

TOURISM FIRST PAPER

Existing Policy and Macro-economic outlook for Tourism in the Western Cape

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The Western Cape Provincial Department of Economic Development and Tourism is developing a microeconomic strategy for the tourism industry in the Western Cape.

This report is the first of three. The objective of this report is to access recent policy documentation on the tourism industry at national, provincial and local levels. The objective in doing this is to lead into part 2 of the study, which is to conduct structured interviews with key stakeholders and role players in the industry. These structured interviews will focus both on the conclusions drawn in this report as well determining stakeholder views on microeconomic constraints to the tourism industry in the province.

It was the intention in this part of the study to establish a database profile of the industry. The purpose of establishing this database was to recognize what would happen to the industry if we continue with 'business as usual'. The extreme paucity of data has constrained the development of this database. What is presented is available evidence on the tourism industry. From this some conclusions can be made about what could happen with the 'business as usual' case. Efforts will continue in remainder of this study to establish a database of the industry.

A number of interventions are identified in this first report. However it must be stressed that interventions are only identified. They are not interrogated further any further in this report. It is the objective of the third report to critically analyse all identified interventions.

This report is arranged in four parts:

Part 1 gives overall observations and general conclusions.

Part 2 is a summary of recent policy documentation with the emphasis on the microeconomic dimension of these policies.

Part 3 is a description of the tourism industry based on the limited amount of information available in the public domain.

Part 4 concludes the report and indicates the way forward for this study.

1 Observations and general conclusions

The tourism industry both in the province and nationally is a very large industry with a multiplicity of stakeholders and role players. It has already been the focus of a significant amount of research, workshops and policy initiatives. Further, it is important to recognise that most of the policy initiatives that are in place have both macroeconomic and microeconomic dimensions. In consequence the policy documentation has been analysed with a view to aggregating microeconomic constraints that have already been identified as well as flagging other potential microeconomic constraints.

As mentioned above, the objective of this part of the study is set the scene for structured interviews with industry stakeholders to determine their views on microeconomic constraints to the industry.

A number of key issues have emerged from a critical reading of recent policy documentation. These issues include the following:

There is no coherent statistical picture of the industry at a national and, more importantly, at a provincial level. There is some information on the demand side (although at a provincial level this is patchy). There is little supply side information. This is important because without this kind of information we have no way of gauging how successful or otherwise any policy intervention has been or will be.

From the information that is available it is clear that the tourism industry is growing in the province. This is particularly true of overseas tourists. Less is known about visitors from the rest of Africa and domestic tourists. What is however apparent is that if the trends in overseas visitor arrivals continue then, while the industry will grow, it will not grow to the extent that it can achieve the targets set in the Provincial White Paper and will therefore not achieve the vision for the industry. In other words 'business as usual' will not

result in radical change in the industry. Of course 'business as usual' is changing and a number of new initiatives currently in place may well result in a more rapid growth in the industry.

Many of the policy documents propose a range of interventions from infrastructural to institutional with both quantitative and qualitative targets. There is however no mechanism to determine if these targets are being met. What is needed is a set of criteria by which to judge which are the best interventions and how these interventions should be clustered (either physically or in time). A cost benefit analysis (either formal or modified) should be included as part of the decision making mechanism.

The Provincial White Paper sets out a number of quantitative and qualitative targets for tourism. The quantitative targets can be monitored by a good statistical database. The qualitative targets need a monitoring and evaluation system to be put in place.

- There is a clear need for more involvement of previously disadvantaged individuals (PDI). There are at least two dimensions to this. First is the PDI involvement in the industry as it currently structured. Second is the potential for more domestic township tourism from the current domestic tourist market as well as growing the domestic market. In contrast to international township tourism there does not appear to be much microeconomic strategy in place to encourage this.
- There are perceptions about poor service levels generally in the country and high prices in Cape Town and other parts of the province.
- There are the well known issues of seasonality, event planning and air travel constraints. We should recognise that even these are well known they remain constraints that need to be addressed. What is less well known is how these constraints link with other seasonality issues to compound the problems. To mention a few of these: seasonality is also linked to airfreight because of belly cargo limitations – grapes, cut

flowers and fish exports add to the seasonality. Available belly cargo is dependent on passenger aircraft. In addition to this, the constraint on air travel is partially due to the limited number of people travelling business class to Cape Town on international flights. ACSA is of the opinion that if there were more international business class travellers there would be more international airlines coming to the City.

- There is inadequate government funding for tourism. This is noted by the National White Paper, the Provincial White Paper and by the World Travel and Tourism Council (WTTC).
- There is a need for better coordination of public resources.
- Innovation of product portfolio.
- A number of micro strategies are laid out in the National and Provincial White Papers. These include:
 - a. Provide tourist related infrastructure, including transport and product development.
 - b. Registration of tourism enterprises and establish channel for complaints. (This is in the process of being done).
 - c. Invest in tourism skills, training and education.
 - d. Implement tourism awareness. (The City of Cape Town has instituted a modest programme in this regard).
 - e. Develop tourist information system
 - f. Suggest routes and itineraries
 - g. Establish PPPs
 - h. Participation of local communities
 - i. Promote financing for tourism, access to finance, investment incentives and foreign investment
 - j. Improve marketing and promotion.
 - k. Ensure safety and security of tourists

- I. Promote Regional cooperation

2 Policy documentation and initiatives

Over the last ten years the tourism industry has been a key focus of policy interventions of various sorts. These range from overarching macroeconomic strategies at a national level to macro and microeconomic strategies at a provincial and city local level. The key policy documents are summarised below. As mentioned above the focus in this report is largely on the microeconomic dimensions of these policy documents.

2.1 National Policy

a White Paper (1996) "The development and promotion of tourism in South Africa"

This is a wide ranging document that covers many aspects of the tourism in South Africa. What the White Paper does do is:

1. Identify key constraints. These are

Inadequate funding

- Short sighted private sector involvement
- Limited integration of local communities and previously disadvantaged individuals (PDIIs)
- Lack of education and awareness
- Poor environment protection
- Poor service quality
- Inadequate infrastructure especially outside of the urban areas
- Public transport does not meet tourist needs
- Lack of structure to promote and manage tourism
- Tourism security

2. The White Paper goes on to advocate why tourism rather than other strategic initiatives. Most of these factors are well known today and not repeated here.

3. The White Paper emphasises that the type of tourism that is wanted is responsible tourism

4. The Paper states a Vision, Objectives and Principles

The vision is to contribute significantly to improving the quality of life of every South African.

The principles are:

- Private sector driven
- Government provide enabling environment
- Community involvement
- Developed in close cooperation with other countries in Southern Africa
- Support the goal and policies of government.

There are three categories of objectives. Economic, social and environmental objectives

5. The Paper lays out fourteen specific macro and micro policies areas. These relate to:

- "Safety and security
- Education and training
- Financing tourism and access to finance
- Investment incentives
- Foreign investment
- Environmental management
- Product development

- Cultural resource management
- Transport – air and ground
- Infrastructure
- Marketing and promotion
- Product quality and standards
- Regional cooperation
- Youth development". (p23)

b SA Tourism: Global Competitiveness Project, (August 2004)

This study was undertaken by the Monitor Group on behalf of SA Tourism. The aims of the study were to "understand the level of innovation within the industry,...., understand the barriers and drivers of innovation within the industry" p15.

This study draws a number of important conclusions most of which are at a national level rather than from a Western Cape perspective. Conclusions that are important to the MES are listed below.

1. The lack of data make it difficult to "properly size the cluster and establish exact number of participants / capacity within each sub-sector" p178
2. The industry is in a high growth phase with rapid entry and strong competition in accommodation and tour operator part of the industry.
3. The positive aspects of the industry is a closer integration of players (especially in the Western Cape), moderate levels of innovation and existing large infrastructure like roads and airports already in place.
4. Negative aspects include the lack of information sharing, marketing and knowledge underdeveloped, and a lack of tourist specific infrastructure (like public facilities and tourist information).

5. There is a low but increasing brand awareness of South Africa as a international destination. International tourists do not find it easy to find information on South Africa and "safety & security" is the most important issue for these potential visitors.
6. On the domestic side word of mouth is the most important source of information. There is a belief that the domestic tourist is being out priced.
7. There has been limited transformation in the industry and there are a number of reasons for this. While there has been some ownership transfer in the large listed companies there has been little in the privately owned companies – and these account for the bulk of the industry. Private tour operators and the small accommodation sector is are the least transformed.

2.2 Provincial Policy

a White Paper on Sustainable Tourism Development and Promotion in the Western Cape (2001)

This White Paper takes its starting point that the tourism industry in the Western Cape has been largely fragmented and has had a short term focus. The intention of the Paper is to put in place a policy framework that will address these problems and move the industry forward. The **framework** emphasises the following aspects:

Recognise the value of tourism

- Encourage sustainable tourism development.
- Manage tourism as a system (This is important for the MES)
- Need for a provincial vision
- Learn from experience

The paper lists the strengths, opportunities, constraints and threats. The strengths and opportunities are well known and not reported here. **Constraints and threats** are listed below: (it will be noted that these are very similar to those identified in the national White Paper).

- Tourist safety
- Limited involvement of previously disadvantaged communities – particularly townships and rural areas
- Inadequate funding
- Institutional fragmentation
- Destructive competition i.e. short term private sector vision
- Poor service
- Inadequate infrastructure for tourist needs
- Tourist infrastructure spending at the expense of other spending.
- Cape Specific issues are:
 - Marketed only on icons (like Table Mountain)
 - Seasonal market
 - Pricing limitations
 - Air travel constraints

The Paper states a single clear vision:

“By the year 2010 the Western Cape is renowned as a premium world tourism area”

Indicators of this vision:

1. Tourist growth in excess of national and international averages
2. Unique ‘Cape’ visit
3. Network of attraction

4. High quality and value for money
5. Tourism regarded as priority by province and community
6. Sector provides bulk of new jobs
7. Sector encourages people mobility

Certain targets are set to determine if this vision is being reached (p27 of WP). These are both quantitative and qualitative. The quantitative targets are evaluated in Section 3 below. The White Paper proposes putting in place a monitoring and evaluation system to determine if the qualitative targets are being met (this is important for the MES).

It should be noted that there are many problems here and these are important for MES. There is no current mechanism to determine if the qualitative targets are being met. Furthermore, the targets do not measure the indicators of the vision stated above.

Key issues for the microeconomic strategy:

The WP indicates the following factors as critical to the success of the policy:

- Meaningful PDI involvement. This is important for a microeconomic strategy.
- Improved funding for development and marketing
- Better coordination of public resources. This is important for a microeconomic strategy.
- Safe and clean tourist environment.
- Innovation of product portfolio. This is important for a microeconomic strategy.
- Creative marketing
- Improved service levels, quality and value for money
- Greater involvement of other economic sectors.

- More direct flights to Cape Town
- Improved awareness, access to training, advice and finance for tourism initiatives
- Sustainable environmental impact
- Dealing with HIV/AIDs on tourism.

A number of strategies are laid out. From the MES perspective the important ones are:

1. Provide tourist related infrastructure
2. Registration of tourism enterprises and establish channel for complaints
3. Invest in tourism skills and training
4. Implement tourism awareness
5. Develop tourist information system
6. Suggest routes and itineraries
7. Establish PPPs
8. Participation of local communities
9. Promote investment opportunities and establish incentives

b Integrated Tourism Development Framework for the Province (February 2002)

The ITDF sees its objective as providing the framework to realise the vision of the WP.

We focus here only on the MES implications/opportunities of the ITDF

Markets and marketing: A large section of the document focuses on markets and marketing. This now lies in the realm of the DMO and is not taken further here.

Some issues: linking City to rural areas and the Cape Flats. The report makes a number of key recommendations with regards to promoting tourism on the Cape Flats. These are:

- Establishment of community tourist forums
- Information and capacity building sessions
- Mapping and signage of tourist routes
- Visible policing and improved communication between SAPS and tour operators.

In this study a stakeholder opinion poll was taken on four aspects of tourism:

Product: Here the opinion is that the province needs:

- Mega projects including an environmental theme park
- Problems for non Metro region are lack of accommodation; poor plant; relatively inaccessible. Regional WC needs to link to Metro.
- Improved ability to compete including how products are packaged.

Infrastructure:

- Limited direct international flights and less airline seats to South Africa
- Poor rail infrastructure; public transport especially between CTIA, CT and rest of province.
- No integrated infrastructure policy. This is important for a microeconomic strategy.
- Better signage (This is being addressed now)
- A proposal is made for cruise ship overnight docking. It is suggested here that a cost benefit analysis should be undertaken to determine that the benefits outweigh the costs.

- Concludes on p14 that “infrastructure links products and markets. It is a means to an end. The construction of infrastructure does not result in a product.”
- One of the key products mentioned by the report is the need for ongoing route development in the province. The report cautions that “the WC has reached a situation where the multitude of routes is confusing to the tourist. An alternative is the marketing of themed areas, i.e. clusters of thematically related products and experiences, rather than non-expansive, linear routes. This approach would ensure the inclusion of a greater number of product and facilities within the marketing loop.” (p18)

Market: (DMO should be addressing most of these issues)

- No coherent marketing with lack of clarity on target market
- Seasonality remains a problem. This is important for a microeconomic strategy.
- Ad hoc, ineffective and parochial marketing

Institutional arrangements:

- Lack of capacity in key organisations
- Lack of definition of roles of stakeholders and need for effective cooperation of tourism organisations. This is important for a microeconomic strategy.

In addition to these four stakeholder issues the report goes on to identify tourism plant – meaning bed stock (including caravan parks). KPMG conclude: “If Government wants to develop tourism, particularly in areas which are disadvantaged, it must intervene to create a suitable environment for investment. Intervention must be targeted at areas that have strength of product to leverage private sector into supply”

KPMG identify six existing areas which are tourist attractors and identify five other that have the potential to be attractors (p 13 of the document). Propose that Metro should be the magnet and other areas market themselves off the Metro.

The report has a large section on target market and what target market does p21-6. What is important is the statement on p27: "International visitors tend to base themselves in Cape Town and tour outward on an excursion basis into the Province. These prevailing patterns of movement have left large parts of the WC with a sparse and scattered distribution of tourism products and facilities. The perception that the tourist experience is not worth the effort required to access these areas has relegated the hinterland regions to a position of "outback"".

Tourism Development areas: KPMG propose some tourism development areas. These are:

- Cape Town Foreshore. This area has the potential to become a major tourist draw card. Nothing much that can be contributed from a MES viewpoint except possibly the nature of the development along the Gateway canal.
- Cape Flats. This is important if we are to have the benefits of tourism filter down to PDIs. Here a host of constraints are identified. KPMG propose a 'think tank' in the form of Chief Directorate, local government, tourism forums, and tour operators. This is important for the MES.
- Eastern Gateway
- Cederberg Gateway
- Langebaan – Veldrift
- Northern Gateway
- Wineland triangle
- Overstrand

- Cape Agulhas. This is important for PDI. Proposals include convening of stakeholders; development of an IDP; signage and pathways; and packaging of investments in the area.
- Mossel Bay, George, Oudtshoorn

KPMG suggests that marketing and infrastructure should be planned around events. We agree with this because it will help to reduce the seasonality of the industry in the province and it is important for MES. The months earmarked by KPMG are July, September and December. It is not clear why December is targeted.

KPMG identify key issues that must be addressed. Many of these are already mentioned above:

- Safety and security
- Air access
- Developing a tourism infrastructure investment framework. What this means is that government needs to create an enabling environment for synergies between private sector investment projects. KMPG suggests that this should happen within each of the tourism development areas (TDA). Suggest that Foreshore development should get top priority. "Projects should be place in pipeline and assessed according to defined criteria" (p46). This could be an important intervention from MES where there is potential to develop a criteria matrix, a cost benefit analysis and stakeholder framework to determine best choice.

The report goes further to make strategic proposals for tourist infrastructure. Roads; sea; air; rail; information distribution; public transport; specific micro infrastructural proposals are made (p51).

2.3 City of Cape Town

a *“Tourism Development Strategy for the City of Cape Town”*

The KPMG document takes cognisance of: “City of Cape Town Strategic Direction 2003-5”; IDP; “Economic Development Vision and Strategy”; “Metropolitan Spatial Development Framework”; “Cape Metropolitan Transport Plan”;

KPMG summaries the key themes of these policy documents and goes on to discuss markets and market segments – these are little different from the Provincial document.

A swot analysis is undertaken. While these are mostly the same as Provincial issues a number of other weaknesses are identified:

- Weather
- Lack of awareness of cultural opportunities
- Lack of top quality accommodation
- Seasonality
- Resistance by Capetonians to tourism
- Difficult to coordinate a fragmented industry (important for MES).
“Poorly defined industry structures with a confusing number of organisations involved” (p18)
- “Wide and potentially inefficient range of information and booking systems available to consumer” (important for MES).

A number of threats are flagged:

- Danger of complacency
- Competition from other SA destinations
- Loss of Blue Flag status of beaches.
- Skills shortage

- Declining public sector funding
- Poor visitor management and planning (not clear what this means but might refer to event clustering)
- Ad hoc investment rather than a strategic approach. This is important for a microeconomic strategy.

This report has a long section on Strategic themes p22

2.4 Other documentation:

a World Travel and Tourism Council: "South Africa, the impact on travel & tourism on jobs and the economy" (1999?)

This report, which was commissioned by WTTC members, has three sections. The first deals with proposals for growing the South African tourism industry. These are important and are reported below. The second focuses on trends in the industry and has been incorporated into the industry profile and has been incorporated into section 3 below. The third is a discussion of tourism satellite accounts. South African Tourism reports that they are in the process of developing a set of tourism satellite accounts so this aspect is not taken further here.

The WTTC makes a number of key recommendations for growing the SA tourist industry. These are:

- There is a need of a Ministry of Tourism to ensure a focussed and integrated approach to tourism in the country.
- The report suggests that the White Paper of 1996 is outdated, on the one hand, that many of the constraints have been overcome and that new constraints are emerging, on the other.
- There is a need for better industry measurement, research and forecasting.

- The responsibilities of South African Tourism should be expanded beyond just marketing to include product development, provincial coordination, acting as a national convention bureau, to name but a few.
- Enhanced marketing and promotion. WTTC believes that while the marketing budget of South African Tourism is reaching “competitive” levels it should be increased still further.
- The MICE market should be expanded further through the establishment of a National Convention Bureau.
- There is a need for further air slots to the country.
- South African Airways and ACSA should be privatised. (This is unlikely to happen in the current climate).
- There is a need for transformation in the industry to allow PDIs “long term career development” in the industry.
- There needs to be a proactive approach to HIV/AIDS in the industry.
- There is a need for increased government expenditure on tourism in order to gain an international competitive advantage. At the time of the report government expenditure on tourism was 0.5% of total expenditure compared to a world average of 3.8%.
- There is a need to improve the safety and security image of South Africa. This can be done by increasing security, on the one hand, but also through better management of negative publicity, on the other.

This document reports on trends in tourist arrivals, sources and spending patterns for 2003. Parts of the report have been included section 3 below.

3 Trends in the Western Cape Tourism industry

The objective of this section of the report is to examine some of the recent trends in the tourism industry in the Western Cape with a view to determining the possible outlook of the industry. This analysis takes its starting point from the quantitative targets set in the Provincial White Paper. These are:

- "increase the number of overseas tourists visiting the Western Cape from approximately 790 000 in 1999 to 4 million by 2010
- increase overseas tourist expenditure in the province from R9.7 billion in 1999 to R30 billion by 2010 (1999 prices)
- increase the annual share of the overseas tourist nights accruing to the Western Cape from 40% to 48% during summer and from 26% to 40% during the winter by 2010
- increase the number of domestic tourism trips from 2.3 million per year to approximately 4.7 million
- increase annual domestic tourism expenditure in the province from R8.2 billion to R14 billion (1999 prices)" (p28).

At the outset it must be noted that the exercise proved to be difficult and frustrating because of the fragmented, inconsistent and patchy nature of the available information on the demand side of the industry. In addition to this information on the supply side of the industry is even more fragmented, inconsistent and rarely reported. It is for this reason that it is not possible to report on the number of jobs that are created in the provincial tourism industry.

Each of the five targets is considered in turn:

In the South African tourist nomenclature foreign arrivals are all foreigners arriving in the country. Overseas arrivals are all foreign arrivals that are not from Africa. Figure 1 indicates the quantitative difference between these two sets of arrivals. Overseas tourists are those visitors other than from Africa who are not here for the purpose of business or study. Figure 2 illustrates the difference between these three categories of visitors and also shows that, as can be expected, the bulk of overseas visitors are tourists.

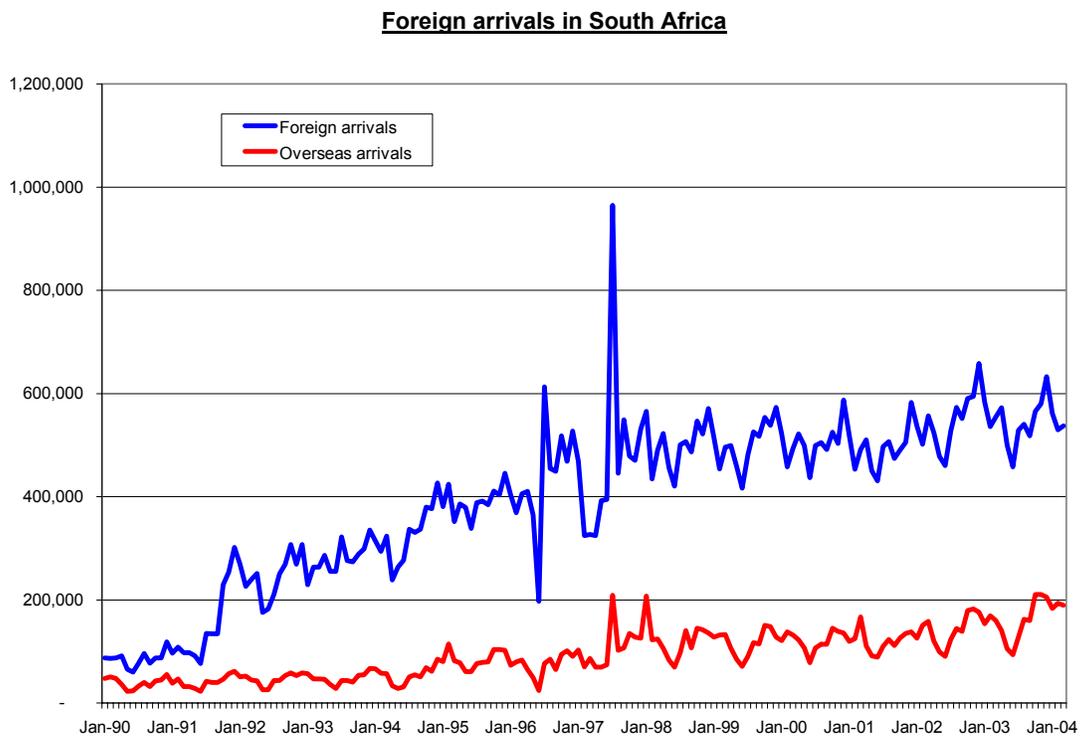


Figure 1 (Source: Statistics SA)

Foreign visitors by purpose of visit

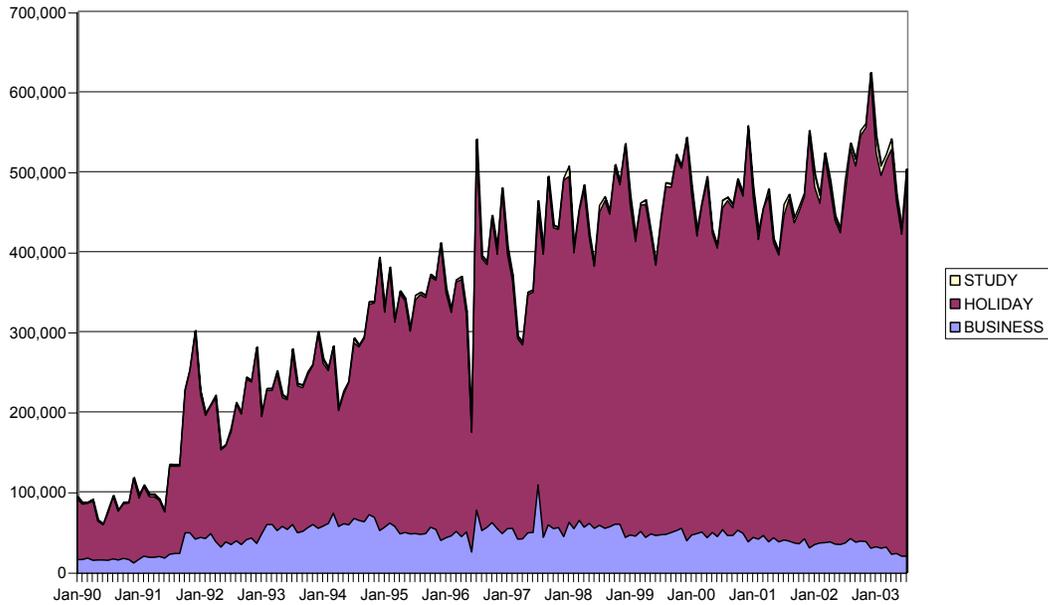


Figure 2 (Source: Statistics SA)

Growth in overseas tourist arrivals in the Western Cape

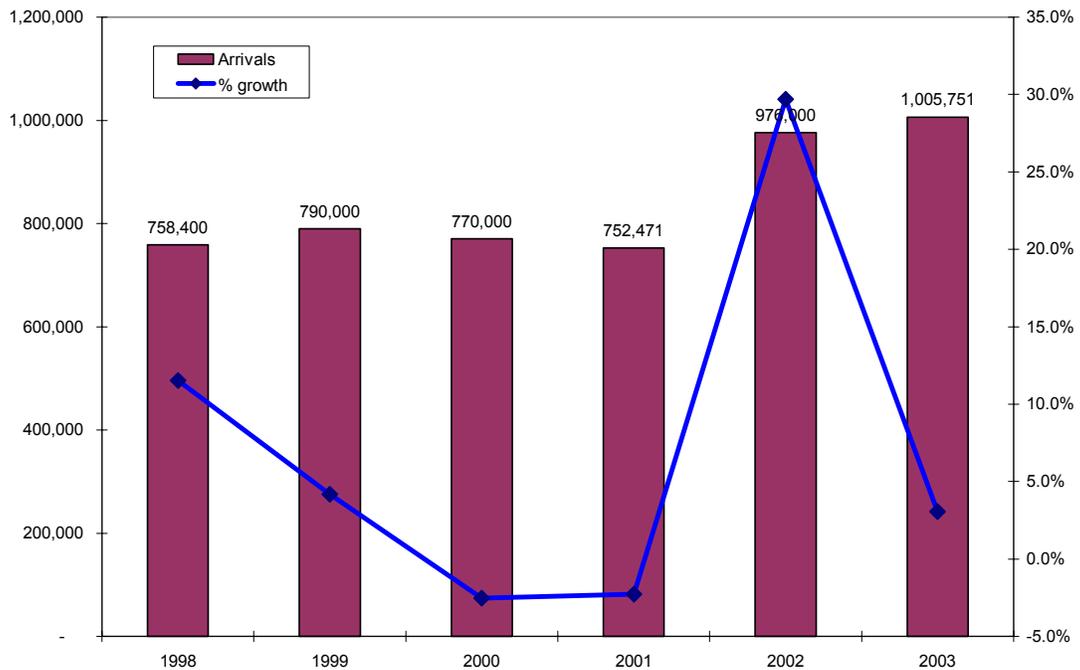


Figure 3 (Source: Cape Metropolitan Tourism and SA Tourism)

The annual growth and the growth rate in overseas tourist arriving in the Western Cape are illustrated in Figure 3 for the years 1996 to 2003. Overseas tourist visitors to the province increased from 758 400 in 1998 to 790 000 in 1999 before falling off to 752 471 in 2001. In 2003 these arrivals had increase to just over a million visitors.

The Provincial White Paper set a target of 4 million overseas tourists by 2010. Figure 4 illustrates the projected number of overseas tourists to the province should the trends over the last six years continue until 2010. By 2010 the province could have less than 1.6 million overseas tourist visitors. This is well short of the target. In addition to this the outlook is unlikely to change much even if we add in tourists arriving from Africa. This is illustrated in Figure 5 for 2002 – the only year where reliable data appears to be available. It is clear that at current trends visitors from the rest of Africa are not going to make a material difference in meeting the 4 million visitor target.

Figure 4 is a simple extrapolation of historic trends. Clearly there are a number of factors that will contribute to raising overseas tourist arrivals and a number that will work against it. The factors that could work in promoting increases in overseas visitors include:

- The recent establishment of the Direct Marketing Organisation (DMO) and the more focused contribution that it will bring.
- The opening last year of the Cape Town International Convention Centre. This has brought many international delegates to Cape Town many of whom will return as tourists.
- The recent declaration of Table Mountain National Park as a World Heritage Site and the on-going efforts of the Park management to make the Park attractive for overseas visitors.
- Other strategic initiative like the ITDF

On the other hand there are a number of factors that are working against the local tourist industry. These include:

- The strength of the Rand and the impact this has on the cost of holidaying in South Africa. See Figure 6 below.
- There is increased competition from other tourist areas in the world who also vie for the same kind of tourist that we do (Thomas 2004 p20)
- Perceptions of crime and lack of tourist safety.

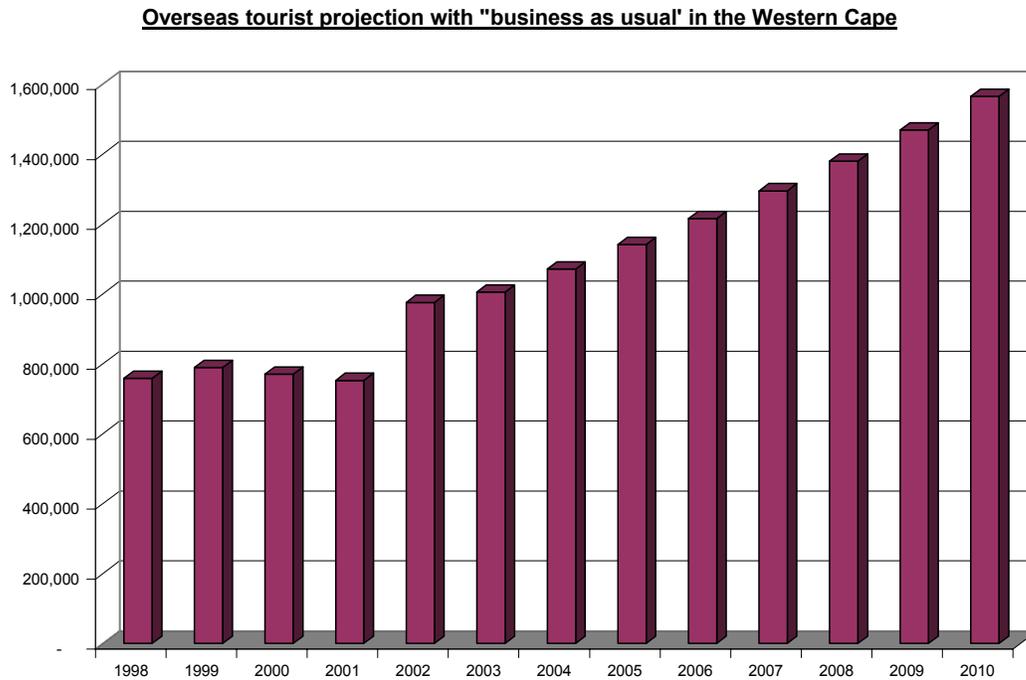


Figure 4

Foreign visitor arrivals in the Western Cape in 2002

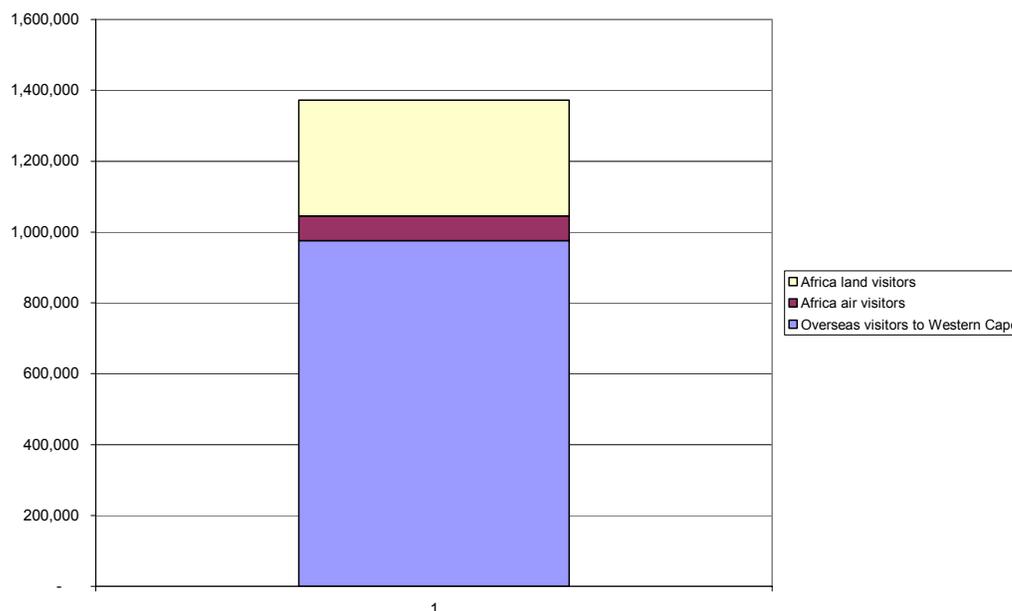


Figure 5 (Source: Wesgro GTKF)

The second target stated in the White Paper is to increase overseas tourist expenditure in the province from R9.7 billion to R30 billion by 2010 (1999 prices). There is little hard evidence that could be found to evaluate this target. It is clear that if the target for overseas visitors is not being achieved then it is unlikely that this expenditure target will be achieved. South African tourism reports that the Western Cape received R9.1 billion of foreign tourist revenues in 2002 (in nominal values) and that this fell to R8.8 billion in 2003 (SA Tourism 2003 p35). Should these numbers be comparable with the targets set in the White Paper, then it is clear that the province is very unlikely to achieve this second target.

It is possible that increased tourist spending could help achieve this target even if the target for tourist numbers is not met. It will, of course, also be realised that the more tourists have to pay to visit South Africa the less willing they will be to come here. These trends are illustrated in Figure 6 which shows the average spend per overseas visitor in Rands and Euros. It is clear that foreign visitors are spending considerably more each year on their

South African holidays. This is a combination of three factors and further research is needed to determine the relative contribution of each of the factors. First there are more true holiday makers and less visiting friends and relations (VFR) (WTTC 1999 p17). The former typically spend more than the latter. Second, the rand cost of accommodation has increased, particularly in Cape Town. Third the strength of the rand has become a major contributor to the cost of South African holiday.

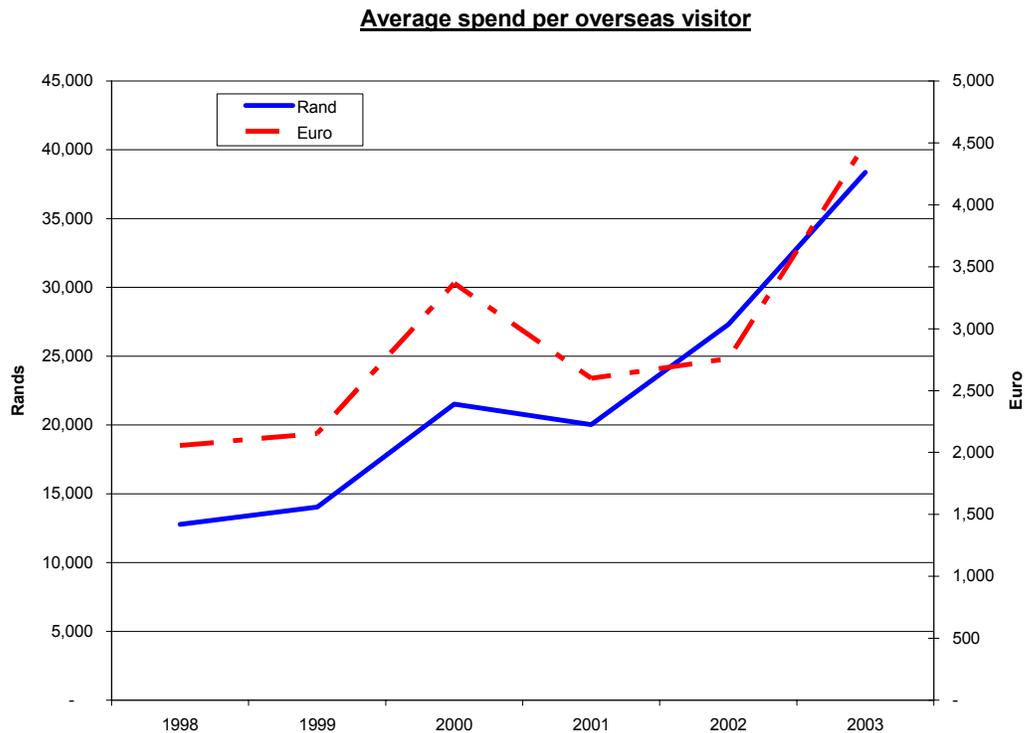


Figure 6

The third of the targets in the White Paper is to increase the annual share of the overseas tourist nights accruing to the Western Cape from 40% to 48% during summer and from 26% to 40% during the winter by 2010. This is a target which that we were not able to evaluate because it is not clear how the original targets were calculated. SA Tourism reported that in 2002 the Western Cape had a 20% share of foreign tourist bed-nights (note not overseas tourists) and that this increased to 26% in 2003 (SA Tourism 2003 p34). No information could be found for overseas tourists.

The fourth of the targets is to increase the number of domestic tourism trips from 2.3 million per year to approximately 4.7 million. As with the third target this target proved very difficult to evaluate. For instance Wesgro reported that the Province had 4.7 million domestic tourism trips in 1998. In addition it was reported that this number stood at 4.2 million for 2000 and 2001 (Source: Cape Town Convention Bureau 2003 p10).

The final target is to increase annual domestic tourism expenditure in the province from R8.2 billion to R14 billion (1999 prices). Clearly because of the difficulty in evaluating targets three and four, this final target could not be evaluated.

From a provincial perspective Figure 7 captures some of the challenges faced in attracting foreign tourists into the hinterland of the province. While this figure is incomplete (because of a lack of data) it illustrates two disturbing trends. The first is the dominance of the City of Cape Town in the foreign tourism market (and reinforces the point made by KPMG above). The second is the declining length of foreign visitor stay in Cape Town (and probably, by inference, the province).

Foreign visitor length of stay

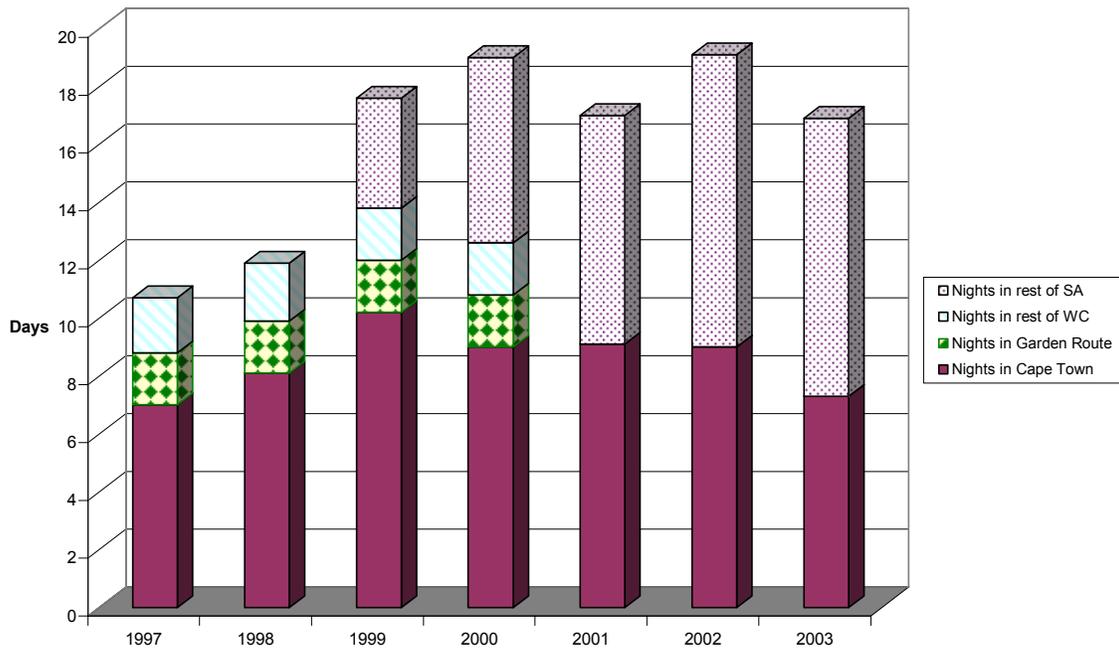


Figure 7 (Source: Wesgro GTKF)

A number of key conclusions can be drawn from this section.

There is relatively poor data on tourism, particularly on domestic tourism numbers and on the supply side of the industry. This makes any analysis difficult at the best of times and possibly unreliable.

From the information that is available it is clear that the tourism industry is growing in the province. This is particularly true of overseas tourists. Less is known about visitors from the rest of Africa and domestic tourists. What is however apparent is that if the trends in overseas visitor arrivals continue then, while the industry will grow, it will not grow to the extent that it can achieve the targets set in the Provincial White Paper and will therefore not achieve the vision for the industry.

4 Conclusion and way forward

The objective of this report was to access recent policy documentation on the tourism industry at national, provincial and local levels. The purpose in doing this is to lead into part 2 of the study which is to conduct structured interviews with key stakeholders and role players in the industry. These structured interviews will focus both on the conclusions drawn in this report as well determining stakeholder views on microeconomic constraints to the tourism industry in the province.

A number of key issues have emerged from this study. These issues include the following:

There is no coherent statistical picture of the industry at a national and, more importantly, at a provincial level. There is some information on the demand side. There is little supply side information.

From the information that is available it is clear that the tourism industry is growing in the province. This is particularly true of overseas tourists. Less is known about visitors from the rest of Africa and domestic tourists. What is however apparent is that if the trends in overseas visitor arrivals continue then, while the industry will grow, it will not grow to the extent that it can achieve the targets set in the Provincial White Paper. In other words 'business as usual' will not result in radical change in the industry. Of course 'business as usual' is changing and a number of new initiatives currently in place may well result in a more rapid growth in the industry.

Many of the policy documents propose a range of interventions from infrastructural to institutional with both quantitative and qualitative targets. There is however no mechanism to determine if these targets are being met. What is needed is a set of criteria by which to judge which are the best interventions and how these interventions should be clustered (either physically or in time). A cost benefit analysis (either formal or modified) should be included as part of the decision making mechanism.

The Provincial White Paper sets out a number of quantitative and qualitative targets for tourism. The quantitative targets can be monitored by a good statistical database. The qualitative targets need a monitoring and evaluation system to be put in place.

- There is a clear need for more involvement of previously disadvantaged individuals (PDI). There are at least two dimensions to this. First is the PDI involvement in the industry as it currently structured. Second is the potential for more domestic township tourism both from the current domestic tourist market as well as growing the domestic market. There does not appear to be much microeconomic strategy in place to encourage this.
- Tourism needs to be managed as a system. There is no mechanism in place that allows for this.
- There are perceptions about poor service levels generally in the country and high prices in Cape Town and other parts of the province.
- There are the well known issues of seasonality, event planning and air travel constraints.
- There is inadequate government funding for tourism.
- There is the need for better coordination of public resources and innovation of product portfolio.
- A number of micro strategies are laid out in the National and Provincial White Papers.

The objective of this part of the study was to identify microeconomic issues that are relevant to growing the tourist industry in the Western Cape. These issues will be incorporated into a questionnaire with both structured and open ended questions. Meetings will be set up with key role players in the provincial tourism industry in order to determine their views with regard to the identified issues as well as allowing them share their views on current constraints to growing the industry.

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