



**Department of Environmental
Affairs And Tourism
and the DTI**



SOUTH AFRICAN TOURISM

Global Competitiveness Project

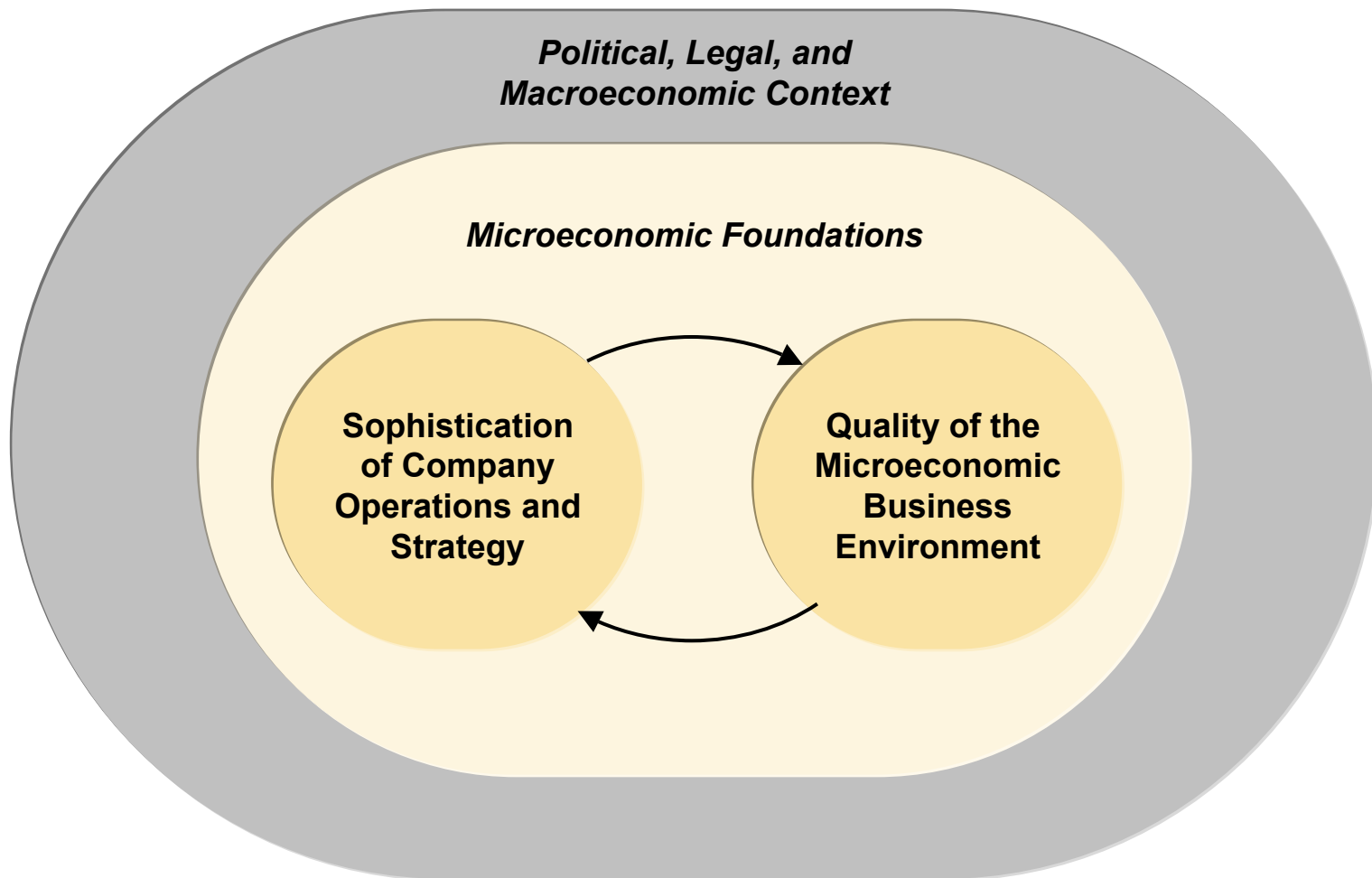
**Evaluating the Role of Tourism as a tool for economic development
in a regional-economic context: the case for South Africa and the
Africa Union"**

May 2005

Agenda

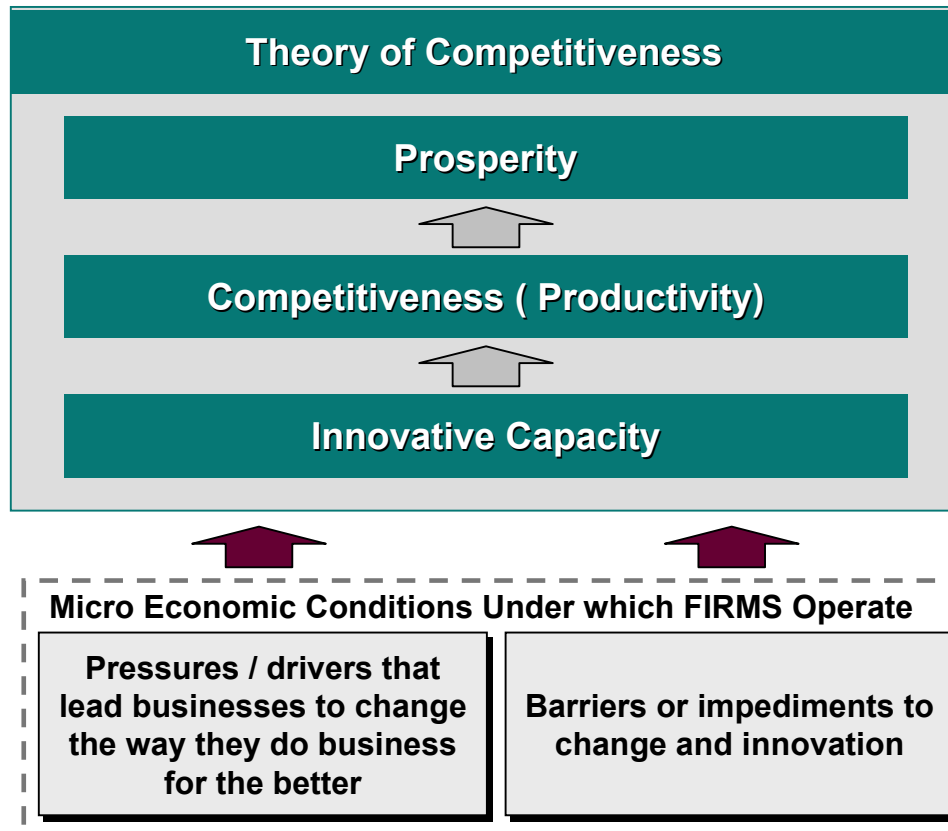
- **What does industry competitiveness mean?**
- How has South Africa chosen to compete in the global tourism market?
- A framework for understanding what is required to enhance competitiveness
- What are the key competitiveness findings from GCP Phase 1?

Competitiveness ultimately depends on improving the microeconomic foundations of competition which will then drive country competitiveness



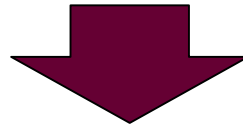
Sound macroeconomic policies and a stable political / legal context are *necessary* but not sufficient to ensure a prosperous economy

Long-term competitiveness of an industry hinges on how innovative firms are in their product and business operations



Therefore, competitiveness is the long-term outcome of firm level choices

- The most important sources of prosperity are **created** not inherited
- Productivity does not depend on **what** industries a region competes in, but on **how** it competes
- A region's standard of living (wealth) is determined by the **productivity** with which it uses its human capital and resources
- It is **firms** that utilize capital and resources in investment and product decisions



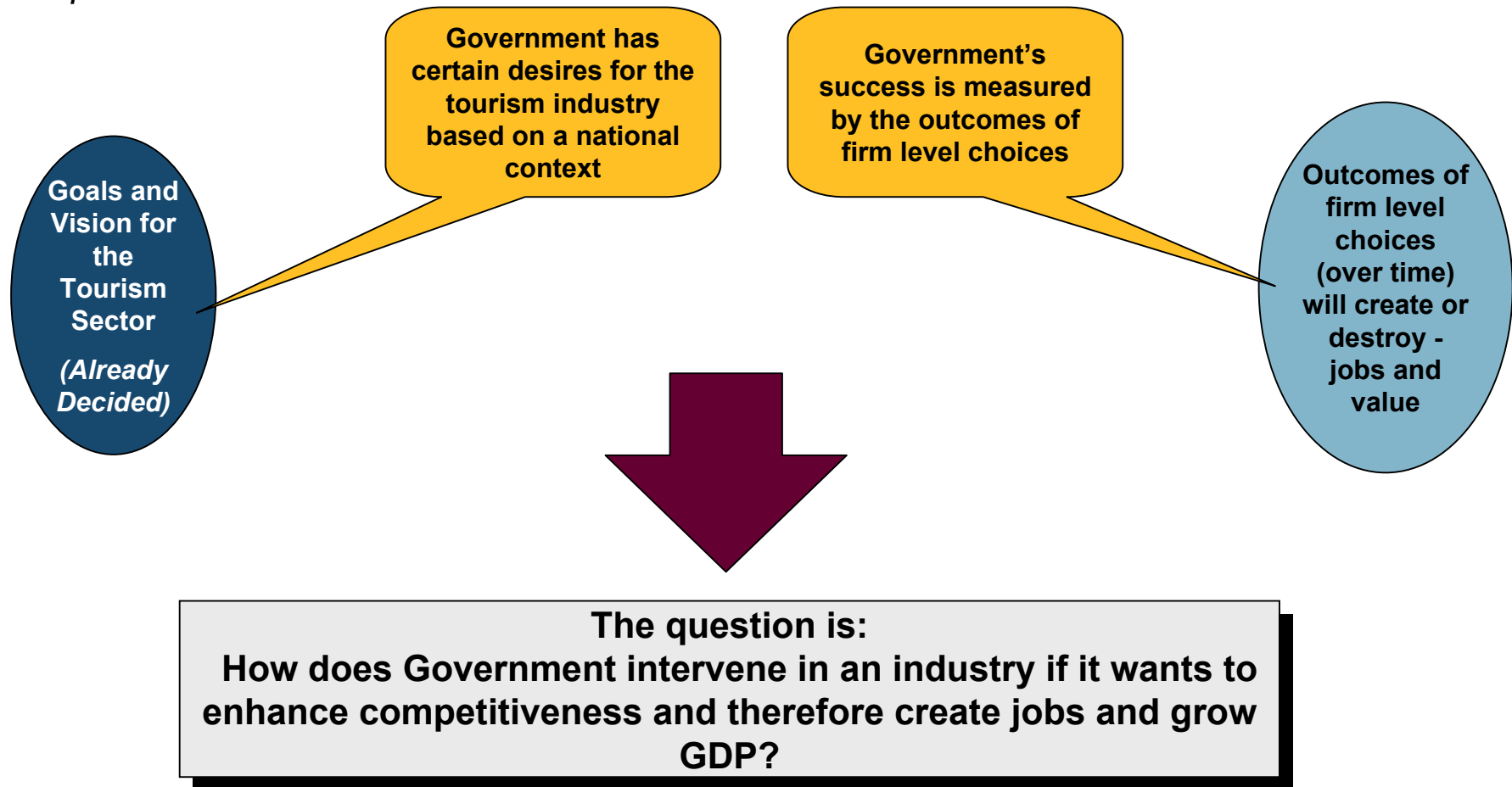
**The outcome of FIRM LEVEL DECISIONS
determines the level of competitiveness
and therefore, prosperity within a country
– given the right macro and micro
economic conditions**

Agenda

- What does industry competitiveness mean?
- **How has South Africa chosen to compete in the global tourism market?**
- A framework for understanding what is required to enhance competitiveness
- What are the key competitiveness findings from GCP Phase 1?

Enhancing competitiveness is ultimately about enhancing firm-level decisions

We need a framework for understanding what actions can be taken that will have a positive impact on firm level decisions. This means understanding the decision making process and its inputs.



As tough choices were required it was imperative at the outset of the project to state the national mandate and objectives for SA tourism

The Tourism Act's mandate to SA Tourism is ...

Sustainable GDP Growth

Sustainable job creation

Redistribution and transformation



... through six key objectives ...

Increase in tourist volume

Increase in tourist spend

Increase length of stay

Improve geographic spread

Improve seasonality patterns

Promote transformation



... by acting in a focused way to ...

Understand the market

Choose the attractive segments

Market the Destination

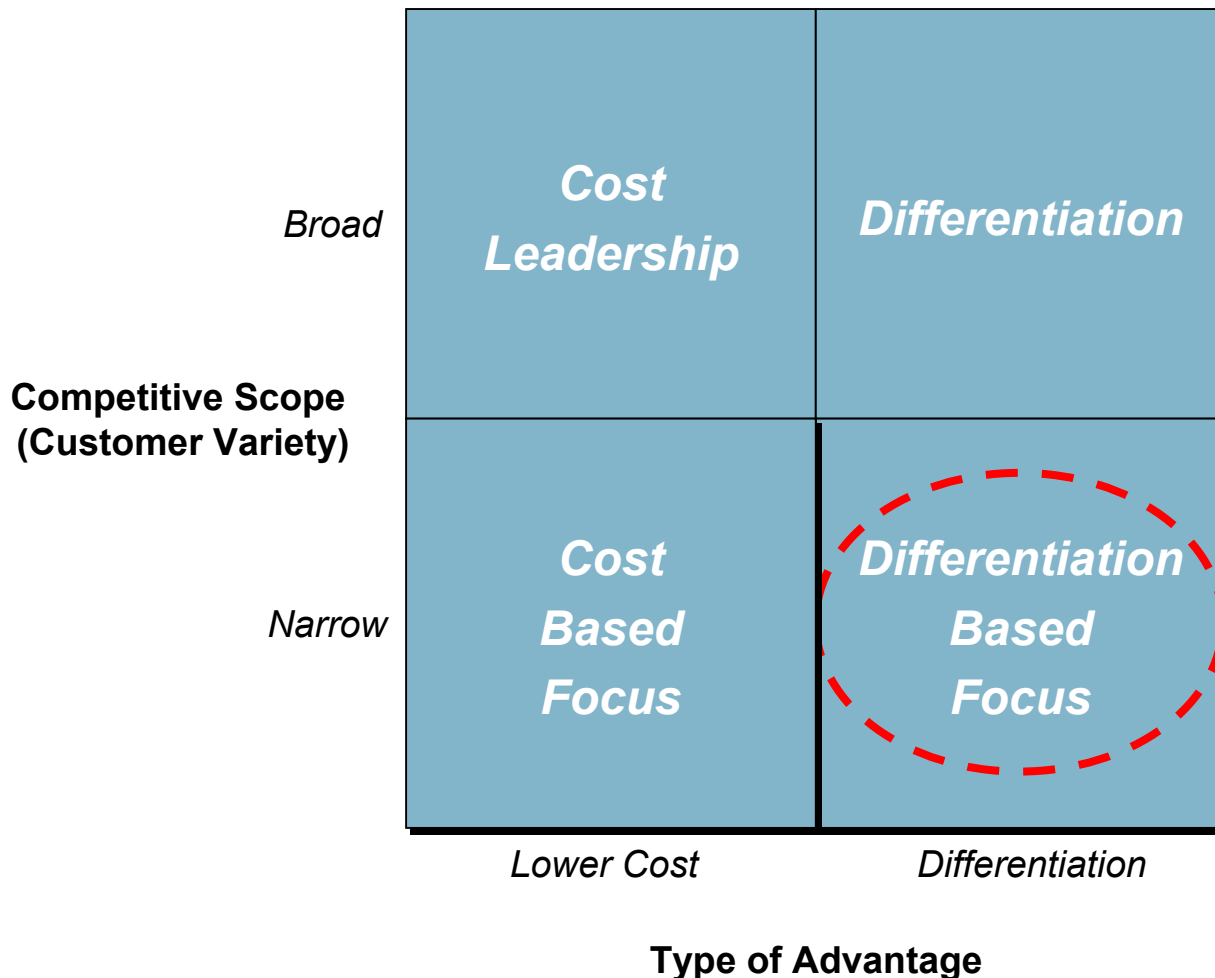
Facilitate the removal of obstacles

Facilitate the product platform

Monitor and learn from tourist experience

Government and South African Tourism have already taken the lead by defining the preferred mode of competition in tourism

Choosing a Competitive Position



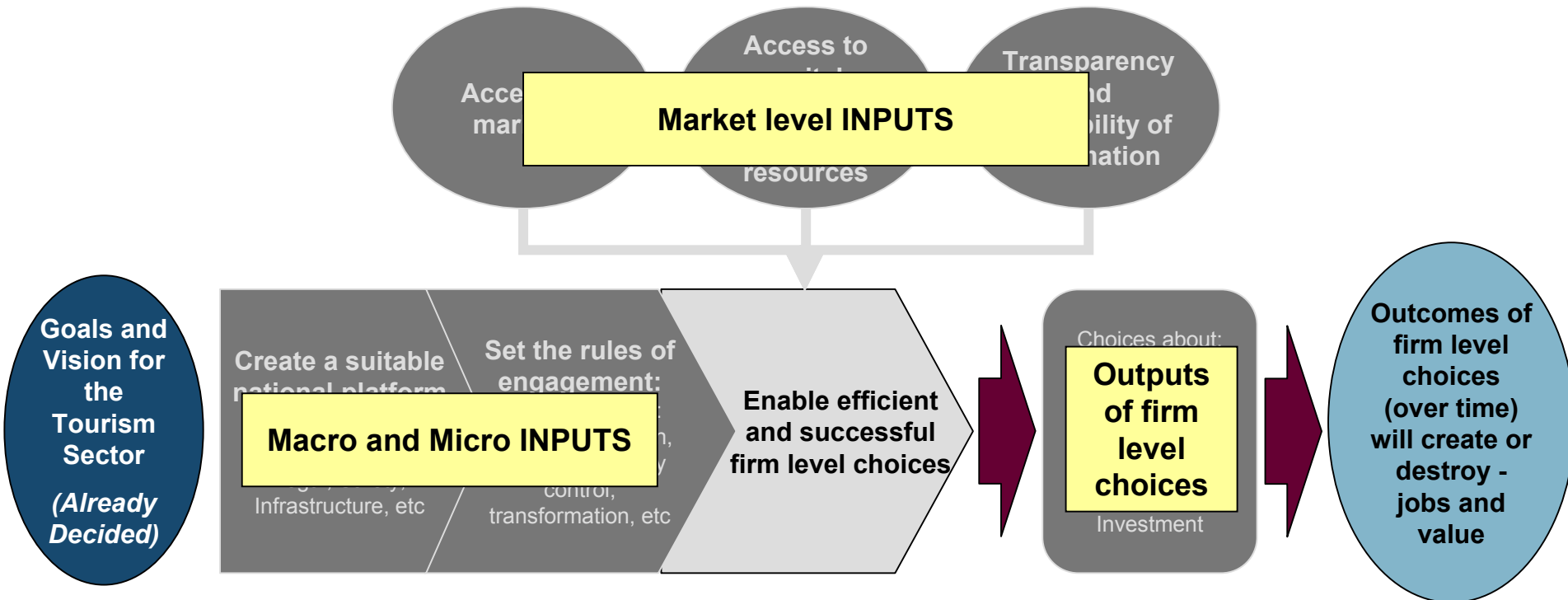
- **South African Tourism has chosen to focus on key source markets and specific consumer segments within those countries who are positive about the country and interested in traveling to SA**
- **This has led to the development of the Tourism Growth Strategy**

Agenda

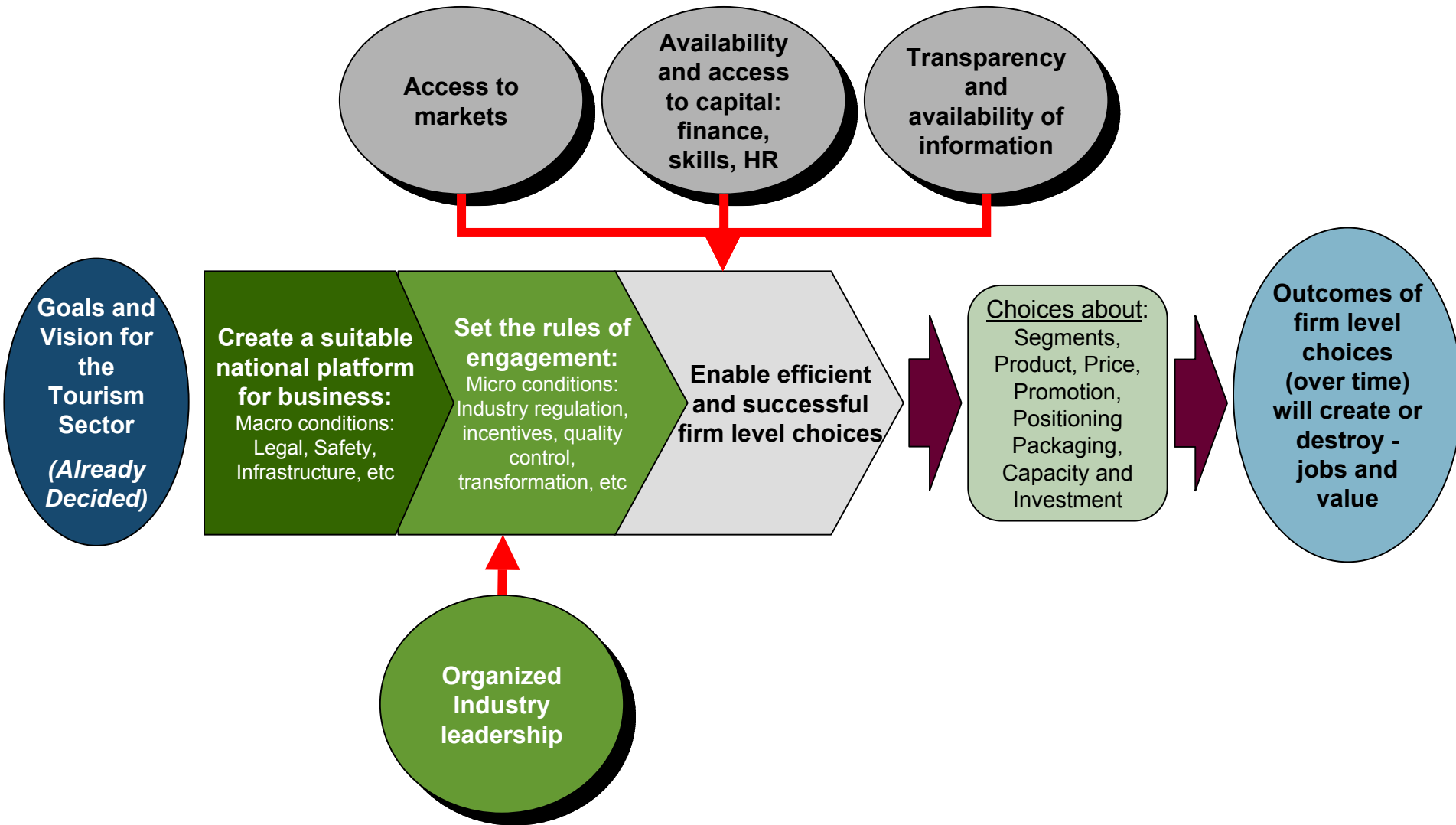
- What does industry competitiveness mean?
- How has South Africa chosen to compete in the global tourism market?
- **A framework for understanding what is required to enhance competitiveness**
- What are the key competitiveness findings from GCP Phase 1?

Government can assist industry by facilitating the availability of high quality inputs that are used in the firm-level decision process

The framework for thinking about firm level choices is easy to understand, as it consists of inputs, outputs and outcomes. Within this framework, Government and Industry play various roles in ensuring the availability of quality inputs



The following framework allows Government and Industry to design an action plan for enhancing the competitiveness of the tourism industry



Agenda

- What does industry competitiveness mean?
- How has South Africa chosen to compete in the global tourism market?
- A framework for understanding what is required to enhance competitiveness
- **What are the key competitiveness findings from GCP Phase 1?**

The current outcomes for the tourism industry compares favorably with a set of key competitor destinations and on an internal basis

External Competitiveness:

- Number of international visitors to South Africa is growing at a satisfactory rate (in the context of negative growth figures in 2003 for key competitors)
- South Africa has shown good growth in tourism receipts from international visitors, but should still look for substantial upside when receipts are compared to key competitors such as Australia, Thailand and Brazil
- The employment figures for the tourism industry suggest that overall South Africa has been one of the better performers in creating employment,
- The low rate of direct employees to international visitors suggest that we may be under investing in human capital (12 international arrivals per direct job created)
- A comparison with Australia reveals that they are more effective in capturing value from a fewer number of tourists, creating more jobs per tourist while not losing the value created per employee

Internal Competitiveness:

- Tourism is the only one of the seven priority sectors¹ that has shown employment and GDP growth over the period 1998 to 2002, however
- Transformation within the sector is still poor

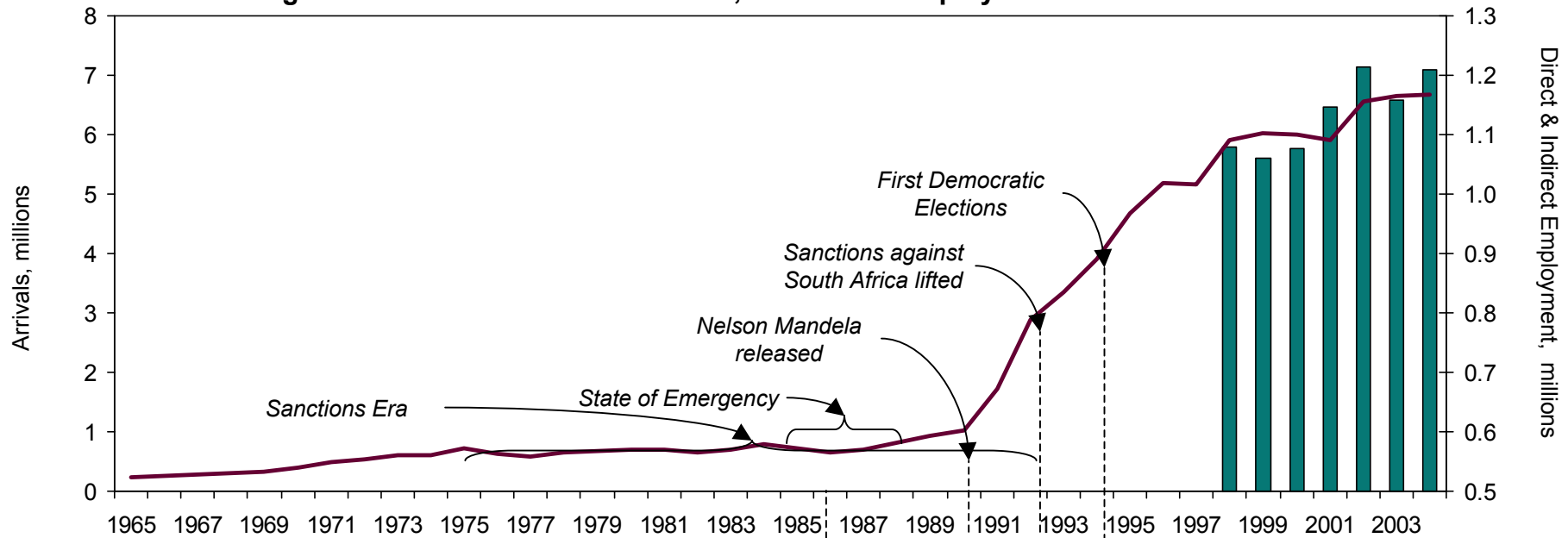
Note: 1 Priority sectors as identified by Cabinet

Source: GCP Phase 1 2004

South African Tourism: TGS Chapter 1

South Africa has performed well in terms of continued growth in arrivals – especially in the face of macro challenges.

Foreign Tourist Arrivals to South Africa, 1965-2003/ Employment in Tourism 1998-2003



1970s and 80s - Stagnation

- Stagnation drove low investment, focus on narrow white domestic market and costs



- Limited investment in broad skills base

1990-1998 - Growth

- Initial period of short-term profit-taking followed by period of investment growth and entry of foreign players
- Start of new focus on skills and training

1998 onwards - Cyclicity

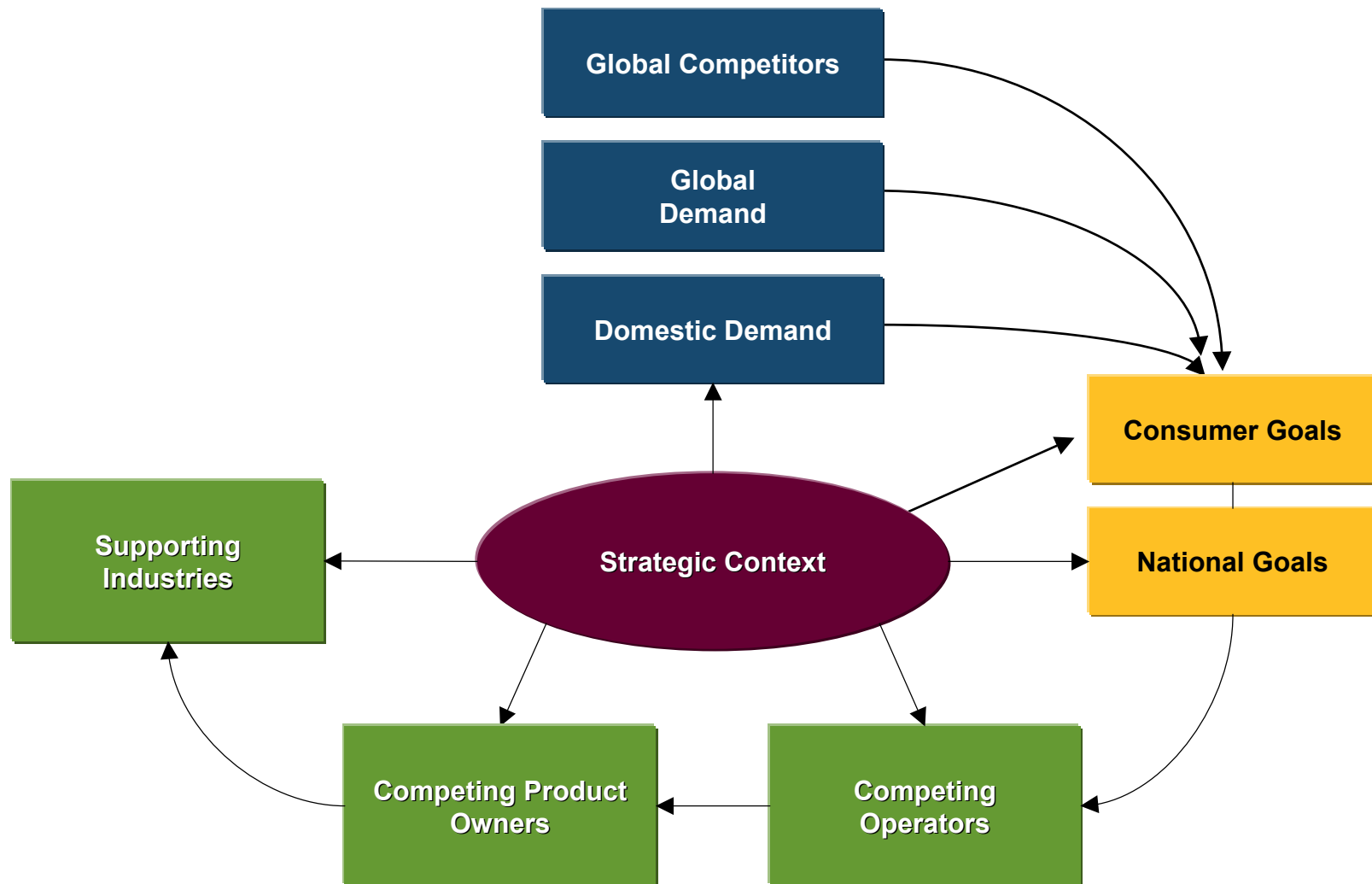
- Global events, currency volatility drive uncertainty and short-term strategy by firms
- Investment rates remain weak overall
- Skills development slow

*based on opinion of participants interviewed, anecdotal evidence

Source: StatsSA, GCP Skills Review Interviews, 2004, WTTC (The 2003 T&T Economic Research): 2003, 2004 are estimates of employment

To become globally competitive as a destination, South Africa needs to forge and manage strategic alignment in the industry and sector

Sustainable competitiveness is not an accident - it is created through the deliberate development of the transparent context within which firms both compete and co-operate



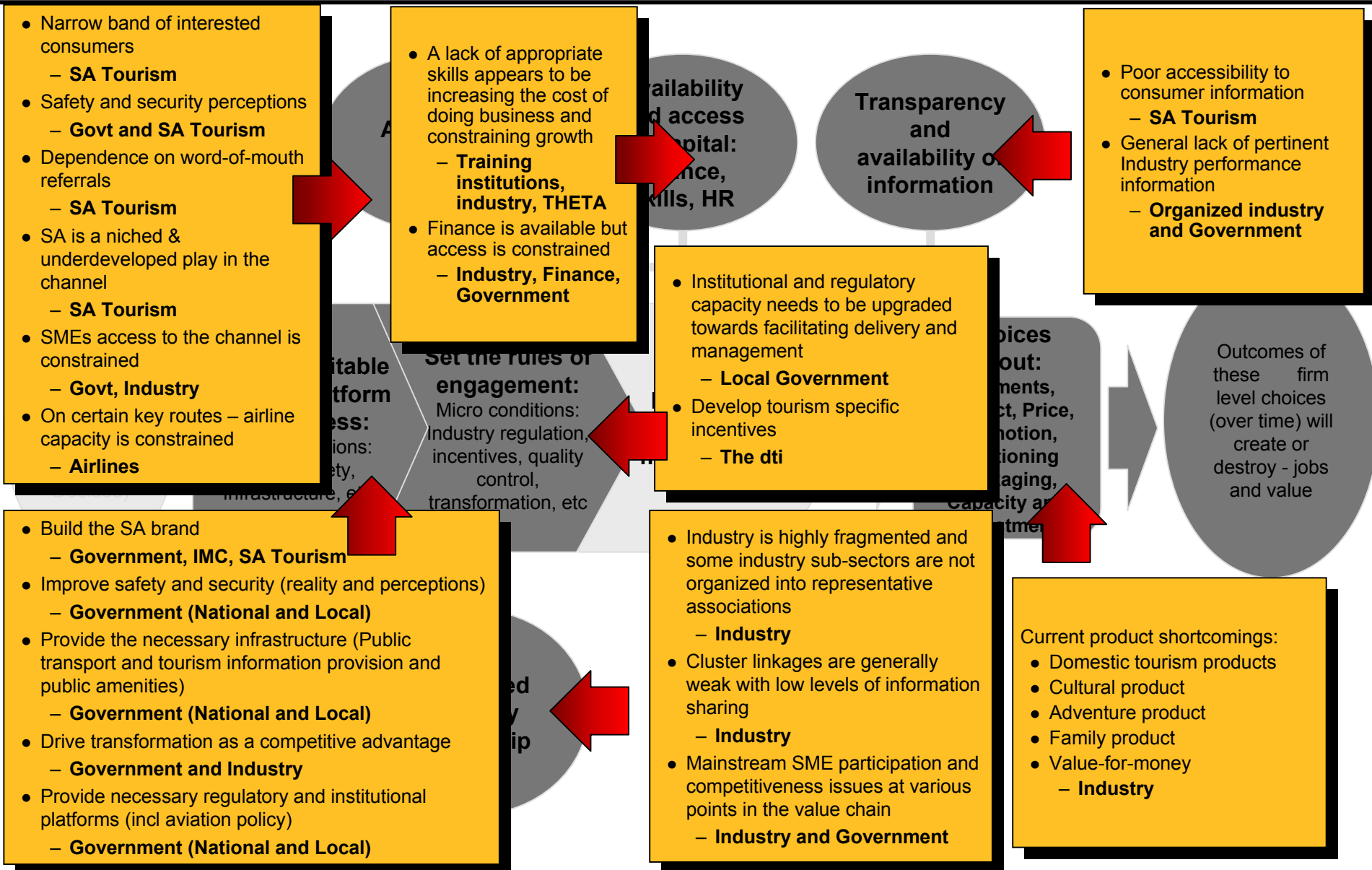
There is an urgent need to fill the data deficiencies in the industry – both from a consumer and an industry perspective

There is little industry performance data available and the consumer segment data needs to be distributed on a wider basis. Currently entrepreneurs and financiers are not able to evaluate business opportunities from a data driven perspective

The information outlined below, needs to be available to industry and other interested parties:

- For an entrepreneur to make informed decisions and for financing institutions to be able to evaluate their risk there needs to be a set of reliable statistics available at several levels within the country:
 - National data
 - Regional data
 - Local level data
- The data that needs to be available at these three levels is the following:
 - Customer data
 - Numbers of international and domestic tourists
 - Segment specific data on the tourists (spend, length of stay, activities, product usage)
 - Industry data
 - No of participants
 - Size of industry (revenue)
 - Occupancies
 - Capacity

The following issues need to be addressed by different stakeholders in the industry



Thank you

www.southafrica.net