

CUSTOMISED SECTOR PROGRAMME
TOURISM SECTOR STRATEGY



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA

SECTOR DEVELOPMENT STRATEGY

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DIVISION: TRADE AND INVESTMENT SOUTH AFRICA

CHIEF DIRECTORATE: CUSTOMISED SECTOR PROGRAMMES

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the dti has approved this Sector Development Strategy, which is hereby published for general information.

'BEYOND PLANNING TO ACTION'

Tourism Sector Development Strategy

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Foreword by the Minister

We have discovered that formulating a sector development strategy is not a simple undertaking. It has been an enriching experience, but one that has once again made us aware of our own limitations in delivering against the national economic policy goals and objectives outlined in the Micro-economic Reform Strategy and Integrated Manufacturing Strategy of 2002.

Priority sectors¹ are crucially important to South Africa. They account for over twenty-two per cent of the Gross Domestic Product, employ twenty-three percent of South Africa's total employment, and contribute over fifty-five per cent to South Africa's foreign exchange earnings. Therefore, the success of the priority sectors is critical to our economy and a better life for all.

The changing nature of the relationship between government and stakeholders in priority sectors dictates that we shift the dialogue from lobby to understanding and synergy. What we are experiencing through the Customised Sector Programme (CSP) development and sector summit processes (CSP) is a powerful and encouraging new way of working together, thus giving concrete content to the often rhetorically touted partnership between government and stakeholders. There are bound to be problems as we grapple with this learning. We are, however, excited by the prospect of jointly tackling South Africa's economic challenges.

The fact-driven process employed within CSP, in our experience, represents the first attempt at generating a common understanding, rooted in objective analysis around key strategic challenges and opportunities facing the South African priority sectors, that leaves the path open to move 'beyond planning to action', jointly and/or independently, for all parties, but based on a common vision.

This document outlines our sector development strategy for increasing competitiveness, exports and investments as well as employment and equity, in the priority sectors of South Africa. On the basis of objective analysis, strategic themes over the next five years have been identified. Each strategic theme demands government and other stakeholders to jointly seek the key action programmes and related interventions that must be implemented to deal with key strategic challenges facing the priority sectors.

This sector development strategy is neither hard nor fast nor a formula for instant success. Instead, we offer it as the basis for continuing to forge constructive engagement with stakeholders – a partnership based on best practice that must be effective at the national, provincial and sectoral levels.

Long standing challenges of competitiveness, exports and investments as well as employment and equity will not be solved overnight. However, concrete time frames to achieve our aim have been put firmly into place. Maximum cooperation from our stakeholders is a key condition to achieve our goals within this time frame. Firmer benchmarks against which to measure and report on progress have also been developed.

¹ Chemicals, Business Process Outsourcing, and Tourism were highlighted by our President on 11 February 2005 during his State of the Nation Address for additional support because of their potential. We also work with Aerospace, marine and rail, Agro-processing; Automotives; Capital equipment; Cultural industries; Electro-technical; Mining and metals; and Textiles, clothing, footwear and leather

There are mistakes the government should avoid. Any attempt to manipulate the exchange rate would put our hard-earned macroeconomic stability at serious risk. Whilst we understand the strength of Rand relative to the US dollar makes life difficult for our exporters, in practice we have to recognise that it is not possible for the Reserve Bank to pursue an exchange rate target at the same time as an inflation target.

Likewise, we reject solutions based on attempts to defend the economy from fair competitive pressures through restriction on trading with the World or subsidies to domestic companies. Such actions would detract from the market framework, which brings major competitiveness improvements. They would also run counter to the World Trade Organisation (WTO) and the benefits it brings to our exporters. As the opposite side of the same coin, we take robust action against countries that seek to deny our firms fair access to their markets. That's why we, in conjunction with other developing countries, fought strongly for a new world trade round in Doha.

Although CSP is nationwide, there is an important role for the provinces, we recognise that provincial leadership is essential in creating dynamic provincial economies and closing the gap between and/or within provinces. Hence the importance we attach to the provincial economic departments.

This document has been developed on the basis of discussions within the CSP Project Team that we established at the beginning of the year, including the positive work of the partnership forged through the inter-Government and external stakeholder workshops. CSP must deliver real outcomes, underpinned by real commitment from all stakeholders. Above all we hope that this sector development strategy and programmes will form the basis for an even stronger partnership and more effective action in support of priority sectors in South Africa.

MANDISI MPAHLWA, MP
MINISTER: TRADE AND INDUSTRY
DATE:

Chapter 1: Introduction

1. As a priority sector in South Africa, in recent years tourism has experienced growth in both GDP and employment, outperforming many other priority sectors. In 2004, the South African travel and tourism industry's contribution, including induced and indirect effects, to GDP was R93,6 billion, or 7,4% of total.
2. It is estimated that there are 539 017 direct employees in the tourism sector and 669 683 indirect jobs. This figure excludes casual workers in the sector, who are estimated to contribute a sizable portion of the tourism workforce. With more than half a million direct employees, tourism is one of the most important sectors in the country from a job creation perspective.
3. Tourists experience a destination in its entirety, and this experience should meet or exceed their expectations. For this reason, the robustness of the tourism economy is dependent on all subsectors working together effectively. The tourism subsectors are mutually dependent and together provide the integrated destination experience. Accordingly, the global competitiveness of South African tourism is dependent on the performance of the entire sector.
4. A competitive set of underlying industries is critical to facilitate the variety of tourism experiences that South Africa offers. The tourism subsectors include transport (airlift, ground transportation - buses, coaches, taxis, rail and car hire), accommodation, food and beverage facilities/services, recreation/ entertainment, and tour guiding and activities/ attractions. In addition, most foreign tourists who visit South Africa utilise the services of intermediaries (travel agents, tour operators and ground handlers) who package and sell the destination, and coordinate the execution of the tourist experience on the ground.
5. The appropriate development of the South African tourism sector could significantly increase the levels of employment, growth and equity in the economy. The growth of the sector is reliant on its ability to compete globally. In this regard, a number of barriers to competitiveness must be addressed, the most important of these being:
 - Fragmentation and weak relationships between the various institutions and players resulting in the lack of a clear jointly defined and agreed long term vision for the sector. This results in short term thinking;
 - The absence of reliable and detailed investment and usage information, and the poor dissemination of existing data;
 - Market access barriers in the form of low awareness of the destination, negative perceptions relating to safety and security (as well as the reality of crime), and inadequate airlift. Market access barriers also include the challenges of SMMEs in accessing the market;
 - Misaligned and unfocused product development and investment, resulting in oversupply in some product types and areas, and a product gap for certain markets. Inadequate financial incentives to support qualitative development;

- A skills gap and under investment in human capital; and lack of quality assurance across all subsectors and regions;
 - Limited transformation of the sector.
6. In order to better understand these challenges, and their causes, as well to reach agreement on key interventions to improve competitiveness, the Global Competitiveness Project (GCP) was initiated in November 2003, as a jointly commissioned study by the Department of Environmental Affairs and Tourism (DEAT), South African Tourism (SAT) and **the dti**.
7. The Global Competitiveness Project sought to:
- Understand the level of innovation within the industry, as one of the key determinants of long-term competitiveness
 - Understand the barriers to and drivers of innovation within the industry
 - Benchmark the industry
8. The GCP culminated in a series of recommendations that were discussed with industry at the National Tourism Conference in October 2004. At this conference, the following imperatives for a globally competitive tourism sector were identified and agreed upon:
- Improved communication and stronger relationships across the tourism sector
 - Effective information creation and dissemination
 - Market access strategies
 - Fast tracked transformation across the sector
 - Appropriate and market aligned product development and investment
 - Addressing the skills gap and quality assurance
 - Improving public transport, including airlift capacity
9. Hence, the tourism sector development work reported here is the product of research undertaken and discussions between government and its agencies, associational bodies, NGOs, and industry players. It emerges from research and consultation from late 2003 to present.
10. The aim of this document, the sector development strategy, is to design concrete and enduring action programmes. These programmes will materially improve the competitiveness, exports and investments as well as employment and equity of the tourism sector in South Africa.
11. The sector development strategy should be read together with the 2010 Tourism Masterplan, which is currently being developed by DEAT². The Sector Development Strategy should also be read in conjunction with South African Tourism's Tourism Growth Strategy³, which outlines the targeted and focused tourist marketing strategy for the country.

² It is envisaged that the 2010 Tourism Masterplan will be finalized by the end of 2005, and its strategic recommendations implemented thereafter.

³ The Tourism Growth Strategy was adopted by Cabinet in 2003.

12. It is important to state at the outset of this sector development strategy that tourism development, although a concurrent function in **the dti**, is a core line function of the Department of Environmental Affairs and Tourism. For this reason, many of the projects in this strategy will necessarily be championed by DEAT. **the dti** will primarily play a supporting and coordinating role (particularly of **the dti** agencies) in the attainment of tourism objectives. In certain instances, **the dti** will lead projects in which it can best effect change given its institutional focus, instruments, and resources.

Chapter 2: Sector Overview

13. The most widely accepted definition of a tourist (utilised by the World Tourism Organisation⁴ and all its members) is someone who travels away from his or her home for more than one day and less than one year. For foreign tourists this involves visitors who stay at least one night and less than one year in collective or private accommodation in the country. This includes students but excludes workers and contract workers. In the domestic market, a tourist is a resident of South Africa who spends the night away from his/her usual environment and also less than one year. This excludes day visitors and people who get paid in the place they visit.
14. International and domestic tourists travel for many different reasons. Broad classification categories for motivators of travel are Holiday, Business and Visiting Friends and Relatives (VFR).
15. Tourism is the world's largest sector, with annual revenues of almost \$500 billion. Globally, tourism accounts for roughly 35 percent of exports of services and over 8 per cent of exports of goods. In the region of 340 million people are directly and indirectly employed in tourism around the world.
16. In 1950, international foreign tourist arrivals, a key indicator of tourism growth, were an estimated 25 million. By 2004, they had reached 760 million and are predicted to grow to 1,56 billion in 2020.
17. The strong growth of the tourism sector over the past 50 years is in part a result of economic globalisation, including innovations in transport and information and communication technologies, which have made travel cheaper and more accessible. Other factors leading to tourism's exponential growth include increasing leisure time and disposable income in the leading tourist-generating markets of Northern America, Western Europe and Japan.

⁴The United Nations Specialised Agency for Tourism.

Global opportunities and challenges – trends

18. Tourism is a major economic opportunity for many countries, particularly those in the developing world. For 83 per cent of countries in the world, tourism is one of the top five sources of foreign exchange. Many island states including certain Caribbean countries derive half their GDP from tourism.
19. Tourism is labour intensive and presents comparatively low barriers to entry for entrepreneurs with regards to skills. It also has a relatively low ratio of investment to job creation and can create many jobs in a comparatively short time. Tourism generates employment and income in supporting industries, such as financial services, construction, cleaning, security, laundry, arts and crafts, beach vendors, food and beverages, etc.
20. The tourism sector stimulates enormous investment in infrastructure and provides substantial tax revenues while generating significant export earnings.
21. Tourism also offers the opportunity of bringing development to rural areas, and can allow for the sustainable utilization of the natural environment. Tourism can build cross-cultural relations, form a force for nation-building and national identity and branding.
22. International travel patterns are changing. In 1950, 97 per cent of international tourists went to Europe or North America. By 1999 this had fallen to around 75 per cent. In recent years, domestic and intra-regional tourism in the developing world has grown rapidly, especially in emerging economies such as South Africa, Thailand, India, China and Mexico.
23. Over 80 per cent of all international tourists come from just 20 countries in the North - 17 in Europe plus the USA, Canada and Japan. Five nations (the US, Japan, Germany, France and the UK) account for almost half of all tourist spending.
24. International tourism is particularly vulnerable to perceptions and global events. Between 2001 and 2003 the global tourism economy suffered a number of setbacks. The terrorist attacks of September 11 2001 brought about a sudden decrease in travel, affecting all parts of the tourism value chain and changing travel patterns forever. Other global events affecting tourist demand in recent years have included a global economic recession (particularly in the major tourist generating markets of the US, Japan and Germany), SARS, war in the Middle East, as well as the ongoing terrorist attacks and threat of terrorist attacks in many regions of the world (eg: Bali, Kenya, Tanzania, Malaysia, etc.). Recently the devastating Tsunami impacted on the mass tourism destinations of South East Asia.
25. In 2004, after three years of little growth, international tourism experienced a strong rebound achieving a record of 760 million foreign arrivals - an increase of 10% over 2003. Growth was common to all regions, but was predominantly

strong in Asia and the Pacific⁵ (+29%) and in the Middle East (+20%). Double-digit growth was also registered in the Americas (+10%), while Africa (+7%) and Europe⁶ (+4%) performed below the world average, but still substantially improved their results of previous years.

26. 2004 was a particular buoyant year for destinations in North Africa, which experienced a 17% growth rate, while the performance of sub-Saharan destinations was rather flat, registering only 1% increase. South Africa performed best in this region, with a 2,7% growth in foreign tourist arrivals between 2003 and 2004.
27. It is estimated that there will be 77.3 million international arrivals to Africa in 2020, this represents an annual growth rate of 5,5% over the period 1995 to 2020. Africa's overall share will increase to 5% of total by 2020. In Africa, long haul travel is expected to grow more slowly than intraregional travel. In other words, there will be stronger growth in arrivals between African countries than from visits to Africa emanating from outside of the continent. For this reason regional tourism is critical. As economic development in Africa increases, South Africa can expect to benefit from an associated increase in tourist arrivals (be it for business, leisure, education or medial reasons).
28. Although much emphasis is placed on foreign or international tourism, domestic tourism (travel within one's own country of residence) remains the engine room of many tourism economies, and is more resilient than international tourism. Post 9/11, in an era when foreign tourist demand is affected by international events, a robust domestic tourism economy is critical, both as the backbone of the sector and as a driver of competitiveness and innovation. Globally, domestic tourism is estimated to account for about 4 to 5 times more visits than foreign tourism.
29. Recent trends in global travel include:
 - Increasing domestic and short-haul travel and less long-haul travel due to global safety and security concerns and cost
 - Increasing independent travel, decreasing organized tours
 - Later bookings and more self-planning for trips
 - Growth of the low-cost airline industry, particularly in Europe
 - The growing maturity of tourists who are increasingly seeking a differentiated tourism experience (such as cultural tourism, ecotourism tourism, adventure tourism, etc.)
30. The maturation of the global tourism industry, and the phenomenon of widely travelled and seasoned tourists, has required destinations to differentiate themselves. For this reason, as well as scarce financial resources, most destinations have made strategic decisions to focus on particular market segments.
31. In terms of the global structure of the tourism sector, intermediaries, also known colloquially as "the channel" or "the trade", play a critical role in connecting the

⁵ Off a low base.

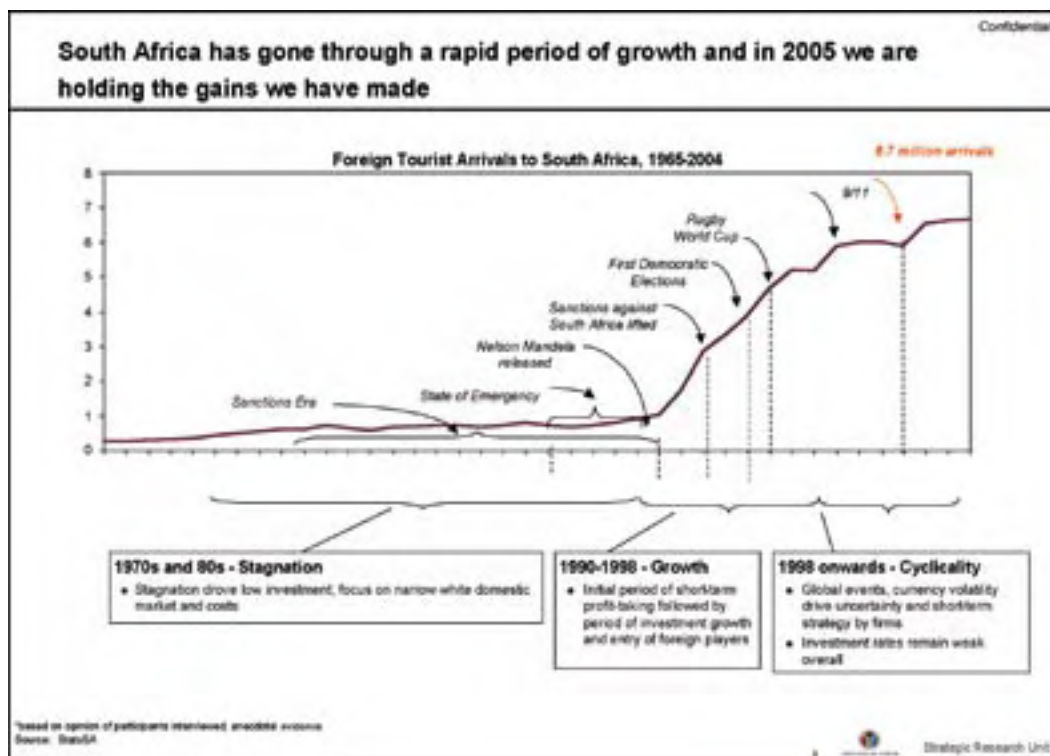
⁶ Off a high base.

consumer with destination products. In the case of less established or well-known tourism destinations, such as South Africa, little international travel planning and booking takes place outside of this traditional tourism intermediary value chain. Tour operators and travel agents are key intermediaries.

32. Within the tour-operating subsector, in recent years investment has been typified by consolidation in the form of mergers and acquisitions. Within Europe, a few major outbound operators including TUI, Thomas Cook, and Kuoni monopolise the packaging, marketing and distribution of tourists from this major tourist-generating region.
33. The airline subsector was particularly hard hit by the downturn in international travel post 11 September 2001. The industry recession precipitated the bankruptcy of a number of major airlines including Swiss Air in Switzerland and numerous North American airlines. Most major international airlines are now linked into four global 'alliances': Oneworld, Star, Sky Team and Qualifyer.
34. Leading global hotel brands include Best Western, Holiday Inn, Days Inn, Marriott, Comfort Inns, Hilton and Sheraton. There has recently also been a growth in smaller, distinctively designed hotels, offering a personalised service for sophisticated travelers, often referred to as boutique hotels. Other accommodation alternatives to large, branded hotels have also mushroomed in recent years, such as bed & breakfast and guesthouse accommodation, as well as backpacking lodges.

Relative competitive strength of domestic sector

Figure 1: Foreign Tourist Arrivals in South Africa: 1965 to 2004



35. The total number of foreign tourist arrivals in South Africa per annum grew from 3,7 million in 1994 to 6,7 million in 2004, more than doubling. South Africa is a leading tourist destination on the African continent and also a key tourist-generating country for the continent, particularly the SADC region.
36. Between 2003 and 2004, total foreign arrivals to South Africa grew by 172 000, or 2,7%. Compared with key competitor destinations (USA, Mexico, Thailand, Brazil, Australia, Kenya), South Africa recorded the lowest growth in percentage terms⁷.
37. The great majority of international arrivals to South Africa originate from other African countries, particularly SADC countries. These arrivals are less vulnerable to global events and perceptions and are largely motivated by cross border trade. Total arrivals from Africa and the Middle East to South Africa increased by 4,2% in 2004, to 4 673 724.
38. In terms of overseas markets, the United Kingdom, Germany, United States, France and Netherlands are the most important tourist source markets for South Africa. Between 2003 and 2004, growth in foreign tourists arrivals was experienced from all regional portfolios other than Europe, where arrivals from France and Germany dropped and UK and Netherlands stagnated. Tables 1 and 2, which follow, show the major growth and decline markets for South Africa between 2003 and 2004.

Table 1: Top 10 Markets driving growth of foreign tourists arrivals in 2004 in South Africa

	2004	2003	Growth	%Change
Lesotho	1,470,953	1,284,953	186,000	14.5%
Swaziland	849,176	800,686	48,490	6,1%
USA	208,159	187,447	20,712	11%
Botswana	802,715	791,785	10,930	1.4%
Namibia	225,882	216,313	9,569	4.4%
China (Incl Hong Kong)	51,080	42,822	8,258	19,3%
Zambia	121,384	114,706	6,678	5,8%
Dem Rep of Congo	10,947	5,893	5,5054	85.8%
Australia	75,675	71,687	3,988	5.6%
Brazil	21,137	17,452	3,685	21.1%

⁷ South African Tourism's 2004 Annual Tourism Report

Table 2: Major Decline markets in 2004 in South Africa

	2004	2003	Growth	%Change
Mozambique	355,804	421,201	-65,361	-15,5%
France	109,276	127,760	-18,484	-14,5%
Zimbabwe	551,13	563,877	-12,764	-2,3%
Germany	245,452	257,018	-11,566	-4,5%
Belgium	37,277	42,735	-5,458	-12,8%
India	36,172	41,018	-4,846	-11,8%
Spain	22,894	25,597	-2,703	-10,6%
Malaysia	10,535	12,049	-1,514	-12,6%
Mauritius	13,806	15,235	-1,429	-9,4%
Seychelles	2,595	3,913	-1,318	-33,7%

39. South African Tourism aims to increase the total number of tourists to South Africa, and within that attract a larger portion of 'leisure' travelers. Currently, compared against key competitors, South Africa attracts the least leisure travellers as a percentage of total travellers. South African Tourism's marketing strategy identifies a core portfolio of countries for targeting based on their relative attractiveness as source markets, and relative importance to South Africa.

Figure 2: Core, Tactical and Watch list source markets

SA Tourism portfolio 2005 - 2009					
	AFRICA & MIDDLE EAST	UK and AMERICAS	ASIA & AUSTRALASIA	EUROPE	DOMESTIC & REGIONAL
CORE MARKETS	Korea Japan	USA UK	Australia	France Germany Netherlands	Domestic
TACTICAL MARKETS	Tanzania		India		Botswana Lesotho Swaziland
INVESTMENT MARKETS	Angola Mauritius	Canada	China (including Hong Kong) Japan		Mozambique Zambia Zimbabwe
WATCH-LIST MARKETS	Ghana Senegal	Brazil	Malaysia New Zealand Singapore	Slovenia Ireland Italy Sweden Switzerland	
STRATEGIC HUBS	Egypt Senegal JAF		Malaysia Singapore		

40. In South Africa, domestic receipts comprised 47% of total tourism receipts in 2003. It is estimated that in the region of 49,3 million domestic tourist trips were made around the country in 2002/3, accounting for R47 billion in value. Due to the volatility of international tourism, increasing focus is being placed on growing and strengthening domestic tourism. It has been realized that a robust domestic market can assist with the insulation of the tourism economy from international events and shocks. If adequately developed, it can also drive competitiveness and innovation.
41. South African Tourism has undertaken a number of marketing initiatives to capitalize on the opportunities presented by the domestic market. In servicing a growing domestic tourism market, a product gap has been identified. Many of the tourism establishments in existence are positioned and priced for foreign tourists, and not appropriate to the needs of domestic market segments. This is one of the areas where the product development and investment strategy must focus.
42. The South African tourism sector has been in a period of high growth over the past ten years. The industry currently finds itself in a growth phase characterized by:
- A large number of new entrants entering into the market as operators in a variety of sub-sectors
 - Overcapitalisation and excess capacity is being created by the new entrants in some parts of the industry (e.g. Luxury game lodges)
 - Consolidation at the top-end of the market as the large players drive for scale economies, and attempt to gain control over pricing and capacity, and attempt to dominate key relationships via size
 - On average, high levels of fragmentation with weak linkages/poor relationships within the sector
43. A high number of small, medium and micro players characterise tourism. As barriers are low, it is relatively easy for an entrepreneur to open a bed and breakfast, or start a tour operating company. These small enterprises are extremely valuable to the South Africa tourism economy as they are able deliver a set of highly diverse and customised experiences that larger enterprises find difficult to offer. A key challenge to their sustainability lies in access to the market through the channel, which is used by the majority of travellers to South Africa, and access to skills and training to be able to deliver a quality experience.
44. In 2005, a few large players dominated the SA tourism sector. Avis, Imperial, Budget Rent a Car and Hertz are the leading car hire companies. In airlift, SAA is the most dominant carrier on international routes. Other than SAA, domestic airlines are Nationwide, Comair, 1Time and Kulula.com. Southern Sun, Sun International, Protea hotels, City Lodge group and SAN Parks own and manage the largest supply of accommodation plant, while the channel is dominated by Tourvest/Imperial Holdings (including Springbok Atlas), Bidvest and Cullinan

47. The tourism sector charter for Black Economic Empowerment was launched in May 2005. This will assist to drive transformation of the sector, which is currently white dominated. Transformation is a competitiveness imperative as new players, who are able to develop product and penetrate new market segments (such as domestic tourists), will drive innovation. In addition, many sophisticated international tourists wish to experience South Africa as an authentic, representative and integrated destination.

Chapter 3: Key Action Programmes for Success

48. The following interventions for the period 2005 to 2010 have been identified:
- Cross-sectoral:
 - Establishment of a market access strategy for tourists to destination, as well as a growth and market access strategy for SMMEs to connect with the market;
 - the need to improve alignment, coordination and collaboration in the sector, including developing institutional capacity;
 - addressing the skills gap including investment in training and development;
 - extending quality assurance and grading;
 - developing appropriate financial and incentive measures to drive qualitative development and transformation;
 - implementing a product development and investment (including infrastructure) strategy that is positioned to meet market demand while alleviating poverty;
 - improving tourist transportation, including ground transportation and airlift;
 - collating and distributing performance data to allow for informed decision making;
 - broadening economic participation in the tourism sector
 - 2010: all of the aforementioned key interventions will improve South Africa's ability to host the World Cup and meet the necessary requirements, leverage the opportunities associated with this major global event and ensure the sustainability of the sector thereafter.
 - 2010 is viewed as an opportunity for the South African tourism sector to fast-track the development of a competitive and sustainable sector. In this regard, 2010 is seen as a milestone, not the end goal.
 - Investment in projects to support 2010 must be considered in light of their ability to continue to deliver and serve the development of the

- sector after 2010.
- Managing the message, communicating critical information and putting in place projects to ensure that SMMEs, particularly BEE products, have access to market will be key to spreading the benefits of the event.
49. Based upon economic potential, urgency and work-in-progress, as well as the requirements of 2010, the following key action programmes for implementation during the current financial year have been identified:
- Establishment of a Tourism Satellite Account
 - Putting in place a Real time product information system
 - Creation of a one-stop shop for the implementing the Tourism BEE charter
 - Addressing Airlift constraints to Tourism
 - Building a Skills Partnership for the sector
 - Attracting Targeted and Coordinated investment to drive appropriate Product development
50. The key action programmes are broadly divided into five key strategic themes, namely:
- Information for Decision-making
 - Broad Based Black Economic Empowerment
 - Product Development and Investment
 - Tourist Transportation
 - Employment, Productivity and Skills
51. For each key action programme this document describes the challenge within the sector. As these key strategic challenges are systemic in nature, it is unlikely that they will resolve themselves. It is believed therefore that there is a clear role for the government to initiate and lead a process of addressing the competitiveness barriers. The key action programmes are described in detail, including expected outcomes, progress to date, implementing party and champion, as well as the key performance indicators (both for the programme - output -and the outcome thereof).

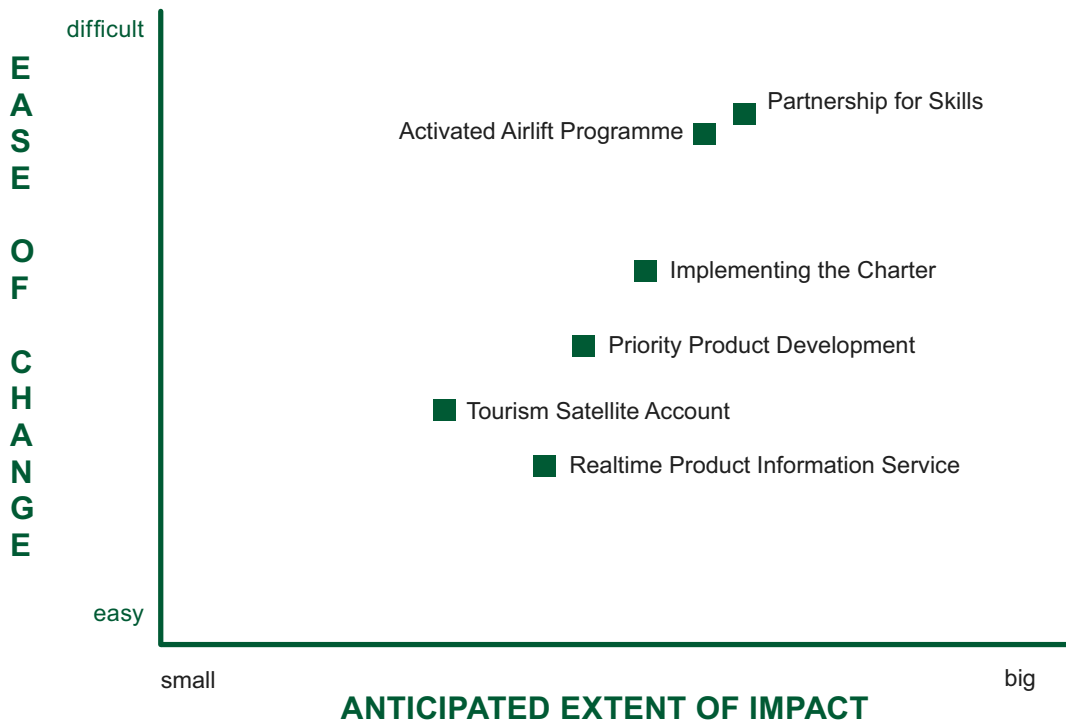
Strategic Vision

52. It is envisaged by 2014, as a result of focused and collaborative action, South Africa will attract 10 million foreign tourist arrivals and increasing numbers of domestic trips per annum. This will contribute to the qualitative development of the Tourism sector, including higher levels of employment creation, widespread equitable participation and benefit sharing, and improved global competitiveness.

Longer-term Direction

53. In the long term and in order for the tourism sector to reach it potential:
- the sector must be characterised by an inclusive, collaborative, innovative,

- and responsible approach to tourism development.
 - Government and its agencies, industry, associational bodies and other tourism roleplayers must be increasingly transformed, aligned and coordinated in their activities, with improved flows of information allowing for optimal decision-making and planning.
 - Tourism product investment must reach all nine provinces, be informed by supply and demand trends, be innovative and assist government to meet its objective of poverty alleviation. Appropriate incentives must be provided to support qualitative development of the sector. Investment by government in public transportation and other services that support tourism is critical.
 - Growing numbers of skilled and professional South Africans of all races must be employed in the sector, representing ongoing investment in human capital, which will improve the quality of the experience on offer to domestic and foreign tourists and the value captured per employee.
 - Market access barriers, including perceptual barriers, safety and security threats and inadequate airlift, as well as SMMEs access to the market, must have been effectively addressed, and robust growth in both foreign and domestic arrivals unlocked.
54. This will allow the tourism sector to:
- Increase tourist volumes
 - Improve geographic spread
 - Increase tourist spend
 - Improve seasonality patterns
 - Increase length of stay, and
 - Improve transformation in tourism
55. The 6 action programmes for Tourism have been chosen based on their ability to bring significant benefits to the sector, in terms of addressing major barriers to competitiveness. All are deemed critical to the improved performance of the sector, and its ability to realize its vision and desired longer-term direction.
56. In the next graph below the 6 identified action programmes are depicted in terms of the perceived ease of change and the potential impact they can bring to the sector:



A. Strategic Theme: Information for Decision-Making

Key Strategic challenge: Inadequate information creation and dissemination

57. The Global Competitiveness Project identified that the tourism sector is in a high growth phase, characterised by fragmentation across public and private sector bodies. One of the most serious results of this lack of alignment and coordination is inadequate information creation and dissemination. Incomplete, and out of date supply-side information, as well as poor distribution and communication of key performance and marketing data, inhibits the sector’s ability to innovate, design and deliver appropriate products and services.

58. One key informational challenge relates to the impact of this high-growth and immature sector on the South African economy. Current indications of contribution towards GDP, employment, investment, and exports are mere estimations.

59. The lack of supply side data, including infrastructure and investment data also creates a number of problems. It limits the ability of industry and government to take appropriate action to improve performance. For example, it limits the understanding of the product gap, and, accordingly, government’s ability to develop investment incentives to address this gap. A lack of detailed and readily accessible information limits an understanding of overcapitalisation and its causes.

Key Action Programme 1: Tourism Satellite Account

60. Tourism plays a significant role in the South African economy. However, unlike output-defined industries such as agriculture or manufacturing, the primarily demand-defined tourism industry is not measured as a sector in its own right in National Accounts. Tourism, globally, is not a clearly defined industry in the System of National Accounts but is an amalgamation of industries such as transportation, accommodation, food and beverage services, recreation and entertainment, and travel agencies.
61. The 1993 System of National Accounts provides for the development of Tourism Satellite Accounts (TSAs) for the explicit study of tourism-related industries and products. This TSA is required to accurately measure and monitor the tourism economy in South Africa. A TSA is a statistical instrument used to measure the size of the tourism industry's contribution to the economy of a country according to international standards of concepts, classifications and definitions which will allow for valid comparisons with other industries and, eventually, between individual countries and between groups of countries. Australia and Canada, for example, have both been using Tourism Satellite Accounts as a tool to measure tourism for the past ten years.
62. Amongst other reasons, accurate quantification of the economic impact of the sector is important in order to monitor the tourism sector's contribution, take remedial action, lobby for additional budget, understand leakages and linkages, and measure whether the employment generating effect of tourism is being optimally harnessed.
63. Due to the complexity and size of the tourism sector, creating the conditions to accurately measure tourism's economic contribution requires a concerted and sustained effort. It also requires a number of different information collation initiatives to be instituted.
64. At the outset, the development of the TSA will necessarily be top-down, drawing on the national arrivals statistics and demand-side surveys as well as sample supply-side information.
65. In order to develop a TSA in South Africa, the following needs to be ensured:
- That the availability of established data sets e.g. arrivals and departure statistics of South African residents and non-residents are sustained
 - The level of classification of units on the business register is improved, in order to be able to draw samples on at least a three-digit standard industrial classification of economic activity (SIC) level to collect much needed supply side data; and
 - The standard (international) definitions of tourism-related terms must be used. These definitions must be communicated to the industry so that a common language and understanding can be developed.

66. The Tourism Satellite Account will measure the following:
- Inbound tourism consumption by products and categories of visitors
 - Outbound tourism consumption by products and ad hoc sets of resident visitors
 - Domestic tourism consumption by products and categories of visitors
 - Production accounts of tourism and other industries
 - Domestic supply and internal tourism consumption by products
 - Employment in the tourism industries
 - Gross fixed capital formation of tourism industries and other industries
 - Tourism collective consumption by functions and levels of government
 - Non-monetary indicators
67. The Statistics Commission of the United Nations approved the international standard for Tourism Satellite Accounting (TSA) in 2000. A World Tourism Organisation Experts Committee fine-tuned the conceptual framework.
68. In practical terms the TSA applies the definition of Tourism to develop a method for computing the demand-side components of GDP: consumption, investment, government and net exports. The TSA also employs input-output tables to translate demand-side into supply-side measures: employment and compensation, depreciation, operating surplus and indirect taxes.
69. Although some demand side data is already in place (tourist arrivals statistics), supply side data including production and gross fixed capital formation is not. More work needs to be done on this to build a robust and complete TSA.

The Goal

70. The development of the TSA will ensure the impact of the Travel and Tourism economy in South Africa is accurately captured and measured to inform discussions and decision-making. This will create the conditions for qualitative development of the sector to take place.

Obstacles to Implementation

71. The poor collection of data by all government departments and industry players inhibits the accurate measurement of tourism's contribution to the economy.
72. A lack of TSA expertise and experience in South Africa.
73. Complexity of information management requirements.

Interventions to Remove Each Obstacle

74. Communicating necessary directives to relevant institutions to allocate resources.
75. Developing a communications strategy, involvement of public and private stakeholders to ensure support and provision of information.

- 76. Allocating expert resources, as necessary, to design and deliver the TSA.
- 77. Establishing a customised Information and Communications Technology system.

Levers Required

- 78. Cabinet endorsement.
- 79. dti and DEAT funding.
- 80. Expert professional services from outside of SA (such as the World Tourism Organisation).
- 81. Stats SA expertise.

Progress

- 82. The recognition of the need to develop a TSA is not new. An interim inter-institutional steering committee consisting of members, nominated by the heads of Stats SA, the SARB, SAT and the DEAT was established during 2002 and is headed by Stats SA. The committee has since expanded to include DHA, **the dti** and SARS. The committee meets quarterly with the aim of driving processes required for the development of the TSA.
- 83. The National Accounts division of Stats SA commenced with the TSAs project on 1 April 2003.
- 84. A draft discussion document on the TSA was published on the Stats SA website in April 2005.
- 85. Further work needs to be initiated to develop supply side data (see Programme 2).

Resources Required Starting from a Zero Base

- 86. R12 million over 3 years has already been allocated to the project by DEAT.
- 87. Additional R5 million in Years 2 and 3 required to commission research and development of sample based supply side data (research process to be initiated and led by **the dti**)
- 88. Packaging, dissemination and communication of information per annum: R1 million per annum for website, publications, media strategy, annual tourism statistics conference, etc.
- 89. R1 million per annum, for years 1 to 3, required for expert international consultants to assist with the development of the system.

Risks and Mitigating Actions

90. Lack of allocation of adequate resources could lead to a compromised product and unreliable or unrepresentative data. This will be addressed by endorsement of this prioritized project by Cabinet. The prioritization of this project needs to be effectively communicated across the spheres of government.
91. Inadequate coordination could comprise the smooth running and management of the system. This will be mitigated by the formal working group/ steering committee responsible for driving project. The larger implementing group will also be responsible for coordinating stakeholders as required.
92. Reluctance or the inability of industry and other stakeholders to supply data will result in incomplete data sets. This risk will be overcome by ensuring that industry is adequately involved in the development of a supply-side project (see Programme 2).
93. A lengthy process of developing and managing the system could lead to disillusionment and frustration. This will be addressed by using sample data while building the system to create representative data.
94. A lack of local expertise in TSAs threatens the credibility of the system. This will be mitigated by annual interactions with experts who will help fine-tune the system and provide strategic guidance and advice.

Implementing Group and Champion

95. Stats SA (project champion)
96. DEAT
97. **the dti**
98. South African Tourism (SAT)
99. South African Revenue Service
100. South African Reserve Bank
101. Department of Home Affairs
102. Tourism Business Council and other industry associations
103. Local tourism associations/ bureaux
104. Industry

Expected Outcomes (potential net economic benefit)

105. Improved, increasingly responsive, effective and timely decision making by all levels of the public and private sector has resulted from the accurate monitoring and measurement of the contribution of tourism to the South Africa economy.

Key Performance Indicators

106. Outcome-based:
- Informed decision making and planning
 - Increasingly effective support and direction provided to the industry by government
 - More focused investment and development (as firms access strategic business information)
 - Additional resources allocated to marketing and development of sector by industry and government.
107. Output-based
- Additional budget allocated for supply side research
 - Detailed industry consultation, followed by buy-in and support
 - ICT systems designed and operationalised
 - Various data sources established and logistics put in place
 - First data report developed and communicated.

Key Action Programme 2: Developing a Real time Product and Tourism Infrastructure Information system

108. No centralized, accurate and up-to-date information resource exists for the tourism sector, providing detailed and accurate records of all tourism businesses and supporting infrastructure. Efforts to date have seen the development of many provincial databases, databases of marketing associations, and the like. However there is no single and reliable source of data on tourist infrastructure linkages, products, investment trends, and performance of the tourism sector.
109. A reliable tourism product and infrastructure database needs to be developed and maintained in order to be able to understand trends, opportunities and constraints, including:
- Size of the subsectors,
 - Growth and decline trends in subsectors,
 - Blockages in terms of tourist infrastructure (transport, visitor information, etc) to allow for markets to reach products,
 - Investment trends,
 - Performance of the sector at the firm-level,
 - Identification of product gaps,
 - Measurement of impacts on surrounding businesses from expansions, closures, new developments (e.g. the recent negative impact that the increase in the number of private game on performance in that industry)
 - Development of appropriate investment incentives that are informed by an accurate understanding of supply and demand,

- Provide new and existing businesses with data to inform decision-making, and
 - Undertake other strategic initiatives as they relate to tourism development
110. This database will assist government and industry roleplayers to better understand a number of trends in the South African tourism sector, and to respond appropriately. This includes clarifying the reasons for perceived overcapitalization in certain product types and areas.
111. This will require an information system to be developed and maintained that captures all supply side activities and performance. In order for the data to be up-to-date and valuable, this system will need to build on the existing data sets and create linkages with local and provincial government, as well as industry.
112. In time, when the information infrastructure is rolled out and established across the country, bottom up information collation will be established. This will benefit firm level decisions by establishing data on local supply and demand conditions, assisting tourism companies to make more informed business decisions on investment, revenue management, market strategies and the like.
113. Communication of the data and dissemination thereof to allow for decision-making to be informed will ensure the ongoing support of the system.
114. Amongst others, it will measure:
- Products and services per category and physical location
 - Capacity and capacity utilization
 - Rates, entrances fees etc
 - Expansions, closures, new developments
 - Capital investment
 - Employment
115. The data generated and maintained by the supply-side database will be fed into the TSA and the investment and product development strategy. Its role, however, will extend beyond providing information to the TSA, to serve additional needs as highlighted above.

The Goal

116. The development of a supply-side database will create valuable information sets, which can inform firm-level and government decisions relating to transport and visitor infrastructure development; investment incentives; product design, configuration and pricing; marketing strategy, etc.

Obstacles to Implementation

117. Industry composed of many small businesses, in order to get and maintain supply side data, coordination challenge is substantial as multiple data sources to be established and managed.

- 118. A lack of standardisation across existing data points
- 119. Resistance in the provision of data from government and private sector
- 120. Varying information technology capabilities exist amongst role players. Developing and implementing a standardized information system will need to address this.

Interventions to Remove Each Obstacle

- 121. Involvement of public and private stakeholders to ensure support, develop strategy and elicit provision of information.
- 122. Directives from national government to ensure provincial and local government support for the project.
- 123. Allocating expert resources, as necessary, to design and delivery a supply side informational management systems.
- 124. Training and developing staff in local municipalities/ tourism offices to manage information systems at local level (in the medium to long term).
- 125. Establishing a customised Record and Information system for tourism.

Levers Required

- 126. Cabinet endorsement
- 127. Funding for continued maintenance and enhancement
- 128. Expert services to set up information system
- 129. A dedicated function, with adequate staffing, to update and manage the system

Progress

- 130. Many of the provinces have already done some work in developing a product database. In addition, certain local authorities and local area tourism associations (be they private or public driven) maintain membership information. The challenge remains to consolidate and standardise these databases and their contents.
- 131. South African Tourism have commissioned Price Waterhouse Coopers to undertake the first phase of a product database. Of the initial funding provided by the DEAT to the TSA, R2,5 million in year 1 will be spent on this first phase. The following activities are planned for Year 1:
 - Design of the architecture
 - Population of the database to produce a register

- Verification of the data
- Consideration of incentives to motivate industry to supply data

132. It is intended that in the medium to long term, additional data will be captured and packaged regarding investment, employment, capacity and utilisation thereof.
133. In the short-term, the product database, its implementation and management, will reside with SAT. Once the database has been populated and is functional, additional services and facilities will be added to it. It is possible that the management of the database will be located elsewhere in the medium to long term. This will be subject to discussions at a later date.
134. Long term plans include ensuring that a centralised system exists across the country and is accessed and updated by product owners and consumers alike. This will require an electronic information management system to be rolled out to all corners of the country, together with requisite training, hardware and support.

Resources Required Starting from a Zero Base

135. Two dedicated people to manage the information collation and dissemination (Years 2, 3, 4, 5).
136. Central ICT system extended, data harvesting, training module for local authorities and associations rolled out across the country: R20 million over Years 3, 4 and 5.
137. Analysis, packaging and communication of data to various constituents: R1 million per annum, from year 1, ongoing.

Risks and Mitigating Actions

138. Lack of allocation of adequate resources could lead to a compromised product and unreliable or unrepresentative data. This will be addressed by endorsement of this prioritized project by Cabinet. The prioritization of this project needs to be effectively communicated across the spheres of government.
139. Inadequate coordination could comprise the smooth running and management of the system. This will be mitigated by the implementing group, and coordination of stakeholders as required.
140. Reluctance or the inability of industry and other stakeholders to supply data will result in incomplete data sets. This risk will be mitigated by ensuring that the benefits to industry must be felt through the provision of meaningful and impactful information and a consideration of incentives to motivate industry support. The regular packaging and dissemination of information is critical in this regard.

141. A lack of local resources and expertise to manage and maintain tourism supply-side data will threaten the reliability and comprehensiveness of the data. This will be mitigated by a localised training programme, incentives and disincentives (e.g write into performance contracts for local tourism office staff).

Implementing Group and Champion

142. South African Tourism (SAT) (project champion Years 1 and 2)
143. **the dti**
144. DEAT
145. South African Revenue Service
146. South African Reserve Bank
147. Department of Home Affairs
148. Tourism Business Council and its industry associational members
149. Local tourism associations/ bureaux
150. Industry

Expected Outcomes (potential net economic benefit)

151. Product database to be searchable by consumers and potential consumers. Increasingly informed infrastructure and product development, investment, marketing work and incentives. Clarity amongst roleplayers regarding performance, oversupply, opportunities and the like which will allow for agreement around priorities and joint action.

Key Performance Indicators

152. Outcome-based:
- Informed decision making and planning
 - Coordinated responses to developing areas for tourism (including considerations of infrastructure requirements and the like)
 - Increasingly effective support and direction provided to industry by government
 - More focused investment and development (as firms access strategic business information)
153. Output-based
- Additional budget allocated for supply side research from Year 2
 - ICT systems designed and register developed
 - Verification of data conducted
 - Supply-side sample surveys implemented

B. Strategic Theme: Broad Based Black Economic Empowerment

Key Strategic Challenge: Limited BEE in the sector

154. Little accurate data exists on the levels and nature of black economic participation within the sector, both at an aggregate and on a sub-sector basis.
155. The tourism sector has much to gain from broadening economic participation. The benefits of this broadened economic participation can be geographically spread across the country, more so than in other sectors. Some of the potential benefits of tourism sector BEE include:
- BEE makes competitive business sense, as it will introduce innovation with new players entering the industry and bringing their experience to bear. This will lead to new markets being attracted and associated product development.
 - Sophisticated international tourists have a desire to be served an integrated, authentic South African experience (which includes the management and ownership of products by the broader South African community).
 - The tourism sector has the potential to grow beyond its current size and this would facilitate the transition and new entry of HDI operators.
 - The fairly low barriers to entry in certain sub-sectors can facilitate the entry of HDI operators with the correct levels of support (with respect to skills for market access and service delivery).
 - The industry is labour-intensive and therefore creates many employment opportunities and management opportunities.
 - The geographic spend pattern of tourists (domestic and international) is able to impact all nine provinces (although not equally) and penetrate urban and rural areas. From a social perspective broadening economic participation will allow for the distribution of wealth across the nation.
156. Addressing the competitiveness imperative of BEE in the tourism sector the Minister of Environmental Affairs and Tourism launched the BEE Tourism Scorecard and Charter in May 2005, after industry engagement.
157. Many industry players have embraced the opportunity to transform their businesses and are keen to access information and/ or support from government in this regard. They wish to know how to engage community partners, where to identify black suppliers of goods and services or potential BEE investors, what sort of different enterprise development models to consider, etc.
158. It is estimated that there are more than 50 000 tourism businesses in the economy. For this reason the BEE challenge, and the support necessary to expedite meaningful transformation, is substantial. To date no central contact point or resource exists to assist tourism businesses to implement the Charter agenda. In order to support the sector to broaden economic access in the best possible

manner for all parties concerned, a one-stop shop needs to be created to address enquiries and provide assistance.

159. The Department of Environmental Affairs and Tourism will, in accordance with the legislative framework surrounding National and sectoral charter councils, as well as the legislative framework surrounding broad based black economic empowerment, establish a National BEE Council for the implementation of the BEE Charter.

Key Action Programme 3: Implementing the Tourism Charter

160. It is proposed that the National Contact Point (Charter Council) be responsible for developing, maintaining and distributing information to support broadening economic access in the sector.
161. Initially the National Contact Point will need to undertake research to better understand the offerings (financial and advisory) in the marketplace. It is likely that access to finance for BEE will be a key theme and thrust. The Contact Point will also need to consider the market access challenges facing emerging entrepreneurs and their role in this regard.
162. In terms of ownership, the Contact Point's activities will include a number of actions including the promotion of black investment in growth areas, and the transformation of current ownership patterns across the whole of the sector. In addition, in order to capture the somewhat unique opportunities provided by the location and labour intensity of the sector, a specific programme will be developed to promote and support broad-based empowerment initiatives through community and employee participation in ownership and management control. A key project will need to be initiated around access to finance for BBBEE.
163. Industry will be supported in driving black management development through THETA having a key focus area the development of management training programmes within tourism; and encouraging industry bodies (eg. SATSA) to provide specific services and support for black managers in the industry – probably in collaboration with organisations such as the Black Management Forum.
164. The Contact Point, through the Tourism Enterprise Programme, will also provide specific services to facilitate tourism enterprise access to the black professional management market, and access to appropriate management development support services.
165. Programmes to drive more generic employment equity in the industry will include recruitment programmes by training institutions and firms in identified areas; human resource development programmes for specific skill categories identified as being under-representative and promotional campaigns to encourage black people to enter training programmes supported by industry. The programme to

drive transformation through skills development (the skills gap is discussed elsewhere under a separate project heading in this strategy) will focus on a BEE-bias to the overall skills development and upgrading programme for the sector.

166. Procurement is one of the key levers available to increase participation by black people in the tourism value chain. The programme in this domain will focus on the development of information and business-linkage services by industry associations at local level; targeted interventions around skills development and market access to enable the development of local black-owned suppliers for key services and supplies; and leveraging enterprise development programmes in related sectors.
167. The enterprise development programme will include the investment promotion programme in targeted tourism sub-sectors on black investors; scaling up the Tourism Enterprise Programme; catalyzing investment support by industry for new collaborative marketing mechanism for small product owners, collaborative consolidation mechanisms for small-scale suppliers (e.g. for local fresh produce growers).
168. Transformation through corporate social responsibility programmes will be supported through a programme that aims to encourage and facilitate investment in the broader community in a manner that adds value to the overall competitiveness of tourism.
169. The 2010 World Cup is an important target, and opportunity, for the tourism BEE programme. Government and the tourism industry will be working closely with the organizing committee to identify the key opportunities and focus areas for the tourism contribution to the event. DEAT, SAT and **the dti** will support the organizing committee to ensure that the partnership and procurement relationships established for 2010 encourage large-scale BEE participation. Particular focus will be placed on:-
- Maximising the packaging of black empowered products and services into the overall tourism aspects of World Cup packages for foreign-fans
 - Development of 2010 packages with a BEE-bias linked to tourism-related experiences for the domestic market
 - Leveraging the buying power of the Organising Committee to drive affirmative procurement of tourism products and services by the Committee itself (e.g. for accommodation and tour operator services for teams and officials). Here, the Organising Committee will be encouraged to send early signals to the market around its affirmative buying criteria to ensure that industry can start responding now.
 - Fast-track recruitment and training programme aimed at enabling maximum black participation in the additional job opportunities created by World Cup in host towns.

The Goal

170. The goal of the National Charter Council is to ensure, through the provision of information resources and support services, that the desire of industry to broaden economic access to all citizens is turned into action. This action must be well informed so as to benefit all stakeholders and in that way, meet the desired objectives of Broad based Black Economic Empowerment.

Obstacle to Implementation

171. Resource requirements: financial, intellectual, technological and human capital.

Interventions to Remove Each Obstacle

172. Ensuring that resources are allocated to the project.

Levers Required

173. Consultation and communication
174. Budget
175. Staffing
176. Customised Information systems
177. Existing offerings that can support transformation (eg the Tourism Enterprise Programme, How to... tips for business developed by Pro-Poor tourism, existing successful Community Public Private Partnership models, Public Private Partnership toolkit for Tourism, IDC, NEF, DBSA, Khula, etc.)

Progress

178. DEAT is in the process of finalising a Charter Implementation Strategy, through a Charter Council.
179. It is recognised that the capacity needs to be created to assist business with transformation through the provision of information, best practice approaches/ models, advice, incentives, linkages and the like.
180. The necessary support services will be subject to further discussion and scoping as per the considerations outlined above. Initial services, may include the following:
- Access to Finance for BEE transactions.
 - A list of potential BEE investors, brokers and funds
 - Guidelines and resources for developing BEE partnerships, particularly those that involve communities.
 - Details of existing government incentives
 - Details of existing financial resources and schemes
 - Database of BEE suppliers

- Dispute resolution mechanisms via Charter Council
- Best practice case studies on BEE enterprise development, marketing associations, CSI, corporate change processes and the like.
- Details of THETA learner ships and training schemes
- Information on TOMSA scheme
- List of dti accredited BEE rating agencies

Resources Required Starting from a Zero Base

181. R6,36 million between August 2005 and March 2006
182. R8,3 million for Year 2
183. R8,7 million for Year 3. Performance against the 2009 targets will be assessed and appropriate action taken.

Risks and Mitigating Actions

184. Duplication of existing offerings could result in confusion and competition between the Contact Point and other institutions. Research and relationship building by the Contact Point will mitigate this risk.
185. Inappropriate or inadequate support to industry could arise if the Contact Point is not able to provide services to support broadened economic participation. This will be mitigated by extensive consultation with industry when developing the business plan and undertaking research, as well as in the implementation of offerings, to ensure they are in line with demand.
186. Inappropriate information systems and response times could threaten the credibility and effectiveness of the Contact Point. This will be mitigated by adequate budget allocation to implement customised and robust information technology systems and professional staff component.
187. Lack of support for industry during the development phase of the Contact Point could lead to disillusionment and ill-informed BEE practices. Support services are already in demand but it will take time to set up the institutional arrangement for the Charter Contact Point and develop the services offered. This will be mitigated by the establishment of a central contact point in the Department of Environmental Affairs and Tourism to keep track of enquiries until such time at the Contact Point is operational. In this regard, in the interim, a database of requests and enquiries should be centrally maintained by DEAT.

Implementing Group and Champion

188. DEAT (Champion)

- 189. TBCSA
- 190. **the dti** and its agencies (Khula, Development Bank of Southern Africa, National Empowerment Fund, Industrial Development Corporation, Small Enterprise Development Agency, Umsobomvu Youth Fund)
- 191. Commercial Banks
- 192. THETA
- 193. Tourism Enterprise Programme
- 194. Industry BEE brokers, consultants, advisors and other private sector parties with expertise and services
- 195. PPP unit in Treasury

Expected Outcomes (potential net economic benefit)

- 196. Broadened economic participation in the tourism sector has addressed the equity objective of government while improving the competitiveness and appropriateness of the destination offering for domestic and foreign tourists alike. BBBEE has also increased and extended investment in the sector through the introduction of new joint ventures and offerings. By 2009 the follow targets have been met:
 - 21% black equity ownership (Tourism businesses with a turnover of less than R5 million per annum are exempted from the ownership requirement).
 - 30% black representation at board level; 15% black women at board level
 - 30% black executive management; 15% black women in executive management
 - 35% black participation at overall management level; 18% black women in overall management
 - 45% black participation at supervisory and junior skilled staff levels; 23% black women at these levels
 - 53% black participation of total staff complement; 28% black women participation as a percentage of total
 - 3% of payroll spend spent on skills development, 75% of which is spent on training black employees
 - learnerships at 2% of total workforce; 80% provided to black people
 - 40% of procurement to be sourced from BEE compliant suppliers
 - 1% of post tax profits contributed towards enterprise development and social development
 - 1% of total management time spent on enterprise development and social development
- total revenue generated or costs saved by black owned SMMEs as a result of Enterprise Development
- 10% of recruits with no priori work experience during the twelve months prior to their prospective employment.

Key Performance Indicators

197. Outcome based: as above
198. Output based:
- Approval by Cabinet.
 - Development of key services and capacity.
 - Staffing and resourcing of National contact point.

C. Strategic Theme: Product Development and Investment**Key Strategic Challenge: Inappropriate Product Development & Investment**

199. Ongoing investment in new tourism products is essential to constantly upgrade and invigorate the destination offering. Investment in tourism allows for the objectives of employment, equity, geographic spread, to be met. New products, if appropriately positioned, configured and priced, can attract and retain new markets.
200. To date, investment in product development has largely been based on anecdote, not market demand and financial analyses. It has also been partly characterised by mimicry, not innovation. There appears to be high levels of copying in the industry, which creates overcapitalisation and excess capacity. More work needs to be done to indicate to the industry where there are product gaps and underserved markets. Research shows, for example, that domestic tourists are not adequately catered to, neither are tourists from some Asian markets. In addition, the supply of cultural product is not yet meeting tourists' expectations of the newly democratised South Africa.
201. Investment needs to occur in a sequenced and coordinated fashion to ensure that optimal benefits are realised. This requires, amongst others:
- the provision of necessary supporting infrastructure, both general infrastructure such as roads, safety and security, etc, and tourism specific infrastructure, like visitor information centres, transportation linkages, etc.;
 - planning that allows for anchor and ancillary product development and explicitly considers and plans for linkages in the local economy;
 - the removal of barriers relating to land tenure and access to finance;
 - the identification, scoping and promotion of projects that are in line with market demand, while contributing towards poverty alleviation and the integration of the second economy.
202. Public sector agencies can play an important role in ensuring that tourism investment, particularly in areas that are underdeveloped, and for markets that are underserved, is focussed, aligned and informed. Crowding of investment into these areas and products, and partnerships between government, the development finance institutions, local and provincial authorities and the private sector is key to financially sustainable tourism development.

203. Currently investment incentives for tourism are not aligned to product development and infrastructural requirements (see Programme 5).
204. Furthermore, there is a particular role for government and its agencies to play in ensuring that information regarding product development opportunities is effectively communicated to potential investors.
205. As product development and investment work within South Africa becomes more effective, an increasing focus will be given to product development in the SADC region as a whole. Activities and initiatives that support regional tourism, such as the Transfrontier Conservation Areas and cross border routes, will be prioritised and supported. Increasing alignment in terms of product development strategy and regional opportunities will be sought through collaborating with various organisations that have a regional focus, such as the International Finance Corporation, European SADC Investment Promotion Programme, United National Conference on Trade and Development and the like.

Key Action Programme 4: Targeting investment to drive Strategic Product Development

206. This project will enable government and quasi-government institutions to more effectively promote appropriate investment in tourism and to diversify the product offering.
207. The project will involve identifying product opportunities, packaging and promoting these to investors. It will also involve aligning and focusing the activities of the investment promotion authorities (“crowding in” support to particular areas) to ensure that optimal impacts are realised from promotional work.
208. This will include:
- Identifying, packaging and promoting product gap project opportunities (based on trends in market demand) in the various regions of South Africa (and Southern Africa), particularly those that are poverty stricken, based on an understanding of market demand.
 - Working with the investment promotion authorities to determine the feasibility of existing government priority projects and to package and market these more effectively. Many of the existing government priority projects are Public Private Partnerships, for this reason, capacity needs to be built amongst the relevant officials to manage the PPP process effectively.
 - Identifying corridors and nodes for investment, with anchor projects and cluster development.
 - Developing an approach to unsolicited private projects.
 - The coordination and sequencing of investment will be critical to achieving high impacts. In this regard, in certain areas product development will need to identify and address barriers – such as lack of land tenure, transport

- infrastructure and access to finance – to private sector investment.
 - Developing a promotional strategy for the various tourism projects, including identification of both domestic and foreign investors and channels through which to communicate with them.
209. Leveraging off the World Cup investment programme. This should include:-
- working with provincial authorities to identify specific tourism facility gaps for host towns, and the development of plans to address these gaps
 - Promotion and facilitation of investment opportunities that have strong leverage opportunities associated with 2010. This will include a co-ordinated programme to support enterprise and product development in targeted areas involving fast-tracking investment incentives, the deployment of TEP programmes etc.
 - Structured programme of packaging new and exciting tourism elements into 2010 packages that advance the BEE benefits of the World Cup.

The Goal

210. To facilitate investment flows into geographic and thematic areas which are underserved in order to support and expand a competitive tourism sector.

Obstacles to Implementation

211. Inadequate infrastructure and other barriers to investment (land tenure, finance, etc).
212. Lack of a clear understanding of product gap opportunities.
213. Misalignment and inadequate tourism specific capacity in various spheres of government and its agencies.
214. Investors may be suspicious of government led investment opportunities, based on some negative historic PPP experiences.
215. Inadequate scoping to establish commercial attractiveness of product development opportunities resulting in inappropriate project identification and promotion.

Interventions to Remove Each Obstacle

216. Understanding the supply-side constraints and trends, and accordingly, product gaps, will be established through the development and maintenance of improved supply-side data (see Programme 2)
217. Getting necessary approvals and support from interested and affected parties in both public and private sectors and all spheres of government. In this regard, developing a best practice approach to crowd in support for priority projects and public sector investment promotion work.

- 218. Ensuring that the PPP toolkit for tourism is communicated to officials responsible for managing investment on the ground, and that customised training takes place as necessary. Developing relationship between project sponsors and Treasury to ensure that the requisite procedures are followed.
- 219. Undertaking scoping and prefeasibility studies into a range of potential value-added products to ensure viability thereof and appropriate product configuration.
- 220. Developing and communicating market research to potential investors.

Levers Required

- 221. Information system to inform product gap and infrastructure identification (see Supply Side Project – Programme 2)
- 222. Joint public and parastatal approach to sequencing, crowding in and supporting priority investment.
- 223. Budget to scope, package and promote priority investment projects from **the dti**

Progress

- 224. Much progress has already been made. In mid-2004 **the dti** initiated a monthly Provincial Investment Promotion Authorities (PIPAs) forum, together with DEAT. An investment framework for tourism was developed which identified the approach, as advocated above, to product development. The first ever investment promotion stand was held at Indaba in May 2005 as a joint initiative of the PIPA forum and its participants. This stand promoted the first set of 13 tourism priority projects, identified by the provinces and DEAT, to foreign and domestic investors alike.
- 225. In addition, concurrent to this process of aligning tourism investment authorities and developing a methodology for the identification, scoping, packaging and promotion of projects, the Global Competitiveness Project Phase 2 identified additional product gap opportunities in certain areas of the country. A portfolio of projects ranging from broad infrastructural needs (safety and security, roads, visitor information services) to tourism product gaps, such as beach resorts and interpretative facilities were identified for investment purposes. The methodology employed in identifying certain infrastructure and product gaps will be expanded to the consideration of further opportunities.
- 226. Further work is required to take certain of these identified product gap opportunities and scope them, as well ensure that local stakeholders (e.g. local municipalities) endorse the project ideas. Agreement with various stakeholders around the sequencing of investment will need to take place and be instituted. It is critical that linkages and clustering occurs in these areas to ensure that the second

economy is integrated. Thereafter pre-feasibilities can be conducted for each of the projects that will then be added to the existing 13 priority projects and marketed to investors.

Resources Required Starting from a Zero Base

227. An additional human resource at Deputy Director level in **the dti** to lead the process of scoping, consulting and assessing the identified product development opportunities. Many of the projects will require additional consultation with stakeholders in the local area to confirm land tenure issues, gain municipal endorsement, and create buy-in and support. Thereafter joint planning with national and provincial project (e.g. introducing projects to the development finance institutions and leveraged other support) will be necessary before pre-feasibility studies can be undertaken.
228. R1,25 million in year one for 5 pre-feasibility studies; R2 million in year two for 8 pre-feasibilities.

Risks and Mitigating Actions

229. Lack of local support for projects may result in the projects not being fast-tracked. Local discussions, additional research, scoping and reconfiguration of project in line with a more detailed understanding of local conditions will mitigate this.
230. Inappropriate supply side considerations resulting in major bottlenecks relating to general and tourism infrastructure, not being addressed thus compromising the commercial opportunity.
231. Investor confusion and distrust as a result of the PPP processes that will be required in those instances where a state asset or function is involved. Ensuring that the local and provincial project sponsors understand the PPP requirements and process, and are effectively able to communicate these to potential investors, as well as manage the process will mitigate this. The recent Tourism PPP toolkit produced by Treasury, will be a useful resource in this regard.
232. A lack of investor interest is a risk. This will be addressed by targeting appropriate investors, particularly in the areas where the projects are located. In addition, a list of BEE investors/ investment funds will be identified to drive BEE investment in the sector; as will Corporate Social Investment funds. Community Public Private Partnerships will be supported. **the dti**'s FERs will be utilized to identify potential and appropriate foreign investors, or Joint Venture partners, although it is recognized that most of the investment is likely to be domestic.
233. Lack of alignment of investment promotion authorities continues to be a risk. An ongoing forum is necessary, to not only align national and provincial government

and its agencies, but also include local investment promotion authorities. This will ensure a coordinated approach to investment promotion is taken.

Implementing Group and Champion

- 234. **the dti** (project champion)
- 235. DEAT
- 236. Provincial Investment Promotion Agencies
- 237. Provincial departments and tourism authorities
- 238. Treasury's PPP unit
- 239. Local authorities
- 240. IDC
- 241. DBSA
- 242. Sector Experts
- 243. Private sector

Expected Outcomes (potential net economic benefit)

- 244. Increased levels of targeted investment have been experienced in the sector, addressing product gaps and allowing the sector to attract and serve foreign and domestic tourist markets. Infrastructure blockages have been addressed. BEE equity ownership levels have increased, as has community participation in ownership and management of the country's tourism assets. Product has been developed to meet the demands of 2010 and a sustainable tourism sector beyond 2010. Poverty alleviation has progressed through the development of tourism product in poor areas of the country, allowing for increased geographic spread.

Key Performance Indicators

- 245. Outcome based:
 - Increased FDI and domestic investment in the sector
 - Increased BEE ownership of Product, including community ownership
 - Increased Geographic spread of new investments
- 246. Output based:
 - Selection of major market-led project opportunities
 - Coordinated intergovernmental approach to identifying bottlenecks and blockages and leveraging support

- Additional scoping work undertaken and stakeholders consulted, recommendations tabled
- Inclusion on investment promotion programme
- Investment landed.

Key Strategic Challenge: Lack of appropriate tourism incentives

247. Government should support development of new tourism products that improve the competitiveness of the destination offering, particularly product that caters to underserved markets. One of the ways in which to encourage industry to invest in certain product categories, and certain geographic areas, is through providing financial incentives to this end.
248. Existing government incentives are not optimally configured to assist any of the services sectors, including the tourism sector, to achieve its competitiveness objectives. Certain of the existing dti incentives are not open to tourism applications as they focus on the more traditional resource based and manufacturing sectors. Other incentives do include tourism but these incentives are not necessarily informed by government's objectives for the sector.
249. An associated concern is that without strong growth in tourist arrivals (market expansion), little new investment in product is likely. An incentive to encourage market growth (demand side) may be a more effective and sustainable in driving new investment, than a rebate stimulating capital expenditure (supply side).
250. A lack of comprehensive and reliable information regarding supply-side conditions hampers the development of an appropriate incentives for investment. This will be addressed by developing a supply-side database and information management system (see Programme 2).

Key Action Programme 5: Tourism Incentives Research Project

251. A dedicated project must be initiated to assess existing offerings, establish which tourism projects should be incentivised, and then design and develop more appropriate incentives for the tourism sector. The following broad guidelines should inform the tourism incentives research process:
- Clear articulation of which tourism gaps and/ or blockages/ or opportunities could appropriately be addressed through incentives. (It is recognised that not all tourism blockages should be addressed through incentives). There have been a number of suggestions for various incentives, from incentives to airlines to market South Africa, to incentives to address seasonality, product gap, the cost of BEE compliance, BEE finance, geographic spread, destination marketing, etc. In this regard it is critical that the primary economic objective be articulated clearly, to guide the incentive development. It is unlikely to be possible for one incentive to create employment, product diversity, SMME

development, BEE and geographical spread. Hard choices will have to be made in order to develop a tailored incentive.

- An integrated and informed approach needs to be undertaken that considers the work of other tourism support initiatives (such as the Tourism Enterprise Programme). Incentives need to support the broader tourism development approach in place, rather than duplicate or compete with existing offerings.
- An understanding of the extent to which the General Agreement on Trade in Services (GATS) accommodates incentives. Incentives must be WTO compliant.

The Goal

252. To ensure the development of appropriate tourism incentive/s to advance the competitiveness of the sector as a whole.

Obstacle to implementation

253. Budget to undertake rigorous review and provide detailed recommendations
254. Funding, systems and human resources for the implementation of the proposed incentive.
255. A lack of agreement around what should be incentivised.

Interventions to remove each obstacle

256. Consulting industry and other stakeholders to reach agreement about the focus of the customised tourism incentive.
257. Establishing accurate and reliable data to inform incentive design.
258. Recognising the incentives review for tourism as key priority programme, and providing it with necessary the necessary resources.

Lever required

259. Supply side database (Programme 2)
260. Stakeholder consultation and agreement
261. Budget for research phase from **dti**.

Progress

262. A number of meetings and informal discussions have been held with various stakeholders regarding incentives. There is broad agreement that existing incentives are not optimally configured to support qualitative tourism development.

263. It will be important to consider the extent to which existing incentives relating to SMME development and market access can be better configured/ modified in order to support tourism. It may not be appropriate or necessary to design and implement a customized incentive for the sector. This will be determined by in-depth research and discussions with stakeholders. Incentive development occurs in the context of government's objective of supporting the development of transferable skills in the economy, relating to generic business development and marketing strategies. A special case would need to be motivated for the development of a customized incentive, rather than the improved application and extension of existing incentives to tourism.
264. Furthermore, it is recognized that adequate supply side data is not yet available to clearly guide the development of investment incentives. This will be addressed through the development of a supply-side database (see Programme 2).

Resources required starting from a zero base

265. R2,5 million for incentives research review, industry consultation, design, development of incentive/s by consultants.
266. Budget required for incentive implementation to be indicated after research phase depending on the nature of the recommendations.

Risks and Mitigating Actions

267. Lack of data to inform incentive design. This will be addressed by the development of a supply-side database (Programme 2) and a coordinated approach to product development and investment (Programme 4).
268. Lack of clarity and agreement regarding the most appropriate incentives and the role of the incentives in the economy may retard the process of recommending incentives. This will be addressed through a consultative and rigorous research and design process.
269. Lack of support from National Treasury to fund a tourism incentive. This will be mitigated by including Treasury in the research, consultation and design process, ensuring their contribution to and involvement in the process and comfort with recommendations that ensue.
270. Risk of insufficient buy-in from The Enterprise Organisation of **the dti**, who need to drive the development process and the approval from Cabinet and allocation of resources. This will be ensured through involvement of TEO from outset and their guidance in developing recommendations.

Implementing Group and Champion

- 271. **the dti** Trade and Investment South Africa and TEO (Champion)
- 272. Treasury
- 273. DEAT
- 274. TBCSA
- 275. Industry players
- 276. TEP
- 277. Sector experts

Expected Outcomes (potential net economic benefit)

- 278. New foreign and domestic investment in the tourism sector has been realized in areas that support the development of a more employment creating and competitive sector.

Key Performance Indicators

- 279. Outcome based:
 - Increased investment associated with incentivisation of business
 - Increase job creation
 - Greater product diversity
 - Increase BEE ownership of sector
 - Greater geographic spread
- 280. Output based:
 - Indicative Supply Side data in place
 - Budget allocated for research
 - Consultations with stakeholders
 - Informed and supported recommendations
 - Treasury go-ahead
 - Incentives developed by **the dti** (TEO)
 - Cabinet approval
 - Allocation of funding and resources to **the dti** (TEO) to administer incentive

D. Strategic Theme: Tourist Transportation

Key Strategic Challenge: Inadequate tourist transportation

- 281. In addition to the perceptual barriers facing potential tourists to South Africa, inadequate tourist transportation services exist both in getting tourists to South

Africa and moving them around the country. Ground transportation and air transportation services must be addressed to allow for the free movement of tourists at competitive rates.

282. In this regard, road and rail transportation for tourism need to be improved considerably, particularly in light of the likely stresses that will be placed on the transportation system during the 2010 World Cup. Discussions with DoT will be initiated to this end. Further programmes relating to ground transportation are likely to be included in future versions of the Sector Development Strategy, once greater clarity regarding appropriate action has been achieved.
283. In terms of transport constraints, in addition to ground transportation constraints, airlift access, capacity and pricing restrains growth in tourist arrivals.

Key Action Programme 6: Dedicated Airlift Programme

284. The existence of airlines, the available capacity, and the prices at which seats are sold are the function of a highly complex set of dynamics, including the regulatory environment, economies of scope and scale in the aviation market, and competitive conditions.
- In terms of access, at present appropriate air links exist to most major South African source markets. China and Japan are underserved.
 - Capacity constraints exist on a seasonal basis for certain segment-specific growth markets in the UK, France, China, Japan and Nigeria. Re-routing provides additional capacity, however it may pose a competitive barrier for certain segments that prefer direct flights e.g. business, senior and family travellers. Charter airlines serve various small destinations, but at a substantial premium, limiting distribution of tourists to more remote areas.
 - In terms of pricing, airfares represent a significant portion of total holiday cost, and are an important psychological barrier. Limited competition on the US and certain African routes appears to be keeping prices high. Indirect routings, and strategic misalignment between airlines and SAT, are driving high prices on links to the Far East compared to competitor destinations.
285. A dedicated airlift programme needs to be activated to track, assess and act to ensure adequate air access to South Africa from major tourist source markets.
286. The DoT has the responsibility to ensure that appropriate airlift is available in order for South African economy to grow. DEAT currently compiles data on airlift to South Africa. For this reason it is recommended that the strategic airlift programme be initially expanded within DEAT and that DEAT takes the lead in galvanizing a tourist focus to airlift. The following key elements need to be addressed:
287. Tourism focus to international aviation policy
- The Department of Transport, with the support of the DEAT and **the dti**, is currently reviewing international aviation policy. It is government's intention

to ensure that tourism competitiveness and growth represent a key goal of the new policy in addition to the growth of the South African aviation sector.

- DEAT to ensure that the Department of Transport will in addition monitor and track data regarding aviation capacity and pricing, and will provide early-warning signals to both the airline and tourism industries.

288. The role of the National Carrier

- Competing views exist regarding the role of the national carrier. This needs to be resolved.

289. Flexible bilateral framework

- Government will be working with the airline industry and its partners in major tourist source markets to find ways of reducing the barriers that currently limit available capacity on key routes. In Africa in particular, Government will be supporting and promoting the implementation of the Yamoussoukro Agreement as the key to ensuring a more flexible operating environment for airlines. At the same time, the DoT will work to ensure that strategic bi-laterals allow for greater flexibility.

290. Promotion of competition

- The cost of airline tickets to South Africa represents the single biggest cost element of most holidays to South Africa. That component is currently a major barrier to South Africa being able to access the majority of consumers in its target segments. This is particularly the case on routes where competition is low or non-existent. Government will promote competition between SA carriers on international routes as part of this effort. It will also look for new ways to help stimulate robust participation by carriers from the major source markets – particularly in Africa – to ensure that airline pricing supports competitiveness of the destination in the long run.

291. Review regulations around charter tourism services

- DEAT will work with the Department of Transport to address the challenge presented by transport operating license procedures and how these restrict the ability of tour operators to adjust schedules and packages according to short-term tourism demand patterns. In particular, the DoT will consider:-
- Whether the operating license procedure for tourism charter services should be separate and different for those applicable to scheduled passenger services. Operators need to be flexible – and route-based permitting clearly limits the ability of tour operators to serve shifting and flexible demand patterns. The application of a different regulatory approach for charter tourism services will need to take account of the challenges this may present for policing the system where certain operators operate across the charter and scheduled services market.
- More efficient and less costly ways in which operators can be licensed across multiple provincial jurisdictions. The current model requiring application to each provincial licensing board is costly, and may well be having the effect of

raising the barrier to entry for smaller players – and therefore also making the inclusion of multiple provinces on itineraries more difficult.

292. Domestic Route Development:

- The drivers and barriers to domestic route development need to be better understood and discussed with the airline industry. In this regard, government and the broader tourism sector may need to partner airlines to open up new domestic routes to allow for the spread of tourism and associated benefits in terms of geographic spread.

293. Operational issues:

- Various operational issues including 5-year business planning cycles by airlines; factors affecting profitability; seasonality in tourism; availability of skills, particularly pilots; freight vs. passenger business models, etc. need to be investigated to develop a better understanding of the operational constraints facing the aviation industry as it pertains to South Africa in order to advocate remedial action.

294. Airlift Capacity and Tourism Public Transport and 2010

- The 2010 World Cup will require the provision of additional capacity in transport services during the period of the games – both to South Africa, and within the country. Government will be taking steps to ensure that that additional capacity is available at competitive prices. It is Government's intention to also ensure that investments in both services and infrastructure around the World Cup are legacy investments that can be leveraged to support tourism and other transport needs beyond 2010. The programme of action towards 2010 includes:-
 - The DEAT and SAT will proactively engage with tour operators and airlines to package offers for the 2010 period. This process will include the forward planning of additional scheduled and charter flights from key source markets to South Africa – and within South Africa around the match schedule.
 - DEAT will provide an information service on expected demand patterns to both the DoT and ACSA to enable forward capacity planning.

The Goal

295. To ensure that adequate airlift access, capacity and market related pricing is in place between South Africa and its main tourist generating markets.

Obstacles to Implementation

296. Conflicting objectives governing aviation considerations

297. Lack of common view around the role of the national carrier and aviation policy

298. Global aviation regime and rules hinders flexibility

299. Lack of understanding of operational challenges facing the aviation industry

Interventions to Remove Each Obstacle

300. Extending and prioritizing the aviation monitoring activities at DEAT.
301. Soliciting Cabinet level support for and recognition of the need for activating an airlift programme at DoT with core functions as outlined above.
302. Employing expert resource/s in aviation environment.

Levers Required

303. Cabinet decision and instruction
304. Additional human resource allocated to DEAT to initiate and build aviation programme and partnership. Thereafter to represent the tourism sector's interests in discussions with "activated" tourism aviation component at DoT.
305. Budget allocation to DoT to establish/ activate programme, this could involve recruiting an expert and support staff.

Progress

306. The Global Competitiveness Project jointly commissioned by DEAT, **the dti** and SAT, researched the airlift constraints on tourism arrivals and identified blockages.
307. An initial meeting between DEAT and DoT took place in late 2004. Additional consultation needs to occur to determine take discussions further.
308. An aviation function exists at DEAT, ostensibly researching demand on routes. This function needs to be better resourced and their work prioritized to drive improvement in both the policy and the operational environments as it relates to tourist aviation in South Africa.

Resources Required Starting from a Zero Base

309. Director of Tourism Aviation to be appointed at DEAT to drive process of policy and operational review of aviation in South Africa, from a tourism perspective.

Risks and Mitigating Actions

310. Competing objectives threaten the full and effective implementation of a dedicated airlift programme. Developing a dedicated function at DEAT to facilitate research, strategy, discuss and action with DoT will mitigate this.

Implementing Group and Champion

- 311. DoT (Champion - ultimately)
- 312. DEAT (Champion - initially)
- 313. SAT
- 314. DPE
- 315. **the dti**
- 316. Board of Airline Representatives in Southern Africa
- 317. ACSA
- 318. Airline Association of South Africa

Expected Outcomes (potential net economic benefit)

- 319. Increased foreign tourist arrivals, with associated increased receipts, employment, exports, forex and investment.

Key Performance Indicators

- 320. Outcome based:
 - 10 million foreign tourist arrivals by 2014.
- 321. Output Based:
 - Cabinet decision.
 - MOU between DEAT, SAT, DOT, DPE, **the dti**, etc.
 - Financing and institutional arrangement confirmed.
 - Director appointed

E. Strategic Theme: Employment, Productivity and Skills**Key Strategic Challenge: Skills Gap in the Sector**

- 322. The competitiveness of the tourism sector in South Africa is being hampered by a failure to fill key human resource gaps and systematically upgrade skills.
- 323. The skills offered in tourism establishments and services are part of the destination experience. Poor service levels create an unfavourable impression amongst tourists.
- 324. Drivers of the skills gap include:
 - A fragmented sector with a myriad of businesses and training institutions
 - A lack of comprehensive research clearly indicating the state of the skills

challenge in the tourism economy and inability of the stakeholders to define the skill set required to succeed in this industry

- An inappropriate legislative environment for the SETAs
- Misaligned educational curriculum and an inappropriately designed and poorly reactive education system
- Inappropriate hiring practices of the industry that reinforce the skills shortage
- Restrictive workplace entry requirements including much emphasis on practical experience
- Positioning of the industry as job creator means it attracts a sub-set of people who are looking for a job and not necessarily interested in the industry
- Inappropriate incentive and reward systems, with poorly paid jobs.
- Poor perceptions around the attractiveness of the industry (particularly for BEE candidates).

Key Action Programme 7: Building a Skills Partnership

325. Coordinated action across the cluster is required by role players including: industry and its associational bodies, the Department of Labour (DoL), Department of Education (DoE), THETA, Educational Institutions, DEAT, SAT and **the dti**.

The Goal

326. The goal of the initiative is to build a partnership approach to skills development to ensure that adequate and appropriate skills are available to support a growing tourism sector. This involves creating mechanisms and facilitating an environment where all stakeholders are able to jointly plan, initiate and implement skills work. It involves building an environment of trust and transparency, as well joint action and commitment.

Obstacles to Implementation

327. Legislative environment not conducive to creating a facilitative context for SETAs to provide services: financial constraints.
328. Education curricula is not aligned to the needs of industry.
329. THETA lacks stakeholder support to effectively drive renewed and reinvigorated approach.
330. Educational and training institutions are numerous and fragmented.
331. Industry appears to prefer training in house than paying more for already skilled staff.
332. The sector is diverse and requires an array of different skills.

333. Tourism is not able to offer the same salaries as other sectors, which limits its ability to attract HDI candidates

Interventions to Remove Each Obstacle

334. Developing and mobilising a partnership to develop a shared vision and jointly identified and agreed to interventions.
335. Creating a supportive and appropriate legislative environment for THETA.
336. Developing and implementing appropriate educational curriculum for tourism in schools.
337. Identifying the skills gap through taking a demand driven view.
338. Ensuring appropriate information about Tourism is communicated to prospective employees.

Levers Required

339. Industry and government advocacy.
340. DoL Policy review of SETAs and revisions to improve operating environment.
341. Comprehensive research study into skills, to develop understanding and build partnership approach.
342. DoE to alter Education Curricula to better represent the field of Travel and Tourism and to equip learners with useful and necessary skills.

Progress

343. In an attempt to better understand the nature of the skills gap and its barriers, South African Tourism and the Department of Environmental Affairs and Tourism commissioned some sample based research to this end. The findings of the research were discussed and workshopped between **the dti**, DEAT, SAT and THETA in March 2005. It was agreed that more work was necessary to overcome the skills gap and improve the capacity of THETA.
344. Discussions with industry in June 2005 indicated that a rehaul of the legislative and educational environment around THETA is required to successfully address the skills challenge in the Tourism sector. DEAT and **the dti** were requested to approach DoL and DoE to initiate discussions to this end.
345. THETA has initiated a process of developing the unit standards for tourism and codification of the various skills sets required.

346. Other skills initiatives include:
- The Welcome Campaign, launched in May 2005 by the Minister of Environmental Affairs and Tourism, seeks to improve the customer focus of front of house staff, including Customs and Immigration officials.
 - The Tourism Enterprise Programme has launched a set of skills training interventions for new and existing tourism businesses, which is supported by DEAT. This integrated training programme includes modules on understanding the tourism sector, markets and marketing strategies, product development, customer service, financial and other business management skills, etc.

Resources Required Starting from a Zero Base

347. R7 million for extensive study into the skills context, characteristics and gaps in the sector: a skills audit.

Risks and Mitigating Actions

348. THETA lacks a supportive policy and curriculum environment, and legitimacy as an institution in the eyes of the industry. At present there appears to be no jointly defined or agreed strategic direction across role players to implement systemic skills upgrading. This will be mitigated by a renewed approach by industry and government to address the underlying factors relating to skills and further research to develop a better understanding of the skills gap. The proposed research study will be utilized as a platform for industry, government and THETA to jointly identify goals, obstacles and strategic actions necessary, based on a better understanding of the skills gap challenge facing the sector.

Implementing Group and Champion

349. Department of Labour
350. Industry
351. THETA
352. DEAT
353. SAT
354. TBCSA
355. **the dti**
356. Education and training institutions
357. Department of Education

Expected Outcomes (potential net economic benefit)

358. A partnership for skills development has been established in the sector. This has created an effective training and education environment for the production of skills to support a globally competitive tourism economy. The growing tourism sector in South Africa employs and rewards staff and creates opportunities for career growth.

Key Performance Indicators**Outcome-based:**

359. More direct full time employees in sector.
360. Increase BEE in workforce, both in general and at management and board level.
361. Improved employment “take up” rate of travel and tourism graduates.
362. Increased numbers of learnerships.
363. Increased collaborative training programmes jointly deigned and undertaken by training and educational authorities and industry.

Output- based:

364. Consultation forum between industry, education and training institutions, and THETA established to identify way forward.
365. Terms of reference of skills study developed and research implemented.
366. New THETA focus and programmes agreed to and communicated.

Conclusion

Summary: Key strategic themes for the Tourism Sector

367. It is clear that the themes are closely interrelated. Improved information will allow for more focused and market-aligned product development, and customised tourism incentive/s. It will also allow for the skills gap to better understood and addressed, a broadening of economic participation in tourism to be supported, adequate airlift to be provided and tourism’s contribution to the local, provincial and national economies to be established.

What is it that this strategy will deliver?

368. A successful implementation of a strategy of this nature will deliver by 2014:
- 10 million foreign tourist arrivals per annum and 80 million domestic trips per annum
 - More jobs created per tourist, as investment is made in human capital

- Meaningful and substantial black economic participation, across all subsectors and in all sizes of tourism businesses
 - R75 billion in foreign exchange earnings per annum from tourism
 - R3 billion in new investments in tourism from projects facilitated by public sector tourism investment promotion representatives
 - Increased competitiveness of small medium micro enterprises, leading to additional investment, job creation and exports.
 - Increased value capture per tourist, around the country, supporting the geographic spread of tourism benefits.
369. There are a number of areas that have not been concentrated on sufficiently in this strategy and are recognised as key issues, these are:
- Ongoing institutional alignment
 - Tourist Safety and Security
 - Tourist land transportation
 - Market Access for SMMEs
370. This document begins to develop a strategic response to the substantive challenges and outlines a number of key strategic themes to position South Africa as a globally competitive tourist destination.

Factors Influencing Successful Delivery

371. Successful delivery of this strategy requires:
- Strong leadership, which is going to be able to drive this process and each of the projects identified in this strategy. Leadership will need to create alignment across all stakeholders in the sector.
 - Outcome and output-based key performance indicators are critical and need to be used as the basis on which progress is judged. Without such a scoreboard, the vision cannot be managed. Baseline information for the measurement of key performance indicators is not readily available, and, in the instance of some of the key strategic projects, will need to be developed.
 - Key action programmes need to be well-resourced, and communicated in a meaningful way to all stakeholders.

Next Step for the Tourism Sector

372. Confirmation and finalisation of projects and project scoping with constituents. Thereafter resource allocation and project plan development for each of the key action initiatives.

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