination and communication mechanism between the government and the private sector. The Forum is chaired by the Minister and is equally represented by Government/Civil Society and Business.

Summary Evaluation of Cluster Structure and Cluster Strategy

As revealed in the review of key market sectors, niches and themes in the opening of this section, South Africa possesses a sufficiently strong array of interrelated key and supporting businesses to build future success and development of its tourism cluster. This is possible, even as it now addresses problematic performance and obstacles to growth in some key areas (e.g., accommodation, development of attractions, segmentation and improvement of the tour operator market, and domestic surface transportation). Supporting industries are generally regarded by industry leaders, both public and private, to require further development and integration to achieve either satisfactory or optimal levels, particularly as they relate to product development, delivery and marketing.

South Africa's tourism industry currently experiences varied but escalating levels of rivalry in key sectors (e.g., generally high in accommodation, transportation, and travel agency sectors, low among tour operators, et al). Industry leaders and cluster participants attribute elevated service and performance levels to such competition when and where it exists. On the whole, investment is apparently in marked decline from 1997 levels, with a current abundance of accommodations and domestic investors awaiting the outcome of gaming tenders and further development.

In South Africa there are a number of factors which jeopardise both provision of and access to investment, including safety and security issues, exchange rate risks, difficulty of the finance industry in meeting the needs of small and medium sized businesses and an HITB grant scheme for training which cumbersome and difficult for small operators to understand or utilise.

Public spending is currently increasing at a moderate pace at best and offers only gradual, incremental improvements. Black Empowerment deals have not been particularly pronounced. Accelerated privatisation of state assets is expected to contribute to elevated private investment.

Some strategic objectives to move South Africa toward world class standards:

Related and Supporting Industries

- Improved linkages, communication and collaboration
- Availability of the transport for tourist use in the zone (collective or individual)
Financing of the sector through financial institutions, capital markets, public credit, etc.

Application of the advanced telecommunication technologies in the tourist industry

Application of the new technologies of implementation of tourist services in a competitive way

Occupational training and recycling of personnel in tourist sector at all levels

Use of specialized counseling to improve the competitiveness

Firm strategy, structure and rivalry

Identification of existing barriers of entrance and exit for each strategic segment and type of product, trying to adjust them competitively if possible

Competitive adjustment of the structure of the tourist sector of the zone

Formulation and implementation of competitive strategies for the tourist sector of the zone

Acquisition of tourist norms adequate to the competitive requirements of the sector

Modernization of management through the diffusion of knowledge and the appropriate techniques

Competitive development of the different subsectors of the tourist industry

Acceleration of the procedures and processes related to facilitate incorporation of new firms in the diverse territorial administrations

Summary of South Africa’s Conditions relative to World Class Tourism Conditions

The Cluster & Related & Supporting Industries

<table>
<thead>
<tr>
<th>World Class Conditions</th>
<th>South Africa’s Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>A critical mass of interrelated supporting industries:</td>
<td>South Africa is expanding:</td>
</tr>
<tr>
<td>• Accommodation</td>
<td>• 10,341 new beds--38% growth since 1993</td>
</tr>
<tr>
<td>• Transportation</td>
<td>• Declining occupancy rates.</td>
</tr>
</tbody>
</table>
### Excellent basic services and infrastructure

**South Africa Is Challenged:**
- Services Limited to high-end travelers
- Lack of Supporting Service Culture
- Five Star Services compare unfavourably with world standard
- Strong but Regionally Limited Infrastructure Development and Maintenance

### Ease of arrival and movement within the country

**South Africa is Challenged:**
- Competitive Car-Hires attaining higher service levels, but taxi service and other public and private transportation services still substandard
### South Africa Diamond Analysis

Firm Strategy, Structure & Rivalry
Operation conditions of companies of the sector

<table>
<thead>
<tr>
<th>World Class Conditions</th>
<th>South Africa’s Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td>High levels of rivalry among competing service providers leading to:</td>
<td>Varying degrees of rivalry depending on type of industry</td>
</tr>
<tr>
<td>• Growing numbers of experienced firms</td>
<td>• Limited competition in some key industries (eg., luxury hotels, car hire) due to the concentration of the industry in a few large companies.</td>
</tr>
<tr>
<td>• Increasingly sophisticated market segmentation</td>
<td>• Higher rivalry and competition among rapidly-growing bed &amp; breakfast, game lodges, tour operators, and gaming industry</td>
</tr>
<tr>
<td>• Continuous upgrading of service provision</td>
<td>Resulting in: limited entry of new firms in hotels, car hire, transportation entertainment sectors, slow upgrading in service provision, and limited diversification in new product/market segmentation</td>
</tr>
</tbody>
</table>

Investment by private sector in hotels, restaurants, attractions, entertainment, tour operations, et cetera

Overall tourism investment is in marked decline from 1997 levels\(^{149}\), with a current abundance of accommodations and domestic investors awaiting the outcome of gaming industry tenders and further development.

A number of factors jeopardise both provision of and access to investment, including safety and security issues, exchange rate risks, difficulty of the finance industry in meeting the needs of small and medium sized businesses

Long-term, sustained investment by the public and private sectors in tourism infrastructure, destinations and resorts:

Strong commitment by public and private sectors to the promotion of tourism (R50m annually). Other budgetary allocations in the tourism economy, relating to roads, communication, and transport are like to increase only moderately over the medium term. This has problematic implications for sustaining long-term growth of investment, and for expanding access to, and thereby demand for, rural areas (source: BusinessMap).

The accelerated privatization of state assets (such as ADVENTURA) is likely to increase private investment.

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\(^{149}\) Source: BusinessMap
3.4 Factor Conditions & Enabling Environment

The competitive advantages of clusters are derived from the responsiveness of a region in providing the environment for businesses and people to prosper. The ability to provide these factors is a measure of the region’s economic infrastructure and forms the foundation of every regional economy. The physical infrastructure, entrepreneurship, access to capital, technology, investment and finance represent some of the economic foundations underpinning the tourism cluster. These, in turn, hinge on the legal framework, regulatory issues, the business climate, black empowerment, training and education. Examples of industries and institutions implied include telecommunications, transport infrastructure, SATOUR, the police, sport facilities, trade unions, etc.

**Human Resources**

Skilled, adaptive, and innovative human resources have become the single most important ingredient for successful tourism development. As a service industry, the primary requirements for growing the tourism cluster revolve around people, that is, providing high quality services, transport, dining experiences, lodging, and ensuring satisfaction in order to guarantee repeat visits.

However, the South African tourism industry is currently marked by a limited skills base of tourism management personnel, as well as a shortage of well-trained, tourism-friendly workers. In an industry where service provides much of the value-added, this is a critical gap.

To further complicate the issue, South Africa does not possess a well-developed capacity to train, because of widespread functional illiteracy. In addition, the country is faced with the huge challenge of converting education and training provision from 10% of the population to 100% of the population. The demand of skilled manpower by the industry will
amount to 400,000 people by the year 2005, and thus far the training capacity does not even begin to meet this demand.

Fortunately, the training programs required by the service industry are typically relatively brief and cost-effective. The key element that needs to be incorporated into the basic service training is the perception of service as hospitality, rather than servitude.

Tourism Training Programs
The Hospitality Industries Training Board (HITB), an organisation responsible for tourism training has prepared national qualifications, aimed at improving skills in the Catering and Hospitality sector. However, many private companies are reluctant to expend money on training programs, afraid that once they invest the money in training, the workers or managers will take their new-found skills and move on to greener pastures. Since many of those employed the industry view their employment as a job rather than as a career, this appears to be a valid concern.

Secondary schools throughout South Africa embarked upon a pilot scheme in 1996 to introduce tourism and catering studies into the school curriculum, with mixed success. As of October, 1998, only 64 of 20,000 secondary schools are offering Travel and Tourism, reaching 4,500 pupils. A hospitality studies program for 1999 will be offered by 27 schools and technical colleges. However, lack of funds, individually and collectively, is concurrently causing many other projects to be cancelled.

A related concern is the absence of a culture of tourism awareness. The inherent friendliness of the South African people can be a strategic advantage, if service can be distinguished from servitude. To combat this, the Department of Environmental Affairs and Tourism (DEAT) and the Hospitality Industry Training Board (HITB) have introduced a program devised to train and promote an awareness and service excellence programme called UBUNTU-A Service Culture.

South Africa lags behind in service excellence, which is probably a symptom of the lack of training to world standards. Existing training is focused at the levels of upper staff. It appears that there is a need for greater co-ordination between Labour and the Hospitality Industry Training Board (HITB). Historically, this relationship has been based on wage issues but there is a need for it to be raised to the level of training and the improvement of skills.

Industry associations, such as ASATA, IATA, FEDHASA, TBCSA, SAVRALA and others, also have an important role to play in identifying skill shortages and in driving the appropriate training to meet these shortages. A reversal of the current fragmentation amongst industry associations would allow for a more integrated approach to addressing such issues.

One indicator of the low degree of co-operation and trust among South African firms in the tourism cluster is the fact that information on employment and occupancy is not shared with industry associations, making analysis of the sector’s growth and performance more difficult.
Successful, competitive clusters find mechanisms to overcome such issues, and are therefore in a stronger position to take on major issues using collaborative solutions, where appropriate.

The current situation shows potential. There are pockets of excellence, companies whose core competency is based upon the provision of consistent, quality service. Nonetheless, perpetuating and disseminating these high standards will definitely be a challenge. Co-operation and discussions with the unions is key. Currently the relationship between business and unions needs to shift from posturing and wage disputes to collaboration on worker training programs. However, the adversity that used to characterise the relationship between business and labour has dropped significantly during the past decade as reflected, among other things, in the decline in days lost to labour strikes (see Figure 21).
Labour dispute cases referred to the CCMA related to the tourism industry was minimal in 1998. For 1998 the lie of the land was: 77% were dismissal disputes, 11% were unfair labour practice, 5% were collective bargaining issues, 4% were mutual interest disputes (those disputes which can go to strike, 58% were solved before strike); 3% severance pay disputes.

**CASES REFERRED TO THE CCMA--1998**

Caseload for 1998 (tourist-related sectors highlighted with *)

<table>
<thead>
<tr>
<th>Sector</th>
<th>% of Cases</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial distributive (of this retail was 11%)</td>
<td>20%</td>
</tr>
<tr>
<td>Private security</td>
<td>8%</td>
</tr>
<tr>
<td>Domestic</td>
<td>6%</td>
</tr>
<tr>
<td>Construction</td>
<td>6%</td>
</tr>
<tr>
<td>Food &amp; Beverage manufacturing</td>
<td>6%</td>
</tr>
<tr>
<td>Business services</td>
<td>6%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>4%</td>
</tr>
<tr>
<td>Mining &amp; Quarrying</td>
<td>4%</td>
</tr>
<tr>
<td>Informal</td>
<td>4%</td>
</tr>
<tr>
<td>Metal industries</td>
<td>3%</td>
</tr>
<tr>
<td>Motor industries</td>
<td>3%</td>
</tr>
<tr>
<td>* Cleaning and laundry</td>
<td>3%</td>
</tr>
<tr>
<td>Public service</td>
<td>2%</td>
</tr>
<tr>
<td>* Private transport</td>
<td>2%</td>
</tr>
</tbody>
</table>
Physical Infrastructure

A well-maintained physical infrastructure is crucial to the development of the tourism industry. Infrastructure incorporates air, surface transport, seaports, telecommunications, tourist information centres, signage, institutional facilities and amenities.

While South Africa has modern roads, highways, airports, and harbours, most construction occurred during the 1960s and 70s, when the economy was booming. During the nineties, the country's road network has experienced some deterioration.151

In August 1998, KPMG completed a review of infrastructure in support of international and domestic tourism, defining the main infrastructure pressure points as road and air. The two key areas of national roads and airports were seen to be particularly strong and they were seen as a “possible accelerator to tourism development.”

However, though a well-developed infrastructure is in place, according to Moving South Africa, "the road network is in decline" and transportation links and services within the country are not sufficient to effectively facilitate the total package concept, as well as complicated and

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150 All cases are referred to the CCMA except applications for court interdicts on strikes, lockouts and protest action; getting picketing rights; changes in rules of social benefits and review of the arbitration awards of the CCMA.

151 The Transport Ministry estimates that only 60 percent of the road network is being adequately maintained.
uncomfortable for international and domestic tourists. Urban taxi services tend to be inefficient, unreliable, unsafe, and corrupt. ¹⁵²

_Three international airports and six regional airports owned by Airports Company are in need of improvements._ Even with the recent upgrades, the airports will be inadequate to handle air traffic if it doubles, as the government hopes. Long term airport capacity planning is critically needed.

To further complicate the issue, the resources available to improve infrastructure are stretched thin, and tourism related services are not necessarily a top priority. Therefore, capacity requirements emerging from tourism strategy need to be clarified so that infrastructure does not become a bottleneck in tourism growth.¹⁵³ The tourism demands on transport are set out in the Table III-3.11:

Table III-3.11: Tourism’s Physical Infrastructure Requirements

<table>
<thead>
<tr>
<th>Domestic</th>
<th>International</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mass Market</td>
<td>High demand for private coach services from airports.</td>
</tr>
<tr>
<td>Substantial road volumes requiring</td>
<td>High demand for aircraft to bring in large volumes of</td>
</tr>
<tr>
<td>road construction and maintenance.</td>
<td>foreign tourists.</td>
</tr>
<tr>
<td>High demand for coach services.</td>
<td>Increase in airport capacity at key intake points.</td>
</tr>
<tr>
<td>Low cost domestic airline flights</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>High End</th>
<th>Same as domestic high plus:</th>
</tr>
</thead>
<tbody>
<tr>
<td>High quality road connections.</td>
<td>High levels of service in selected areas including:</td>
</tr>
<tr>
<td>Private airport and air services</td>
<td>International air</td>
</tr>
<tr>
<td>to a limited number of key</td>
<td>Domestic air</td>
</tr>
<tr>
<td>destinations.</td>
<td>Ground services</td>
</tr>
<tr>
<td>Capacity in car rental.</td>
<td></td>
</tr>
<tr>
<td>Differentiated domestic air service.</td>
<td></td>
</tr>
<tr>
<td>Source: MSA 1998</td>
<td></td>
</tr>
</tbody>
</table>

Telecommunications is clearly increasingly important to the tourism industry, especially in attracting the business traveler. South Africa’s telecommunications structure still lags behind those of Europe and the United States, but due to joint ventures in the industry with companies from the U.S. and Malaysia, the telecom industry is improving rapidly.

Currently, the current capital investment in physical infrastructure is not sufficient to maintain the standards required of a world-class tourism

¹⁵² The Moving South Africa report goes on to say that “without a clear strategy emanating from the tourism community, transport will not be able to make the choices it needs to fully support the intended growth.”

¹⁵³ For more a more detailed description of the challenges and issues of infrastructure funding and development, consult KPMG’s DEAT Review of Infrastructure in support of international and domestic tourism development - Final Report: Tourist Infrastructure Investment Framework (10 May 1999).
destination. Unless the investment into capital-intensive infrastructure projects increases, there will be a continual decline in the service over the long term.

**Safety and Security**

While South Africa is a country of vast ecological endowments and beauty, South Africa’s tourism is at risk if the country’s safety and security issues -- both the reality, as well as the international perceptions--are not handled quickly and effectively. It has been claimed that crime and violence can, more than any other factor, derail the best case scenario for creating jobs in South Africa.\(^{154}\)

According to the Nedcor 1996 survey, per capita crime in South Africa was 5,621 crimes per 100,000 people, over twice the international average of 2,662 crimes per 100,000 people. The actual safety situation is reflected and often magnified in the *perceived* safety concerns: 53% of foreign visitors still fear for their safety (DEAT).

**FIGURE 22: MURDER RATIO PER 100 000 OF THE POPULATION IN SELECTED COUNTRIES IN 1995**

Criminal incidents against tourists, such as theft and muggings, doubled from 1995 to 1996 in downtown Cape Town.

The establishment of tourism police units in Johannesburg and Cape Town in late 1995 helped somewhat in addressing crime against tourists in those cities. However, a structural problem has hindered the effectiveness of the programme, in that national commissioners direct the police force, rather than local, thus reducing the forces' accountability to their communities.

Florida's experience can provide an example of how tourism growth is curtailed by these issues. Canadian tourists were once the largest consumers of Florida's tourism, with one million Canadians flocking to Florida in 1991. However, in a period of six months between October 1992, and March 1993, two Canadian tourists were killed, one in Miami,

\(^{154}\) Michael Farr, SATOUR: "If the murder of only one foreign tourist results in 200 people not coming to the country, the loss of revenue to South Africa is about R3,5 million."
the other in Orlando. No concerted effort at damage control was undertaken by the Florida tourist industry. Consequently the average Canadian tourist's perception of Florida turned sour, and tour operators stopped promoting Florida as a vacation destination. In 1994, the number of Canadian visitors to Florida was down to 612,000.

This is but one illustrative anecdote--there are many other such stories from around the world that paint the same picture. South Africa's tourism initiative hinges upon effectively dealing with international perceptions about safety and security in the near term, and actually eliminating crime and the culture of violence in the medium and long term.

**Black Economic Empowerment**

Three of government’s broad objectives in the tourism industry are to build a world class tourism industry, to create quality jobs and to integrate historically disadvantaged people into the mainstream of the industry, with:

- Broad ownership
- Representative management and staff
- Skills transfer and development
- Entrepreneurial development
- Small business development
- Employment creation
- Access to national attractions

The challenge is to integrate the above objectives in a commercially sustainable manner. The following stakeholder groups were identified:

- Management and staff from historically disadvantaged backgrounds
- Empowerment sensitive markets
- Business Partners
- Surrounding Community Support
- Gaps and Drivers

Review of the above suggests that there is significant leverage to develop black economic empowerment at an enterprise level in certain sectors of tourism because of the associated business benefits. However, there remain significant gaps towards achieving the empowerment vision since the ownership and management of the tourism industry does not yet reflect the composition of the broader society. These gaps are driven by:

- Capacity

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155 For a detailed review of BEE issues and challenges upon which this summary is based, please see The Cluster Consortium's *South Africa's Tourism Challenge: A Profile of the Tourism Cluster, Discussion Report*: "Black Economic Empowerment" (April 1999).
Finance
Stakeholder mobilisation
Possible Levers

There are a variety of ways in which the gaps can be remedied:

- Investment - Small Business Development and Discounted Loans
- Support Services - Strategic Advice & Measurement
- Empowerment Accounting & Rating System

Apart from gaming licenses, which were typically awarded to consortia that showed significant black equity, there are few large black players in the tourism industry, although many entrepreneurs are emerging from the disadvantaged regions of the past. Still, work is needed to ensure that these new entrepreneurs are part of the framing of future strategies.156

Entrepreneurship

In order to achieve this goal, the entrepreneurship support structures needs to be bolstered. Currently, growth in new tourism business and entrepreneurship is still lagging below levels achieved in other countries. Also, the growth engines for entrepreneurship are sorely underdeveloped. Governmentally based entrepreneurial support programs are virtually non-existent; what programs do exist are poorly advertised, and take so long to implement that they are of little value. Public and private partnerships to support new tourism business development are in their infancy, while few tourism associations provide any effective support to tourism entrepreneurs.157

Business partners advances both loans and equity to potential entrepreneurs, with the majority of the funds going to the previously disadvantaged population. The SBDC expects to have invested R75 million in more than 150 tourism deals for the 98-99 financial year. Systems that deal with small micro loans are also in place.

Much more support will be necessary for new enterprises to survive, and thrive. With the current high interest rates that South Africa is facing under residual pressure from the Asian crisis, it is harder than ever for new businesses to survive. A compounding aspect is that the current banking systems tend to have a minimum size of loan that is often too large for the requirements of the entrepreneur.

156 IDC is a potentially big play in mobilizing black economic empowerment with specific schemes aimed at assisting entrepreneurs and BEE groups.

157 Source: Interviews with tourism and business leaders, and also the Tourism Cluster Working Groups-21 July 1999, *Tourism Clustering Initiative: Executive Briefing of Results* (July 1999)
Business Climate

An equitable, predictable tax and regulatory environment is essential to the growth of a tourism cluster. This consists of a streamlined permitting process and a stable tax structure attractive to business.

South Africa is making strides toward this type of a favourable business climate. The South African government did not consider tourism to be a national priority until 1991, when it implemented the Strategic Framework for Tourism Development. It has followed the directives of that document since, despite government changeover. That strategy emphasises the protection of environment and culture, support for entrepreneurs, community involvement in decision making and improvement of worker training and service quality.

The sustainable tourism concept needs to be balanced with the needs of business, however. There is already conflict with environmentalists seeking to preserve the wilderness areas of South Africa. Indigenous peoples also share these lands. Now, the emphasis on tourism development will place yet another claim on the resource. The National Parks Board, now called South African National parks, is composed of conservationists, and some view tourism as a negative influence. The future will require judicious balancing between the competing demands, without creating a complicated regulatory and permitting structure that impedes sustainable tourism growth.

Currently, communication between government and the private sector is in a preliminary phase, although the advent of the Tourism Forum is likely to lead to improved understanding and communications between the parties. At the governmental level, the White Paper has identified measures to eliminate bottlenecks, though many of its measures have not yet been implemented. Some of the proposed tax cuts are underway; however, the proposed land tax would have an indirect effect upon tourism rates, as does the hotel-rating fee imposed by Satour.

South Africa is using the international practice of bilateral aviation agreements that regulate flights country to country. Currently, there is an ongoing debate suggesting that the protectionist South African international aviation policy poses a challenge to tourism growth in that available capacity is falling short of demand. Key European routes are operating at extremely high load factors, necessitating the recent request for additional frequencies by the United Kingdom and Austria. The high load factors on key routes (LON/JHB-76%-total market, 68% SAA; LON/CPT-84%-total market, 78% SAA) are in excess of the international efficiency benchmark of 65%. These high load factors result in part by limiting frequencies and contribute to the profitability of the national airline, which is in the process of a turnaround. The protectionist regulations of South Africa’s bilateral aviation policy further assists in limiting competition on these routes and limit greater accessibility and affordability for South Africa as a

158 Source: Department of Transport
long-haul destination. This results in the loss of potential visitors to South Africa due to lack of capacity and competition.

While the airlines policy is gradually being liberalised, experiences in areas such as New Zealand, Cancún and Bali point to the benefits that can accrue through more extensive liberalisation (see Appendix D).

Little inconveniences, such as the inability to buy petrol with a credit card, also need to be eliminated. What seems a small inconvenience for a local South African, turns into a major hassle for an international tourist who is already dealing with a different currency, a different culture, and possibly a different language.

Finally taxation issues such as the bed levy issue between the national and provincial levels need to be resolved if the business/government alliance is not to be put at risk. Tourism is a provincial government competency under the constitution, yet the need for a national tourism effort at this time is clear. The Department of Environmental Affairs and Tourism (DEAT) has expanded its role, to include funding of marketing, safety and security, and the funding of SMMEs. For more effective functioning, however, clear lines of responsibility, authority, and funding need to be established.

**Access to Finance**

In South Africa, there are a number of factors that jeopardise both provision of and access to investment:

- Safety and security issues continue to be significant in fostering negative perceptions about South Africa among potential investors, particularly in the Western Cape.
- Exchange rate risk can also pose a risk to tourism, as foreign investors are reluctant to invest due to a depreciating currency—although, a weak rate relative to the major currencies makes South Africa a more affordable destination.
- South Africa's banking and finance industry is not geared to meet the needs of small and medium sized tourism enterprises.
- The Hospitality Industries Training Board grant scheme for training is cumbersome, as potential newcomers and small operators do not understand and are therefore unlikely to utilise it.

Some measures are being taken to remedy the problem of promotional funding. The Tourism Growth Fund would be based on a dedicated tax collected from tourism operators to be used exclusively to fund tourism promotion and development, nationally and provincially. The monies in the fund would be disbursed as follows: 60% allocated to national marketing; 20% to provincial tourism spending; 10% to the HITB; and 10% to community-based tourism development. It has been suggested that the fund could raise R150 million from the private sector, which should be
matched by R150 million in governmental funding. This proposal is currently awaiting review in the Department of Finance.

Another means of raising funds for tourism promotion has been raised under the National Business Initiative (NBI). The NBI hopes to persuade industry to donate 2% of after tax earnings to a general tourism promotion fund. The Tourism Business Council has also proposed voluntary tourism marketing levy. Assessed on all key tourism industry players (hotels, car leasing agencies, game parks, etc.), the money raised would be disbursed through Marketing South Africa, and would be used for generic international marketing of the destination.

**Access to Technology**

- The accelerating pace of technological change makes timely accessibility to R&D and new technologies critical. The key is that the technology is up-to-date, accessible, and compatible with other systems used globally. Advanced technology is important to the tourism sector in a variety of ways:
  - Higher speed and improved quality of information reaching the consumer of the tourism product.
  - Better co-ordination of the various services that constitute the product.
  - Greater diversification and flexibility in adjusting the tourism product to an individual consumer's requirements.
  - Technology facilitates the fast, efficient provision of services such as airlines and hotel reservations.
  - Technology provides improved costing and communications systems.

The Internet plays an increasingly important role in both distribution and marketing of travel and tourism. While in 1998, only 1% of global hotel bookings were made through the Internet, this figure was projected to grow to 35% within five years. In addition, the Internet is an inexpensive marketing mechanism capable of reaching a vast audience, in particular the affluent, well-informed tourist.

While South Africa benefited by having to develop homegrown technologies, it must strive to keep up with world technology standards and practices in tourism. Only three of the six computer-based global distribution systems have a presence in South Africa, and these are only used by major players in the local market. A local attempt to provide a databank and booking system for domestic tourism products, Computicket, has seen only limited market penetration, despite the fact that it has a widespread network of outlets and is due to discontinue its service in the tourism sector due to poor profitability.

Interviews with key tourism stakeholders (March 1999) indicated that South Africa also lags the premier tourist destinations of Europe in the area
of data networks, the essential tool for targeting particular customer segments, as well as in the area of accounting and yield management.

**Summary Comparison: South Africa’s Factor Conditions**

In short, South Africa possesses unique and distinctive geographical, natural and cultural offerings, working air gateway and lines both for long-haul and proximate visitors. It continues, however, to face challenges in the important areas of real and perceived security, human resources, physical infrastructure and tourism support services. Information available to the tourist is simply inadequate, as is the information collected about tourism in general. Most of the development effort should be oriented to create and modify advanced factors.

**Some strategic objectives to take a tourist zone to world class standards: Factor conditions**

- Planning, implementation and control of the sustainable tourist use of the natural and cultural resources
- Competitive valorization of the resources of tourist attraction
- Development of environmental awareness campaigns, focused on the tourists, the industry of the zone and the residents
- Elimination of the environmental and perceptual contamination, Strict application of the corresponding norms and measures
- Territorial regulations that favor the sustainable development of the tourist sector
- Adaptation and improvement of the transport infrastructure as well as the tourist indications on the road
- Installation and good functioning of basic services of water, electricity, combustible, etc.
- Improvement of the public security
- Improvement of the technical and professional schooling to reach a adequate formation of future human resources of the sector conforming the size of the tourist business
- Acceleration of the procedures and administrative processes
## South Africa Diamond Analysis

### FACTOR CONDITIONS

<table>
<thead>
<tr>
<th>WORLD CLASS Basic Factors</th>
<th>SOUTH AFRICA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unique climatic, geographic, cultural or historical attributes</td>
<td>South Africa is World Class:</td>
</tr>
<tr>
<td></td>
<td>• Unique Scenery, Environments and Ecosystems</td>
</tr>
<tr>
<td></td>
<td>• Unique Culture &amp; History</td>
</tr>
<tr>
<td></td>
<td>• World Heritage Sites</td>
</tr>
<tr>
<td></td>
<td>• World Famous Landmarks</td>
</tr>
<tr>
<td>Accessible by large, wealthy populations</td>
<td>South Africa is Potentially World Class:</td>
</tr>
<tr>
<td></td>
<td>• Strong International Transportation and Gateways</td>
</tr>
<tr>
<td></td>
<td>• Distance a current barrier to Long-Hauls</td>
</tr>
<tr>
<td>Friendly, hospitable population and pool of available, basic-skill, service-oriented employees</td>
<td>South Africa is Challenged:</td>
</tr>
<tr>
<td></td>
<td>• Lack of Service Industry Base</td>
</tr>
</tbody>
</table>

### Advanced Factors

<table>
<thead>
<tr>
<th>Safe, clean destinations, free of threats to personal health, safety, or peace of mind</th>
<th>South Africa is Challenged:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Continued Security Issues</td>
</tr>
<tr>
<td></td>
<td>• Disparity of Accommodations and Service Standards--Five Star v. Domestic</td>
</tr>
<tr>
<td>Tourist publications, maps and guides Toll-free information numbers</td>
<td>South Africa is Challenged:</td>
</tr>
<tr>
<td></td>
<td>Weak Local Information and Tourism Support; A paucity of local tourism guides and operators for varying segments; lack of a cohesive national tourism support strategy</td>
</tr>
<tr>
<td>Good quality, accessible communications</td>
<td>South Africa is Potentially World-Class:</td>
</tr>
<tr>
<td></td>
<td>• Solid and improving Communications Infrastructure in Gateways and Major Destination; strong business tourism</td>
</tr>
</tbody>
</table>

1999 The Cluster Consortium - Strategy in Action
<table>
<thead>
<tr>
<th>Good, well-signed roads and available maps</th>
<th>South Africa is Potentially World-Class:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• First-World infrastructure in decline, per KPMG</td>
</tr>
<tr>
<td></td>
<td>• Well identified major routes, but lacking support for safe and easy navigation of country by individual tourists outside of major destinations</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Potable water, modern sewage, electricity</th>
<th>South Africa's Major Destinations Are World Class:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• First World Infrastructure, Amenities and Tourism Support Services Available in Gateways and Major Destinations</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Specialised training programs for hotel and restaurant managers, language and translation services, field guides, as well as for waiters, hotel personnel, travel agents and tour operators, and other service industry employees.</th>
<th>South Africa is Challenged:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Lack of Strong Service and Management Training</td>
</tr>
<tr>
<td></td>
<td>• Promising Initiatives and Pilots Not Enough</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Access to information and guidance 24 hours a day</th>
<th>South Africa is Challenged:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Strong support by international and some domestic operators, but insufficient support for individual tourist outside tour and accommodation private sectors</td>
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</table>

<table>
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<tr>
<th>Excellent basic services and infrastructure</th>
<th>South Africa Is Challenged:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Services Limited to high-end travelers</td>
</tr>
<tr>
<td></td>
<td>• Lack of Supporting Service Culture</td>
</tr>
<tr>
<td></td>
<td>• Five Star Services compare unfavourably with world standard</td>
</tr>
<tr>
<td></td>
<td>• Strong but Regionally Limited Infrastructure Development and Maintenance</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ease of arrival and movement within the</th>
<th>South Africa is Challenged:</th>
</tr>
</thead>
</table>

1999 The Cluster Consortium - Strategy in Action
**4 CONCLUSION: STRENGTHEN CLUSTER LINKAGES**

What really distinguishes a dynamic, adaptive cluster from a mere collection of industries is its depth, diversity, and above all, the *quality of linkages*. These linkages are important not only among private companies, but also between the private sector and the public sector, which provides the economic foundations for the cluster. *The more linkages that exist and the responsive economic foundation providers are to the specific needs of the cluster, the more competitive it can become.*

Overall, South Africa’s tourism cluster is developing well, however, the degree and quality of linkages between the attractions, component suppliers, tourist distribution system, various subsectors, related industries, and the underlying economic foundations (or factors) remain weak. Interviews with tourism stakeholders overwhelmingly indicated that there is a lack of trust and communication between business, government, and labour at all levels and that tourism stakeholders tended to operate independently rather than jointly.

South Africa’s tourism cluster is large and multifaceted. The combination of attractions and product offerings is diverse and the challenge for tourism stakeholders to collaborate in attracting and meeting the needs of tourists is complex.
Currently there are isolated instances of collaborative efforts. But, in order to truly establish the degree and quality of linkages required to convert South Africa into a world-class tourism destination and cluster, collaboration must become the rule rather than the exception.

In some sub-sectors of the cluster, there is reasonably strong integration between the tour promoter, tour agencies, and component providers. This is especially true for the high-end markets (for example, high-end eco-tourism). Tour promoters often provide the point of integration for the high-end market. Promoters can then sell through retail outlets (travel agents) or direct to the customer. However, in the lower ends of the market, South African tour packaging has done less well and is not well organised. What is needed are mechanisms to coordinate related industries in South Africa and sell more directly to customers, or through tour agencies.

South Africa has enormous potential. The key to tapping this potential is to develop more effective linkages and synergies within the cluster. The critical factor for success is to align all elements of the cluster or sub-sectors of the cluster to strategic tourist product offerings. This requires coordination and cooperation. And that is what clustering is about!

For example, in the case of lower-end eco-tourists and self-directed game viewers, there must be greater coordination among hotels, game lodges/preserves, game parks, and car hires to ensure that tourists have sufficient access to information to teach them how to find game. Similarly,
there needs to be more providers of “bulk” game viewing. This segment of tourists also needs cheap, direct flights to and from other lower-priced destinations that they are likely to visit (e.g., the Durban beaches). Equally important, this segment needs to be provided with accommodations at the right cost and quality and in the right locations.

FIGURE 24: COLLABORATE TO COMPETE: INTEGRATING PRODUCT OFFERINGS

It is clear that South Africa has a wide range of current and potential product offerings, ranging from high-end eco-tourism experiences to Cape Town excursions to Sun City to low-end beach holidays. The questions are on which combinations of these products offerings should we focus, how to achieve consensus, and, once decided, how to achieve effective coordination for success.

FIGURE 25 COLLABORATION

So, the challenge is: how to increase the opportunities for leadership, connection, consensus around strategy, collaboration, and engagement. How to create the appropriate conditions for trust. What needs to change?
This is the purpose of the tourism clustering initiative. As the next chapter describes, seven different arenas—national, thematic, and local levels—have been created and tested this year for tourism stakeholders to engage, create shared visions and strategies, and decide on priority actions to take.

As shown in the remainder of the report, clustering initiatives—at the national, thematic, and local levels—have been and will continue to accelerate the broadening and deepening of linkages within tourism clusters throughout the country. Clustering initiatives serve to bring together tourism stakeholders from all aspects of the cluster, create a good environment for communication and trust building, and then help them to develop consensus on what are the priority actions, and to engage in collaborative implementation and action.
Appendix G
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- www.iipt.org: International Institute for Peace through Tourism

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**Internet Sites**

The sites below relate to the heritage and cultural assets of the world and their conservation and management. Browsing through these web sites will give an idea of activities happening in the world and how these could benefit South Africa. Many of the sites have documents (that can be downloaded or printed) that would be useful in the South African context.

UNESCO has a ‘Culture’ division which focuses specifically on the preservation of cultural heritage. There is also a list of ‘cultural heritage’ publications on the site.

URL: [www.unesco.org/culture](http://www.unesco.org/culture)

The WHC (World Heritage Council under the auspices of UNESCO) has recently turned its attention to Africa and its cultural heritage.

URL: [www.unesco.org/whc](http://www.unesco.org/whc)

ICOMOS (International Council of Monuments and Sites).

URL: [www.icomos.org](http://www.icomos.org)

ICOM (International Council of Museums).

URL: [www.icom.org](http://www.icom.org)

IUCN (The World Conservation Union)

URL: [www.iucn.org](http://www.iucn.org)

ICCROM (The International Centre for the Study of the Preservation and Restoration of Cultural Property)

URL: [www.iccrom.org](http://www.iccrom.org)

WCMC (World Conservation Monitoring Centre)

URL: [www.wcmc.org.uk](http://www.wcmc.org.uk)

WHIN (World Heritage Information Network)

URL: [www.wcmc.org.uk/whin](http://www.wcmc.org.uk/whin)

Robert Gordon University. This site has a section related specifically to heritage conservation and further links, some of which are useful.

URL: [www.rgu.ac.uk/schools/mcrg/stinfo.htm](http://www.rgu.ac.uk/schools/mcrg/stinfo.htm)

The Australian Heritage Council: Guidelines for Heritage Advisory Services:
Also useful are internet sites which focus on ecological conservation and ecotourism since many of the principles followed in this area can be applied to heritage and cultural tourism particularly with regard to ‘natural’ heritage sites.

TES (The Ecotourism Society) is a good internet site. In addition, the organisation has a library of books and documents relating to ‘sustainable’ tourism. This is a useful reference list of publications available on the subject.

TES URL: www.ecotourism.org

TES Library URL: www.ecotourism.org/gwulib.html Follow the directions on this page to obtain lists of documents relating to ‘sustainable’ tourism. Entering the word/s “ecotourism” and “tourism heritage sites” (Keyword Anywhere option) will produce lists of publications specifically on these subjects. Clicking on any one of the titles will provide information of the contents of the publication, name of publisher and an ISBN.

WTTC (World Travel and Tourism Council) have a site specifically focused on ecological matters; ECoNETT. Much of the material on this site could be applied to heritage and cultural tourism.

URL: www.wttc.org Click on ‘ECoNETT site map’

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